

Section 2: Finance

ITEM M/2/102/02/23

SECTION 52(d) REPORT FOR THE QUARTER ENDING MARCH 2025

Directorate: Finance & Corporate Services

Demarcation: All Wards

File Ref: 9/1/3/4

Delegation: Council

Attachment : Annexure “A” – Quarterly Budget Statement Q3
: Annexure “B” – C Schedule Q3
: Annexure “C” – SDBIP Q3

Report from : Acting Director: Financial Services

Date : March 2025

Purpose of the report

The purpose of this report is to inform Council on the implementation of the budget and the financial state of affairs of the municipality for the Quarter that ended 31 March 2025.

Background/Discussion

This report deals with the Quarter that ended 31 March 2025 and reflects the implementation of the budget, and the state of the municipality’s financial affairs

The in-year reports was prepared in terms of the Local Government: Municipal Finance Management Act, (Act 56 of 2003): Municipal Budget and reporting regulations, Government Gazette 32141, 17 April 2009

The quarterly report to council was drafted in accordance with the budget and reporting regulations and corresponds with the quarterly Section 52(d) reporting, Schedule “C” as submitted to Treasury as per the MFMA reporting timeline.

Summary of financial state of affairs for the quarter ended 31 March 2025

The report as attached hereto can be summarized as follows:

1. Financial Position

Assets

Current Assets at the end of the quarter amounted to R 639.7 Million, consisting of the major contributors which is Receivables from exchange and non-exchange, as well as Cash and Cash equivalents.

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The municipality reports total short-term investments at R 209 million and a bank balance of R22.2 million. The difference between the bank balance and the Cash and Cash equivalents is payment and receipting not done in the bank reconciliation.

Non-current assets, which includes Property Plant and equipment amounts to R 1,381 Billion at March 2025.

In total assets amount to R 2,020 Billion as at end March 2025.

Liabilities

Current liabilities at quarter end equates to R 379.4 Million consisting of the major contributors such as the current Borrowing Costs, Provisions and Trade Creditors.

Non-current liabilities amount to R189.2 Million as at 31 March 2025. It consists of Long-Term Borrowing and Provisions.

Net Assets

Net assets for the month amount to R1,452 Billion as at 31 March 2025.

Conclusion on financial position

The financial position as at 31 March 2025 is above the best practice benchmark at 4.17:1 meaning current assets are 4.17 times more than current liabilities. (The best practice benchmark is between 2 and 3).

2. Financial Performance

Revenue

Total YTD revenue received at the end of quarter 3 equates to R706.3 million which represents 72% of the total operating revenue budget for the year.

The following is highlighted with regards to the variances in Revenue:

Property Rates: R15.7 million and when comparing the YTD actual to the YTD budget, the revenue source is adequately performing.

Service Charges – Electricity: Revenue from electricity for the quarter amounts to R18.8 million. The anticipated budgeted revenue amounted to R194.4 million, while actuals at month end has a balance of R192.9 million, translating to the Revenue source slightly underperforming. Electricity revenue is influenced by fluctuating consumption during peak and off-peak periods. Focus has now shifted towards the effect of SSEG on our consumption patterns as various residents are now opting for solar installations, the true effect of SSEG by means of rooftop solar installations is still to be determined as many residents have yet to register the installations with the municipality. Bitou Municipality has recently updated its cost of supply study on electricity which will see a change in our tariff structure going into the new financial year.

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Service Charges – Water Revenue: Water revenue as at end of March 2025 amounts to R71 million while YTD budget amounts to R69 million which means this revenue source is overperforming. As we are entering the off-peak period a decrease in consumption is expected.

Service Charges – Sanitation Revenue: A negative YTD variance of 7%, which mainly relates to journals still to be posted for revenue forgone that included VAT. It is expected that the revenue enhancement program will add to increasing the revenue source over the remainder of the budget period. The revenue item will be monitored as it was performing adequately at the end of the previous financial year.

Service Charges – Refuse revenue: A negative YTD variance of 8%, which similarly to Sanitation Services is due to the Revenue Forgone journals that still need to be processed to remove the VAT billed. The shortage of refuse bins to implement the changes is also a matter of concern. A concerted effort will need to be made in the remainder of the financial year to ensure this revenue source is performing adequately.

Rental from Fixed Assets – A negative YTD variance of 12% is reported. Revenue from this source is dependent on the community's need to make use of municipality's various facilities and it can be difficult to predict, however it is expected that this revenue source will come in-line as we approach the end of the financial year, however it is expected that this revenue source will come in-line as we approach the end of the financial year

Interest earned – outstanding debtors: A negative YTD variance of 8% is recorded. Although the interest on outstanding debtors is under performing, it is a positive sign as it means customers are paying their accounts.

Fines, penalties and forfeits: A positive YTD variance of 12%, which can be ascribed to revenue recognition done for the month of February 2025. The revenue for the month of March 2025 will be recognised as part of the April 2025 monthly reporting, as the reports are sent to the Municipality on the 7th working day. This revenue source has been adjusted to be in line with actual performance and projected revenue still to be collected.

Sale of Goods and rendering of Services: A negative YTD variance of positive YTD variance of 12%, which can be ascribed to revenue recognition done for the month of February 2025. The revenue for the month of March 2025 will be recognised as part of the April 2025 monthly reporting, as the reports are sent to the Municipality on the 7th working day. This revenue source has been adjusted to be in line with actual performance and projected revenue still to be collected

Expenditure

The total expenditure to date at the end of quarter 3 is R568.9 Million which represents 58% of the total operating expenditure budget for the year.

With regards to the variances in respect of expenditure the following is highlighted:

Employee cost: A negative YTD budget variance of budget variance of 21% is reflected. The main factor contributing to the under-spending remains the vacant positions that have not been filled to date, coupled with employee benefits provisions that will be processed at year-end.

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Bulk Purchases - Electricity: Eskom payments for the quarter ended March 2025, amounts to R156.6 million. All payments are in respect of February invoices. March 2025 accounts will be forming part of next month's reporting. Currently this expenditure item is underperforming by 7%.

Contracted services: As at end of March 2025 amounts to R48.9 million and is under-performing by 38% when compared to the YTD budget of R78.6 million. It is expected that this category of expenditure will increase at the end of the financial year.

Transfers and Subsidies: Expenditure as at end of March 2025 amounts R8.2 million when compared to the YTD budget of R7.4 million. An overperformance is reported for the month and expenditure falling under this category include grant-in-aid, payment to the shark spotter programme and our contribution to the regional landfill site.

Operational Cost: A negative YTD budget variance of 21% is recorded. This includes items such as the rental expenses for offices, accommodation, insurance, travel and subsistence and telephone accounts. Some of the major contributors to this expenditure category is postage cost, external audit fees, bank charges and commission on prepaid electricity.

Conclusion on financial performance

In total for quarter ending March 2025 amounts to R10.6 million with a YTD actual of 137.4 million, compared to the R11.9 million anticipated budgeted revenue for the year. This, however, exclude revenue from capital contributions.

3. Debtors Management

The debtors' book of the municipality reflects R 305.3 million on outstanding debtors older than 121 days and a total outstanding amount of R 380.1 million.

The contributors to the outstanding debt remain the household debt which represent 95.45% of total debt, followed by businesses with 2.88% and organs of state contributing 1.67%

The municipality has monthly debt collection strategies to help ensure that outstanding revenue is collected, which includes blocking prepaid electricity for users in arrears and applying water restrictions in arrears where Eskom is the electricity distributor. Customers are informed prior to these actions being implemented by way of a disconnection notice. Disconnection notices are sent monthly out to all customers with outstanding accounts after the due date which is 7th of every month. An anomaly was detected in this month's reporting relating to January that has been corrected, the annual collection rate remains unchanged.

The collection rate for the quarter ending March 2025 is 83%.

4. Creditors Management

The municipality reports R24 000 trade creditors in March 2025, all of these are older than 30 days.

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Financial Implications

Financial implications are attached on Annexures A&B

RELEVANT LEGISLATION

The Municipal Finance Management Act – No. 56 of 2003 Section 52(d) quarterly budget statements.
Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations (MBRR)

RECOMMENDED BY MUNICIPAL MANAGER

That the Section 52(d) report for the quarter ending 31 March 2025, be noted.