Richmond
Local Municipality

QUEL · BEAU · LIEU

Richmond
Local Municipality

In-Year Report
September 2023

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1.1 Background

The Municipal Finance Management Act (MFMA) assigns various responsibilities to the Mayor and the Accounting Officer (Municipal Manager).

As per Section 71 (1) "*The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the Mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month.*"

Section 52(d) of the MFMA states: "52. ***General responsibilities***: - *The Mayor of a municipality-*

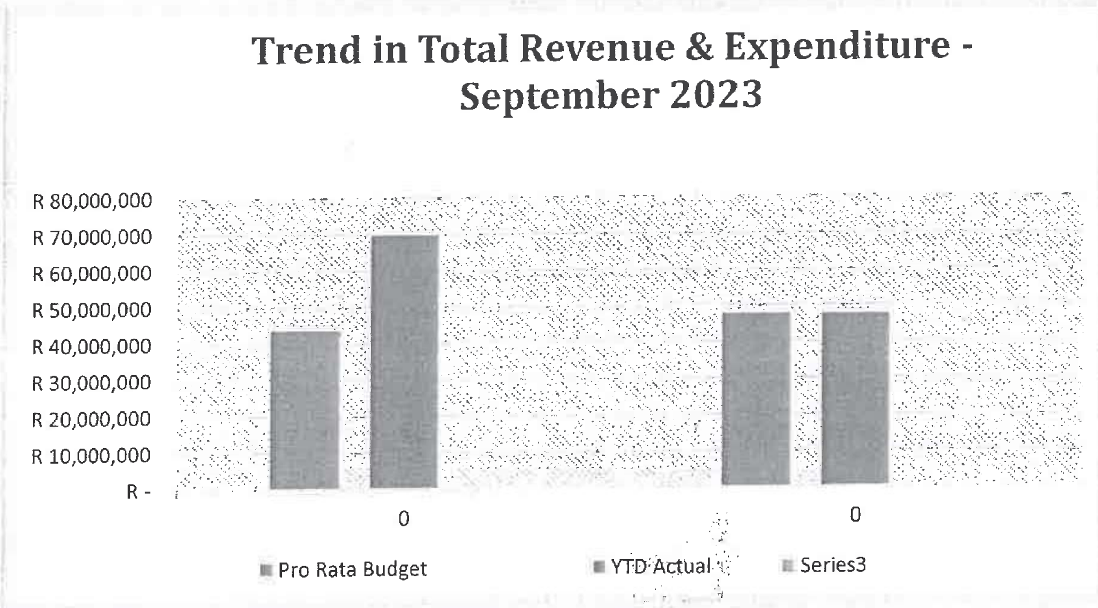
(d) Must within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality."

1.2 Executive Summary

This in year report is prepared in terms of the municipal budget and reporting regulations that were promulgated in the Government Gazette No. 32141 of 17 April 2009.

1.2.1 Overview of financial performance

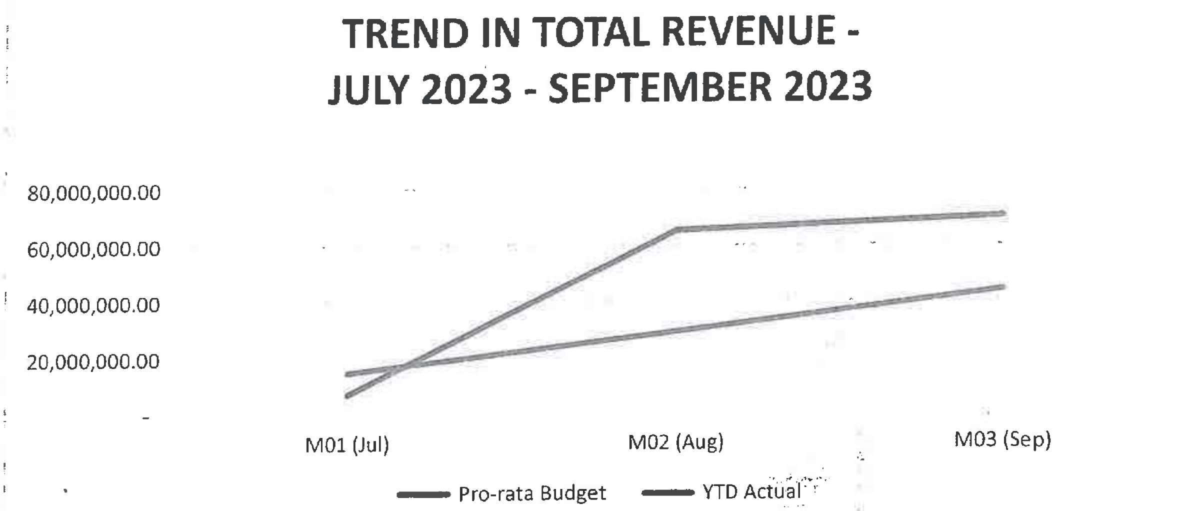
Description	Table 1 - Summary for Financial Period ended September 2023				
	Full Year Budget 2023/24	Pro Rata Budget	YTD Actual	YTD Variance September 2023	
					%
Total Revenue:	**174,688,604.00**	**R 43,672,151**	**R 69,764,080**	**R 26,091,929**	**59.75%**
Revenue - Operational	154,499,204.00	38,624,801	60,569,316.58	R 21,944,516	56.81%
Revenue - Capital	20,189,400.00	5,047,350	9,194,763.21	R 4,147,413	82.17%
Total Expenditure:	**R 190,459,827**	**R 47,614,957**	**R 47,444,928**	**R -170,028**	**-0.36%**
Expenditure - Operational	R 166,135,412	41,533,853	39,524,088	R -2,009,765	-4.84%
Expenditure - Capital	R 24,324,415	6,081,104	7,920,840	R 1,839,736	30.25%
					Source: Budget Table C1



Key Observations:

- The table & illustrations above provide an overview of the municipal financial performance and position as of **September 2023.**
- Total revenue accrued amounted to **R 69,8 m** which is higher as compared to the pro rata budget of **R 43,7 m.**
- Total expenditure incurred amounted to **R 47,4 m** which is slightly lower than the pro rata budget of **R 47,6 m.**
- Total operational expenditure incurred amounted to **R 39,5 m** while the pro rata budget is **R 41,5 m.**
- The capital expenditure incurred amounted to **R 7,9 m** which is slightly higher compared to the pro rata budget of **R6,1 m.**

1.2.2 Revenue Trend



The illustration above provides an overview and trend of total revenue for **July 2023 to September 2023**.

1.2.3 Revenue by source

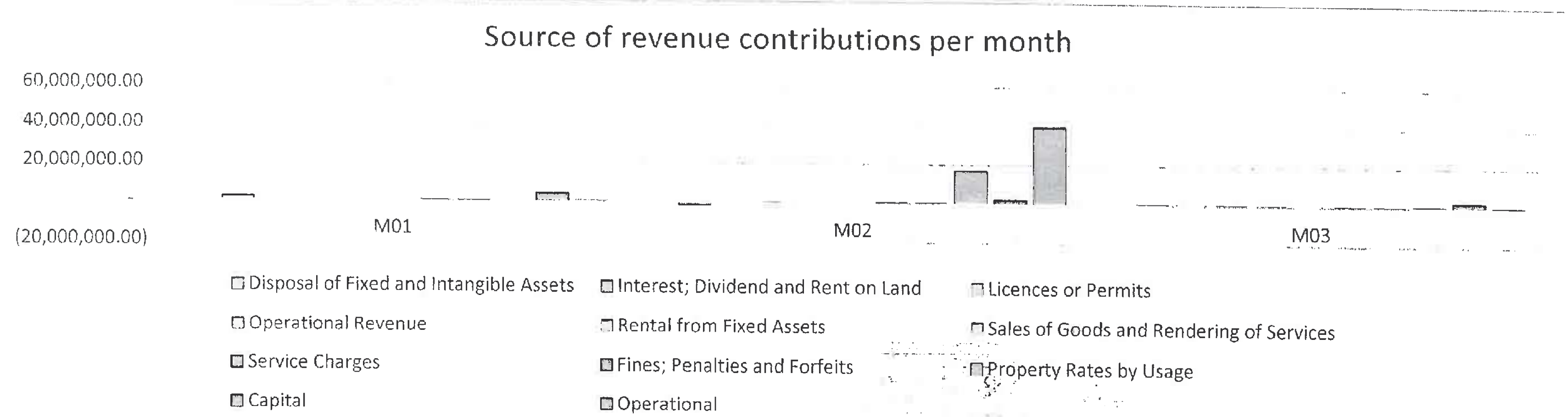
The following revenue tables are from Richmond Local Municipality's financial system; the purpose is to disclose revenue performance by source. These tables are aligned with **Table C4, Monthly Budget Statement – Financial performance (revenue M03)**. Key variances are further detailed and analysed below:

Revenue Source	Total Budget	Total Actual	Pro rated Budget	Variances	%
Property Rates by Usage	28,445,868.00	17,824,138.62	7,111,467.00	10,712,671.62	151%
Capital	20,189,400.00	9,194,763.21	5,047,350.00	4,147,413.21	82%
Operational	100,756,604.00	39,964,252.12	25,189,151.00	14,775,101.12	59%
Interest; Dividend and Rent on Land	3,204,648.00	1,075,626.16	801,162.00	274,464.16	34%
Sales of Goods and Rendering of Services	380,568.00	104,845.95	95,142.00	9,703.95	10%
Service Charges	1,145,064.00	256,690.59	286,266.00	(29,575.41)	-10%
Licences or Permits	3,046,464.00	519,451.25	761,616.00	(242,164.75)	-32%
Rental from Fixed Assets	1,095,540.00	173,149.38	273,885.00	(100,735.62)	-37%
Fines; Penalties and Forfeits	5,247,312.00	588,402.55	1,311,828.00	(723,425.45)	-55%
Operational Revenue	745,632.00	62,759.96	186,408.00	(123,648.04)	-66%
Disposal of Fixed and Intangible Assets	10,431,504.00	-	2,607,876.00	(2,607,876.00)	-100%

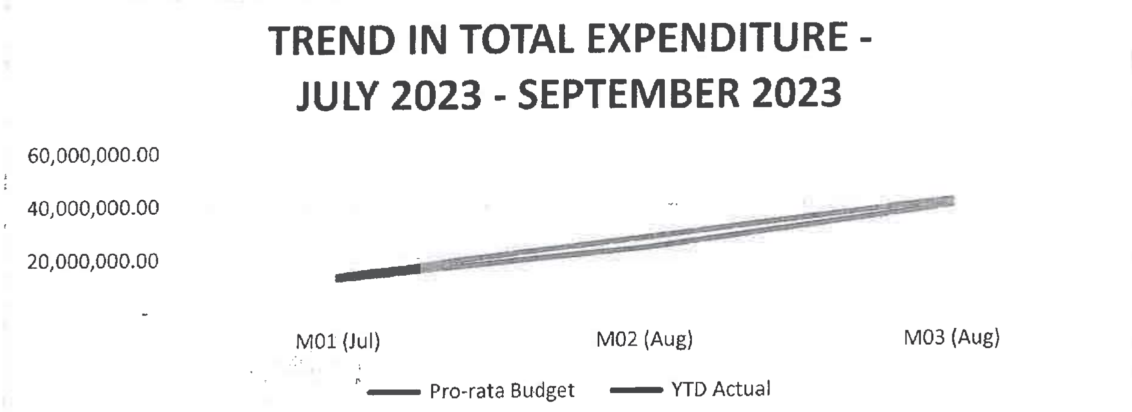
%	Revenue by Source	Comment	Explanations for variances above +/-10%
151%	Property Rates by Usage	Favorable	Variance is due to annual billing done in August, it is expected to even out during the year.
82%	Capital	Favorable	Variance is due to the effective utilization of the MIG grant
59%	Operational	Favorable	Variance is mainly due to the Equitable share received and proper management of other grants
34%	Interest; Dividend and Rent on Land	Favorable	The favorable variance is because of aggressive investment strategy that is aligned to the revenue enhancement plan
10%	Sales of Goods and Rendering of Services	Favorable	Variance accepted
-10%	Service Charges	Unfavorable	Variance accepted
-32%	Licences or Permits	Unfavorable	Variance is due to slow revenue being generated under the Traffic department, it is expected to catch up during the year
-37%	Rental from Fixed Assets	Unfavorable	Variance is due to the dispute between the municipality and tenants who dispute occupying the premises during the current year and other long vacant facilities within the municipality
-55%	Fines; Penalties and Forfeits	Unfavorable	Variance is due to over budgeting of this line item; Property rate penalties will be adjusted downwards during adjustment budget.
-66%	Operational Revenue	Unfavorable	Variance is due to the expected insurance refund for the damaged municipal facility (Thusong center) that is yet to be finalize. The finance department fast track the process
-100%	Disposal of Fixed and Intangible Assets	Unfavorable	Auctioneer is already appointed by the municipality. It is expected to be completed mid quarter 2

The table and graph below further show revenue per source monthly

Row Labels	Total Budget	M01	M02	M03	Total Actual
Disposal of Fixed and Intangible Assets	10,431,504.00	-	-	-	-
Interest; Dividend and Rent on Land	3,204,648.00	2,145,434.77	(1,426,866.88)	357,058.27	1,075,626.16
Licences or Permits	3,046,464.00	156,789.17	157,844.71	204,817.37	519,451.25
Operational Revenue	745,632.00	38,402.15	4,737.63	19,620.18	62,759.96
Rental from Fixed Assets	1,095,540.00	57,218.81	56,905.90	59,024.67	173,149.38
Sales of Goods and Rendering of Services	380,568.00	52,477.97	23,521.75	28,846.23	104,845.95
Service Charges	1,145,064.00	85,226.25	85,226.25	86,238.09	256,690.59
Fines; Penalties and Forfeits	5,247,312.00	186,004.30	200,657.04	201,741.21	588,402.55
Property Rates by Usage	28,445,868.00	(22,334.23)	17,122,511.62	723,961.23	17,824,138.62
Capital	20,189,400.00	4,085,652.49	2,353,205.08	2,755,905.64	9,194,763.21
Operational	100,756,604.00	34,840.08	39,539,937.88	389,474.16	39,964,252.12
Grand Total	**174,688,604.00**	**6,819,711.76**	**58,117,680.98**	**4,826,687.05**	**69,764,079.79**



1.2.4 Expenditure Trend



The table and illustration above provide an overview and trend of Total Expenditure for **July 2023 to September 2023**.

1.2.5 Expenditure by Type

Operational cost

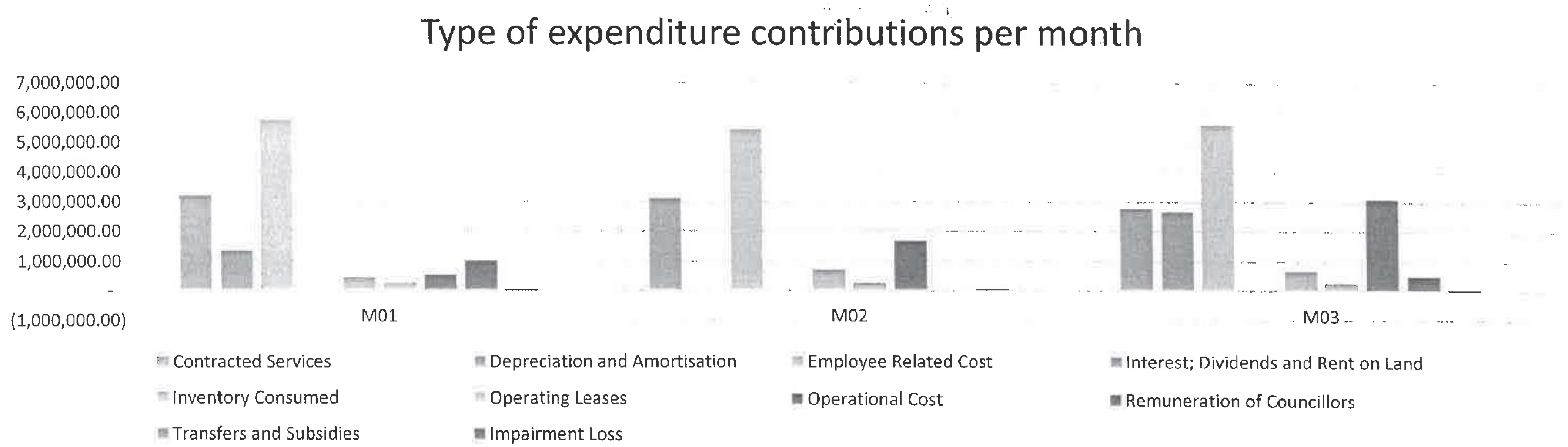
The following expenditure tables are from Richmond Local Municipality's financial system; the purpose is to disclose expenditure by type. These tables are aligned with **Table C4, Monthly Budget Statement – Financial performance (expenditure M03)**. Key variances are further detailed and analysed below:

Row Labels	Total Budget	Total Actual	Pro rated Budget	Variances	%
Contracted Services	31,217,472.00	9,101,447.81	7,804,368.00	1,297,079.81	17%
Operational Cost	19,494,384.00	5,334,933.41	4,873,596.00	461,337.41	9%
Operating Leases	3,022,860.00	771,792.39	755,715.00	16,077.39	2%
Employee Related Cost	68,612,604.00	16,780,072.11	17,153,151.00	(373,078.89)	-2%
Transfers and Subsidies	600,000.00	136,797.64	150,000.00	(13,202.36)	-9%
Remuneration of Councillors	6,881,352.00	1,515,402.64	1,720,338.00	(204,935.36)	-12%
Inventory Consumed	8,663,724.00	1,852,459.73	2,165,931.00	(313,471.27)	-14%
Depreciation and Amortisation	22,241,400.00	4,020,044.54	5,560,350.00	(1,540,305.46)	-28%
Interest; Dividends and Rent on Land	401,616.00	10,236.94	100,404.00	(90,167.06)	-90%
Impairment Loss	5,000,000.00	901.04	1,250,000.00	(1,249,098.96)	-100%

%	Revenue by Source	Comment	Explanations for variances above +/-10%
-100%	Impairment Loss	Favorable	Favorable variance is due to the impairment yet to be raised by the municipality, the municipality raises impairment twice a year.
-90%	Interest; Dividends and Rent on Land	Favorable	Favorable variance is due to the unwinding of interest from the landfill site not yet recorded. Interest on landfill site is recorded at year end by the municipality
-28%	Depreciation and Amortisation	Favorable	Impairment on assets is done at year end.
-14%	Inventory Consumed	Favorable	Variance is due to the proper controlling of municipal cost and the proper implementation of cost containment regulation
-12%	Remuneration of Councillors	Favorable	Variance is yet to be investigated by the municipality and will be adjusted accordingly during the adjustment budget should there be a need.
-9%	Transfers and Subsidies	Favorable	Variance accepted
-2%	Employee Related Cost	Favorable	Variance accepted
2%	Operating Leases	Unfavorable	Variance accepted
9%	Operational Cost	Unfavorable	Variance accepted
17%	Contracted Services	Unfavorable	Variance is mainly due to annual payments (Financial system annual fees), it is expected to even out during the year

The table and graph below further show expenditure per source on a monthly basis:

Row Labels	Total Budget	M01	M02	M03	Total Actual
Contracted Services	31,217,472.00	3,198,815.47	3,115,964.36	2,786,667.98	9,101,447.81
Depreciation and Amortisation	22,241,400.00	1,354,578.70	-	2,665,465.84	4,020,044.54
Employee Related Cost	68,612,604.00	5,729,804.04	5,432,130.94	5,618,137.13	16,780,072.11
Interest; Dividends and Rent on Land	401,616.00	-	6,946.81	3,290.13	10,236.94
Inventory Consumed	8,663,724.00	452,866.75	710,775.38	688,817.60	1,852,459.73
Operating Leases	3,022,860.00	257,951.21	247,523.73	266,317.45	771,792.39
Operational Cost	19,494,384.00	535,085.55	1,683,147.16	3,116,700.70	5,334,933.41
Remuneration of Councillors	6,881,352.00	1,010,520.76	(1,440.00)	506,321.88	1,515,402.64
Transfers and Subsidies	600,000.00	42,904.83	46,694.77	47,198.04	136,797.64
Impairment Loss	5,000,000.00	901.04	-	-	901.04
Grand Total	**166,135,412.00**	**12,583,428.35**	**11,241,743.15**	**15,698,916.75**	**39,524,088.25**



Capital cost

Row Labels	Sum of TotalBudget	Sum of TotalActual
⊟Assets	**24,324,415.00**	**7,920,840.18**
⊟Non-current Assets	**24,324,415.00**	**7,920,840.18**
Assets:Non-current Assets:Construction Work-in-progress:Acquisitions:Outsourced	21,139,411.00	7,354,438.08
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Community Assets:Cost:Acquisitions	375,000.00	-
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Computer Equipment:In-use:Cost:Acquisitions	1,450,008.00	482,602.10
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Furniture and Office Equipment:In-use:Cost:Acquisitions	360,000.00	-
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Machinery and Equipment:In-use:Cost:Acquisitions	879,996.00	83,800.00
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Transport Assets:Future Use:Cost:Acquisitions	60,000.00	-
Assets:Non-current Assets:Property; Plant and Equipment:Cost Model:Transport Assets:Owned and In-use:Cost:Acquisitions	60,000.00	-
Grand Total	**24,324,415.00**	**7,920,840.18**

Capital expenditure thus far is mainly due to MIG expenditure.

1.2.4 Financial Health Indicators

The following provides an overview of the key financial health indicators

Crucial ratios	A brief definition of that ratio	M02	M03
Collection rate	The ratio indicates the collection rate; i.e. level of payments. It measures an increase or decrease in debtors relative to annual billed revenue. In addition, in order to determine the real collection rate bad debts written off are taken into consideration. The norm is 95%	12%	26%
Cash/Cost Coverage ratio (excluding unspent conditional grants)	The ratio indicates the municipality's or municipal entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investments without collecting any additional revenue, during that month. The norm range is between 1 month to 3 months.	3 months	2 Months
Current ratio	The ratio is used to assess the municipality's or municipal entity's ability to pay back its short-term liabilities (Debt and Payables) with its short-term assets (cash, inventory, receivables). The norm ranges between 1.5 to 2:1	2.6	2.1
Creditor payment period	This ratio indicates the average number of days taken for trade creditors to be paid. The norm is 30 days	28 days	25 days

Collection rate (norm 95%)

The collection rate as of September is 26%. This is below the norm of 95%. This mainly due to the annual raising of department debtors and it will even out during the year.

Cash coverage (norm 1-3 months)

Currently, this ratio is within the norm, which means the municipality can continue its operations for about 3 months by only utilising its own funds.

Current ratio: (Norm 1:1.5)

The current ratio is below the norm.

Creditors payment period (norm 30 days)

The municipality is within the norm of paying its short-term creditors within 30 days. This means that the municipality is complying with the requirements of S65 of the MFMA.

1.2.5 Material differences from the SDBIP

None identified

1.2.6 Remedial or corrective steps

None identified

1.3 In-Year Budget Statement Tables

The In-Year Budget Statement Tables, that are submitted with this report, include the following:

TABLE	DESCRIPTION	ADDITIONAL DETAILS
C1	Monthly Budget Statement	S71 Summary
C2	Monthly Budget Statement	Financial Performance (standard classification)
C3	Monthly Budget Statement	Financial Performance (revenue and expenditure by municipal vote)
C4	Monthly Budget Statement	Financial Performance (revenue and expenditure)
C5	Monthly Budget Statement	Capital expenditure
C6	Monthly Budget Statement	Financial Position
C7	Monthly Budget Statement	Cash Flow

2 Part 2 – SUPPORTING DOCUMENTATION

2.1 Debtors Analysis

The Debtor's report has been prepared based on the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by debtor type. The summary report indicates that the debtor's>90 days balance amounts to **R 42,529,410.64**

Code	Customer	(Current)	(30 Days)	(60 Days)	(90 Days)	(120 Days)	(150 Days)	(180 Days)	(270 Days)	Total	>90 Days
'000000		4,396.00	3,495.98	3,263.80	18,907.82	1,111.70	524.09	521.10	(223.81)	31,996.68	20,840.90
'000001	RESIDENT	262,690.21	356,858.11	34,847.13	93,476.41	97,599.91	81,391.42	87,953.41	2,323,924.21	3,338,740.81	2,684,345.36
'000002	COMMER	226,172.03	233,324.23	(3,469.26)	22,656.41	16,825.86	7,192.02	23,093.37	(37,813.38)	487,981.28	31,954.28
'000003	NATIONA	3,787.23	8,228,313.14	319.81	1,326,852.08	(4,473.17)	(5,902.87)	(4,216.54)	(14,938.68)	9,529,741.00	1,297,320.82
'000005	OTHER	20,619.13	88,159.87	(2,072.81)	(174,810.94)	2,546.83	2,500.95	2,102.07	(198,786.46)	(259,741.36)	(356,447.55)
'000006	RELIGIOU	1,506.37	1,744.47	1,503.35	1,503.35	1,503.35	1,503.35	1,526.25	272,320.44	283,110.93	278,356.74
'000007	AGRICULT	250,352.92	518,407.53	(7,892.78)	102,303.62	12,350.77	8,777.91	10,275.30	72,743.24	967,318.51	206,450.84
'000008	PROVINCI	1,308.12	1,751,826.29	1,141.50	994,603.28	1,085.97	(129,612.57)	1,085.97	1,159,925.78	3,781,364.34	2,027,088.43
'000009	GOVERNN	31,966.61	1,662,774.22	115,734.82	3,548,044.27	40,136.67	35,026.13	60,932.89	8,501,359.75	13,995,975.36	12,185,499.71
'000010	PENSIONE	(243,452.23)	23,540.56	(1,815.02)	239.80	3,244.20	1,970.89	(61,533.62)	49,009.06	(228,796.36)	(7,069.67)
'000011	HANDED	746,822.79	1,178,592.64	238,430.33	776,712.19	639,629.17	625,771.58	640,236.48	21,361,387.35	26,207,582.53	24,043,736.77
'000012	INDIGENT	12,962.58	20,400.64	4,136.06	8,518.80	10,202.19	9,311.25	7,761.31	91,540.46	164,833.29	127,334.01
TOTAL		1,319,131.76	14,067,437.68	384,126.93	6,719,007.09	821,763.45	638,454.15	769,737.99	33,580,447.96	58,300,107.01	42,529,410.64

2.2 Creditors Analysis

The Creditor's report has been prepared based on the format required to be lodged electronically with National Treasury. This format provides an extended aged analysis, as well as an aged analysis by creditor type.

The municipality had outstanding creditors to the value of **R 4 976** as at September 2023. All these creditors are all within 30 days

2.3 Investment portfolio analysis

The following is from Richmond Local Municipality financial system and is aligned with **Table SC5, Monthly Budget Statement – Investment portfolio**, and analysis is further provided:

INVESTMENT PORTFOLIO ANALYSIS

NOTICE NO. R.1536 - GOVT GAZETTE NO.18435

REGULATION 3(1)(g)

INVESTMENT PORTFOLIO :

Financial Institution	Account Number	Investment Type	Bal. as at 30 September 2023	Interest Rate	September 2023 Interest	Bal. as at 31 August 2023	Investment Period
First National Bank	61356002695	Call account	813,684.53		10,198.62	4,603,485.91	call
First National Bank	62117170407	Patheni Housing	177,464.62		1,130.71	176,333.91	daily call
First National Bank	62134473280	Housing Operating Account	844,918.50		5,555.89	839,362.61	daily call
First National Bank	62155682844	Zwelethu Housing	394597.57		2,594.73	392,002.84	daily call
First National Bank	62176174383	Siyathuthuka Phase ii	334,236.57		2,197.82	332,038.75	daily call
First National Bank	62810019217	Housing Title deed Account	2,445,463.98		15,081.69	2,430,382.29	daily call
First National Bank	62299629116	Mig Grant Funding	1,443,790.36		19,801.17	3,087,983.79	daily call
First National Bank	62241817537	Financial Management Grant	-		-	-	daily call
First National Bank	62833569900	Library Services Grant	983.20		6.07	977.13	daily call
First National Bank	62833571385	Small Town Grant	423,910.35		2,614.35	421,296.00	daily call
FNB DME	63003663506	FNB DME	2,515,347.94		15,512.68	2,499,835.26	daily call
FNB RESERVES	63003024063	FNB RESERVES	813,636.28		17,352.28	3,796,284.00	daily call
NEDBANK	03/7165013946/000052	Nedbank Fixed	15,244,849.32		122,424.66	15,122,424.66	fixed inv.
STANDARD BANK	268791155 004	Standard Fixed	10,154,589.04		78,561.64	10,076,027.40	fixed inv.
STANDARD BANK	268791155 003	Standard Fixed	-		-	-	fixed inv.
First National Bank	63024683319	FNB HIGHOVER	2,408,930.43		17,231.66	2,804,354.77	daily call
ABSA BANK FIXED	20-8098-6579	ABSA FIXED	-			-	fixed inv.
			38,016,402.69		310,264	46,582,789	

Summary of exposures to particular financial institutions

financial institution	amount invested	Percentage exposure
First National Bank	12,616,964.33	33.19
Nedbank	15,244,849.32	40.10
Investec	-	
Standard Bank	10,154,589.04	26.71
ABSA BANK	-	-
TOTAL	38,016,402.69	100.00
Primary Bank Account	R 2,108,673.46	
Cash & Cash Equivalent	40,125,076.15	

2.4 Allocation and grants receipts & expenditure

Further detailed on **Table SC6, Monthly Budget Statement – Transfers and grant receipts** and **Table SC7, Monthly Budget Statement – Transfers and grant expenditure**:

Refer to C Schedule

2.5 Councillor & Board member allowances

The following is from **Table SC8, Monthly Budget Statement – Councillor and staff benefits**, and an analysis is further provided:

Refer to C Schedule

The schedule details expenditure incurred by the municipality on staff salaries, wages, allowances, and benefits. All expenditure is within the year-to-date budget.

2.6 Material Variances to the SDBIP

None identified

2.7 Capital programme performance

2.7.1 Capital expenditure per month

The following is from **Table SC12, Monthly Budget Statement – Capital expenditure trend**:

2.7.2 Summary of Capital expenditure by asset class

The following is from **Table SC13a, Monthly Budget Statement – Capital expenditure on new assets by assets class – M2 AUGUST**

Refer to C Schedule

2.8 Other supporting documents

A complete set of C schedule is attached.

2.9 Municipal Managers Quality Certification

I, B.E Mswane, the Municipal Manager, of Richmond Municipality, certify that the

- ☐ monthly budget statement
- ☐ quarterly report on the implementation of the budget and finances of the municipality
- ☐ mid-year budget and performance assessment

for the month of **September 2023** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Name: Bhekani Mswane

Municipal Manager of Richmond Municipality (KZN227)

Signature:.................................