

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JANUARY 2021

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of JANUARY 2021.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Make rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the JANUARY 2021 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at the end JANUARY 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual December 2020	Actual January 2021	Trend Analysis
<i>Current Assets</i>			
(Table SC3) Debtors	R 2 413 029	R 2 409 206	Slight reduction due to employee recoveries based on fruitless and wasteful expenditure.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 46 937 173	R 5 807 294	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 38 497 082	R 51 003 756	
<i>Current Liabilities</i>			
(Table SC4) Creditors	R 166 419 501	R 167 615 503	Increase due Licensing payment and reduction in Emfuleni Debt.
<i>Cash Flow</i>			
(Table C7) Receipts	R 98 058 073	R 6 473 804	Decrease due to operational activities, Increase due to implementation of salary increase.
Payments	R 27 178 166	R 36 100 212	
Cash flow closing balance	R 85 475 082	R 56 851 875	
Cost Coverage indicator	2.46	1.63	Decrease due to operational activities
(Table C2) Operating Revenue for Month	R 98 058 073	R 6 473 804	Received to date 64.71% (benchmark 58.33%).

Item of Financial Position/ Performance	Actual December 2020	Actual January 2021	Trend Analysis
Operating Expenditure for Month	R 27 178 166	R 36 100 212	Spent to date 49.19% (benchmark 58.33%).
(Table C5) Capital Expenditure for Month	R 49 606	R 77 655	Total Capex budget spent to date is 14.8% (benchmark 58.33%). The municipality is anticipating to spend 75% of the budget by end of March 2021 as is in the process of procuring vehicles for the council.
(Table C6) Total Assets	R 184 451 066	R 155 901 692	Municipality has liquidity problems whereby the current liabilities exceed current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Liabilities	R 194 615 824	R 195 692 858	
Total Net Liabilities	R (10 164 758)	R (39 791 167)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter one reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M07 January											Trend Analysis
Description	Ref	2019/20 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
Revenue By Source											
Property rates								-			
Service charges - electricity revenue								-			
Service charges - water revenue								-			
Service charges - sanitation revenue								-			
Service charges - refuse revenue								-			
Rental of facilities and equipm		223	516	516	-	-	301	(301)	-100%	516	Related to covid 19
Interest earned - external inve		3,307	2,700	2,700	185	1,017	1,575	(558)	-35%	2,700	Decline in interest rate by reserve bank
Interest earned - outstanding		-	-	-	-	-	-	-		-	
Dividends received								-			
Fines, penalties and forfeits								-			
Licences and permits		1,445	1,575	1,575	22	2,281	919	1,362	148%	1,575	Increase due to summons issued
Agency services		51,966	75,630	75,630	4,707	34,133	44,118	(9,984)	-23%	75,630	Revenue always 1 month in arrears.
Transfers and subsidies		284,349	313,062	317,910	-	226,682	185,044	41,638	23%	317,910	Water service grant not received
Other revenue		20,120	24,139	24,139	1,559	9,275	14,081	(4,806)	-34%	24,139	
Gains		48	140	140	-	10	82	(71)	-87%	140	
Total Revenue (excluding capital transfers and contributions)		361,458	417,763	422,611	6,474	273,399	246,119	27,280	11%	422,611	
Expenditure By Type											
Employee related costs		277,981	274,644	275,394	30,363	166,297	160,586	5,712	4%	275,394	Increase due to salary increment backpayed from July 2020 to January 2021
Remuneration of councillors		13,379	14,018	14,018	803	7,640	8,177	(537)	-7%	14,018	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset impairm		15,562	11,272	11,272	-	-	6,576	(6,576)	-100%	11,272	Depreciation will be done after auditor general after has completed 19/20 financial year audit
Finance charges								-			
Bulk purchases								-			
Other materials		6,963	6,905	9,083	255	2,113	5,117	(3,004)	-59%	9,083	Reduction due to covid 19 spending
Contracted services		47,486	46,534	47,034	2,560	10,554	27,395	(16,841)	-61%	47,034	Municipal Health services one month in arrears
Transfers and subsidies		8,366	27,973	27,973	494	4,000	16,318	(12,318)	-75%	27,973	Water service grant not received
Other expenditure		41,192	35,875	35,782	1,625	16,285	20,861	(4,596)	-22%	35,782	Reduction due to covid 19 spending
Losses		1,185	40	40	-	-	23	(23)	-100%	40	
Total Expenditure		412,115	417,261	420,596	36,100	206,889	245,073	(38,183)	-16%	420,596	
Surplus/(Deficit) and subsidies - and		(50,657)	502	2,015	(29,626)	66,509	1,047	65,463	0	2,015	
Transfers and subsidies - capital (in-kind - all)		39	-	-	-	-	-	-		-	
Surplus/(Deficit) after capital transfers & Taxation		(50,618)	502	2,015	(29,626)	66,509	1,047	-		2,015	
Surplus/(Deficit) after taxation		(50,618)	502	2,015	(29,626)	66,509	1,047	-		2,015	
Attributable to minorities		(50,618)	502	2,015	(29,626)	66,509	1,047	-		2,015	
Surplus/(Deficit) attributable to municipality surplus/ (deficit) of associate		(50,618)	502	2,015	(29,626)	66,509	1,047	-		2,015	
Surplus/ (Deficit) for the year		(50,618)	502	2,015	(29,626)	66,509	1,047			2,015	
References											
1. Material variances to be explained on Table SC1											
Total Revenue (excluding capita		361,497	417,763	422,611	6,474	273,399	246,119			422,611	

Cash Flow Statement - July 2020 to June 2021

	ACTUAL												PROJECTED						Total
	July	August	September	October	November	December	January	February	March	April	May	June							
Opening Balance	10 308 729	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	33 312 031	77 360 938	52 628 195	25 769 581	10 308 729						
Cash Inflow	125 582 277	1 537 067	29 254 042	58 539 654	56 783 444	91 241 180	10 811 839	79 478 741	96 666 372	26 260 855	25 758 672	28 117 979	630 032 122						
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-						
Sundries	765 236	383 199	1 561 936	746 298	1 792 946	3 984 170	708 074	826 970	901 394	358 890	638 298	2 938 725	15 616 136						
Licensing	-	-	20 000 000	55 000 000	49 500 000	-	10 000 000	75 912 695	25 000 000	25 000 000	25 000 000	25 000 000	310 412 695						
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-						
Medical aid Pensioners income	175 041	143 868	146 106	139 356	154 062	135 010	103 765	149 076	135 666	151 965	120 374	179 254	1 733 543						
Subsidies and Grants	124 642 000	1 000 000	7 546 000	2 654 000	5 336 436	87 122 000	-	2 590 000	70 629 312	750 000	-	-	302 269 748						
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-						
Cash Outflow	(62 267 756)	(46 137 618)	(50 304 259)	(56 975 298)	(60 302 102)	(50 336 411)	(51 927 952)	(51 973 546)	(52 617 465)	(50 983 598)	(52 617 286)	(53 680 404)	(640 133 695)						
Salaries	(23 039 427)	(23 939 862)	(26 268 935)	(25 123 653)	(24 847 708)	(24 136 644)	(32 144 221)	(26 689 931)	(26 031 250)	(26 031 250)	(26 031 250)	(26 031 250)	(310 315 381)						
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-						
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-						
Licensing	(28 845 870)	(16 477 298)	(19 035 979)	(25 194 445)	(22 914 498)	(19 825 236)	(13 437 680)	(19 000 000)	(19 000 000)	(19 000 000)	(19 000 000)	(19 000 000)	(240 731 006)						
Other Creditors	(10 362 459)	(5 720 458)	(4 999 345)	(6 657 200)	(12 539 896)	(6 374 531)	(6 346 051)	(6 283 615)	(7 586 215)	(5 962 348)	(7 586 036)	(8 649 154)	(89 087 308)						
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-						
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-						
Closing Balance	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	33 312 031	77 360 938	52 628 195	25 769 581	207 156	207 156						

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

2017/02/28	12 055 954.44
2017/03/31	14 449 661.65
2017/04/30	12 665 528.14
2017/05/31	16 490 437.27
2018/09/30	16 027 541.88
2019/01/31	18 583 787.44
2019/09/30	16 045 876.16
2019/11/031	18 238 715.20
TOTAL	124 557 502.18

Table SC6,7(1)and 7(2)Grants received and spent for January

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual December	Actual January	Balance	%	Comment
RAMS	2,456,000	2,456,000	0	1,719,000.00	167,449	27,934	25,218	2,288,551	7	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	315,114	33,998	48,374	684,886	32	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	504,253	160,045	140,188	495,747	50	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	9,295,000	0	9,295,000	3,495,271.00	354,207	354,207	5,799,729	38	Payment of salaries
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	0	2,654,000	690,281	0.00	0.00	1,963,719	26	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	0	1,537,000	0	0	0	0.00	0.00	1,537,000	0	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	34,083,000	33,767,000	0	14,918,000	5,172,368	576,184	567,987	28,594,632	15	

UNSPENT GRANT

Description	Opening balance
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow, as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council's cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending January

The debtor's book balance of the municipality as attached in annexure A is R 2 409 206 and bad debts impairment R 954 100.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
1 455 106	0	0	0	0	0	0	954 100	2 409 206

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of January 2021 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 56 811 050 as at the end of January

The remaining cash balance must meet operational requirements till end of February 2021, until receipt of the next equitable tranche due in March 2021.

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 167 615 503 payable to the Trade creditors in January 2021. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
15 177 816	0	0	0	0	0	0	152 437 687	167 615 503

c) Net Assets

Reserves

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as "revenue" (non-cash) on the statement of financial performance. This "revenue" recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves are to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures "B", "C1- 4", "E"

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 6 473 804. Outgoing payments were made to the amount of R 36 100 212. Taking into account the opening cashbook balance, this left a favorable closing balance of R 56 851 875, at the end of January 2021 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator.

The cost coverage formula =
$$\frac{\text{(All available cash at the end of the period in the cashbook) + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = \frac{= (56\ 811\ 050) + R0}{R\ 34\ 768\ 431}$$

= 1.63 TIMES

The cost coverage of the municipality indicates 1.63 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of February 2021 as the next equitable share allocation is in March 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R 124 642 000 was received in the month of July and second tranche of R 87 122 000 Received in December. The third tranche will be received on March 2021 and will amount to R70 068 000.

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 48 374 in month of January. The FMG Interns were involved in the following activities during the month of January 2021 as part of their training rotation plan:

- One intern in income and budget section
- One intern in Expenditure section
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

R 1 719 000 received. Expenditure incurred of R 25 218 in January.

HIV/Aids

R 5 577 000 was received in September and R 3 718 000 in November. R 354 207 was spent for the Month of January 2021.

Extended Public Works Projects:

First Tranche of R 250 000 was received in September 2020 and expenditure incurred for the month of January is R 140 188.

Water Services

No Grants received in the month of January.

YOUTH CENTRES (National Youth Development Agency)

Grant received in the month of October R2 654 000 and no expenditure was incurred during month of January.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of January.

6.2 Financial Performance

Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

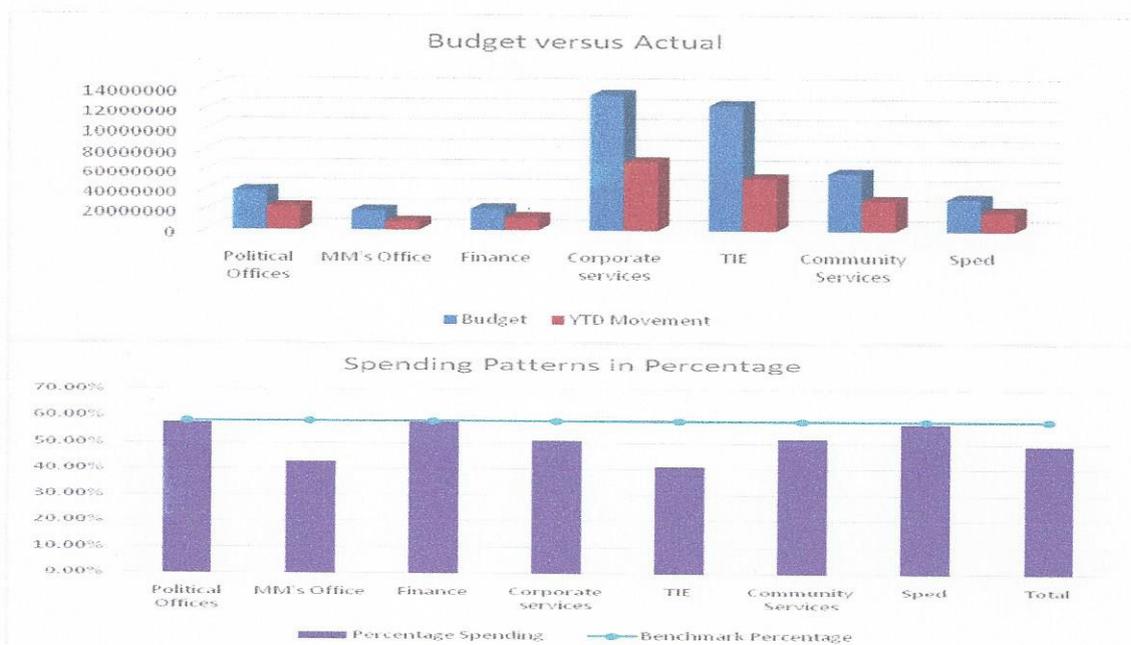
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

"See Annexures G, H & I"

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 6 473 804 was generated in revenue. R 36 100 212 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 77 655 was funded internally for various moveable assets such as furniture & equipment, computers & printers.



b) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of January 2021 signals the first month of the third quarter 2020/21 financial year, spending trends ought to be around 58.33%. "Other Income" consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 49.19% and revenue is at 64.71% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

c) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2020/2021 amounts to R 2 850 000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities.

Details on performance progress on all capital projects are outlined as per "Annexure I."

The spending analysis on own fixed assets as at the end of the month of January 2021 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200 000	200 000	0	52 912	74 583	125 417	37.3
Computers and printers	200 000	200 000	0		120 856	79 144	60.4
Network Infrastructure	400 000	400 000	77 655	33 980	226 861	173 139	56.7
Vehicles	1 350 000	2 050 000	0	1 069 961	0	2 050 000	0.0
Total	2 150 000	2 850 000	77 655	1 156 853	422 300	2 427 700	14.8

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock take place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2020 to 30 June 2021, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programmes based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

"A"	–	Debtors Age Analysis
"B"	–	Investment Schedule
"C"	–	Bank Reconciliations
"D"	–	Creditors Age Analysis
"E"	–	Cash Flow Statement
"F"	–	Grants Allocation and Expenditure
"G"	–	Operating Revenue and Expenditure
"H"	–	Capital Expenditure and Revenue Source
"I"	–	Capital Projects Progress
"J"	–	MFMA Compliance

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end January 2021 as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

12/2/2021

Date

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END FEBRUARY 2021

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of FEBRUARY 2021.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Make rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the FEBRUARY 2021 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at the end FEBRUARY 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual January 2021	Actual February 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 2 409 206	R 2 457 392	Increase due to VAT claimable.
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 5 807 294	R 7 753 165	Decrease in total cash available due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 51 003 756	R 22 128 304	
Current Liabilities			
(Table SC4) Creditors	R 167 615 503	R 172 058 608	Increase due Licensing payment.
Cash Flow			
(Table C7) Receipts	R 6 473 804	R 3 335 941	Decrease due to covid19 lockdown regulations.
Payments	R 36 100 212	R 34 349 925	
Cash flow closing balance	R 56 851 875	R 29 912 494	
Cost Coverage indicator	1.63	0.86	Decrease due to operational activities
(Table C2) Operating Revenue for Month	R 6 473 804	R 3 335 941	Received to date 65.50% (benchmark 66.67%).

Item of Financial Position/ Performance	Actual January 2021	Actual February 2021	Trend Analysis
Operating Expenditure for Month	R 36 100 212	R 34 411 471	Spent to date 57.37% (bench mark 66.67%).
(Table C5) Capital Expenditure for Month	R 77 655	R 94 190	Total Capex budget spent to date is 18.12% (benchmark 66.67%). The municipality is anticipating to spent 75% of the budget by end of March 2021 as is in the process of procuring vehicles for the council.
(Table C6) Total Assets	R 155 901 692	R 139 761 969	Municipality has liquidity problems whereby the current liabilities exceed current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Liabilities	R 195 692 858	R 199 954 047	
Total Net Liabilities	R (39 791 167)	R (60 192 078)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter one reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M08 February											
Description	Ref	2019/20	Budget Year 2020/21							Trend Analysis	
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %		Full Year Forecast
R thousands											
Revenue By Source											
Property rates								-			
Service charges - electricity revenue								-			
Service charges - water revenue								-			
Service charges - sanitation revenue								-			
Service charges - refuse revenue								-			
Rental of facilities and equipment		223	516	516	-	-	344	(344)	-100%	516	Related to covid 19
Interest earned - external investments		3,307	2,700	2,700	175	1,191	1,800	(609)	-34%	2,700	Decline in interest rate by reserve bank
Interest earned - outstanding		-	-	-	-	-	-	-		-	
Dividends received		-	-	-	-	-	-	-		-	
Fines, penalties and forfeits		-	-	-	-	-	-	-		-	
Licences and permits		1,445	1,575	1,575	-	2,281	1,050	1,231	117%	1,575	Increase due to summons issued
Agency services		51,968	75,630	75,630	-	34,133	50,420	(16,287)	-32%	75,630	Revenue always 1 month in arrears.
Transfers and subsidies		284,349	313,062	317,910	2,590	229,272	211,617	17,655	8%	317,910	Water service grant not received
Other revenue		20,120	24,139	24,139	571	9,847	16,093	(6,246)	-39%	24,139	
Gains		48	140	140	25	36	93	(58)	-62%	140	
Total Revenue (excluding capital transfers and contributions)		361,458	417,763	422,611	3,361	276,760	281,418	(4,657)	-2%	422,611	
Expenditure By Type											
Employee related costs		277,981	274,644	275,394	24,438	190,735	183,548	7,187	4%	275,394	Increase due to salary increment backpayed from July 2020 to January 2021
Remuneration of councillors		13,379	14,018	14,018	717	8,357	9,345	(988)	-11%	14,018	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset impairment		17,647	11,272	11,272	-	-	7,515	(7,515)	-100%	11,272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges		-	-	-	-	-	-	-		-	
Bulk purchases		-	-	-	-	-	-	-		-	
Other materials		6,963	6,905	9,038	304	2,417	5,901	(3,484)	-59%	9,038	Reduction due to cost containment
Contracted services		47,486	46,534	47,034	3,629	14,184	31,323	(17,139)	-55%	47,034	Municipal Health services one month in arrears
Transfers and subsidies		8,366	27,973	27,973	510	4,509	18,649	(14,139)	-76%	27,973	Water service grant not received
Other expenditure		41,200	35,875	35,827	4,814	21,099	23,870	(2,771)	-12%	35,827	Reduction due to cost containment
Losses		1,185	40	40	-	-	27	(27)	-100%	40	
Total Expenditure		414,207	417,261	420,596	34,411	241,301	280,178	(38,877)	-14%	420,596	
Surplus/(Deficit) and subsidies - and		(52,749)	502	2,015	(31,050)	35,459	1,239	34,220	0	2,015	
Transfers and subsidies - capital (in-kind - all)		39	-	-	-	-	-	-		-	
Surplus/(Deficit) after capital transfers & Taxation		(52,710)	502	2,015	(31,050)	35,459	1,239			2,015	
Surplus/(Deficit) after taxation		(52,710)	502	2,015	(31,050)	35,459	1,239			2,015	
Attributable to minorities											
Surplus/(Deficit) attributable to municipality surplus/ (deficit) of associate		(52,710)	502	2,015	(31,050)	35,459	1,239			2,015	
Surplus/ (Deficit) for the year		(52,710)	502	2,015	(31,050)	35,459	1,239			2,015	
References											
1. Material variances to be explained on Table SC1											
Total Revenue (excluding capita		361,497	417,763	422,611	3,361	276,760	281,418			422,611	

Cash Flow Statement - July 2020 to June 2021

	ACTUAL												PROJECTED						Total
	July	August	September	October	November	December	January	February	March	April	May	June							
Opening Balance	10 308 729	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	7 722 993	7 722 993	74 500 181	49 767 438	22 908 824	(2 653 601)	(2 653 601)	10 308 729			
Cash Inflow	125 582 277	1 537 067	29 254 042	58 539 654	56 783 444	91 241 180	10 811 839	54 468 688	119 394 653	26 260 855	25 758 672	28 117 979	627 750 560						
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Sundries	765 236	393 199	1 561 936	746 298	1 792 946	3 984 170	708 074	750 446	901 394	358 890	638 298	2 938 725	15 539 612						
Licensing	-	-	20 000 000	55 000 000	49 500 000	-	10 000 000	51 000 000	47 728 281	25 000 000	25 000 000	25 000 000	25 000 000	25 000 000	308 228 281				
Transfer from call / Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Medical aid Pensioners Income	175 041	143 868	146 106	139 356	154 062	135 010	103 765	128 242	135 666	151 965	120 374	179 254	1 712 709						
Subsidies and Grants	124 642 000	1 000 000	7 546 000	2 654 000	5 336 436	87 122 000	-	2 590 000	70 629 312	750 000	-	-	-	-	302 269 748				
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Cash Outflow	(62 267 756)	(46 137 618)	(50 304 259)	(56 975 298)	(60 302 102)	(50 336 411)	(51 927 952)	(52 552 531)	(52 617 465)	(50 993 598)	(52 617 266)	(53 680 404)	(640 712 680)						
Salaries	(23 039 427)	(23 939 862)	(26 268 935)	(25 123 653)	(24 847 708)	(24 136 644)	(32 144 221)	(26 078 695)	(26 031 250)	(26 031 250)	(26 031 250)	(26 031 250)	(309 704 146)						
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Licensing	(28 845 870)	(16 477 298)	(19 035 979)	(25 194 445)	(22 914 488)	(19 825 236)	(13 437 680)	(16 080 846)	(19 000 000)	(19 000 000)	(19 000 000)	(19 000 000)	(237 811 852)						
Other Creditors	(10 382 459)	(5 720 458)	(4 999 345)	(6 657 200)	(12 539 896)	(6 374 531)	(6 346 051)	(10 392 989)	(7 586 215)	(5 962 348)	(7 586 036)	(8 649 154)	(93 196 662)						
External Inv/Red	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Closing Balance	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	7 722 993	74 500 181	49 767 438	22 908 824	(2 653 601)	(2 653 601)						

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

2017/02/28	12 055 954,44
2017/03/31	14 449 661,65
2017/04/30	12 665 528,14
2017/05/31	16 490 437,27
2018/06/30	16 027 541,68
2019/07/31	18 583 787,44
2019/09/30	15 045 876,16
2019/10/31	18 238 716,20
TOTAL	124 557 502,16

Table SC6,7(1) and 7(2) Grants received and spent for February

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual December	Actual February	Balance	%	Comment
RAMS	2,456,000	2,456,000	737000	1,719,000.00	191,258	25,218	23,806	2,264,742	8	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	353,713	48,374	36,120	646,287	35	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	659,793	140,188	155,540	340,207	66	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	1,853,000	9,295,000	3,849,478.00	354,207	354,207	7,298,522	35	Payment of salaries
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	0	2,654,000	1,102,911	0.00	412,630.00	1,551,089	42	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	0	1,537,000	0	0	0	0.00	0.00	1,537,000	0	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	34,083,000	35,620,000	2,590,000	14,918,000	6,157,153	567,987	982,303	29,462,847	17	

UNSPENT GRANT	
Description	Opening balance
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow, as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council's cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending February

The debtor's book balance of the municipality as attached in annexure A is R 2 457 392 and bad debts impairment R 954 100.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
22 190	1 481 102	0	0	0	0	0	954 100	2 457 392

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of February 2021 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 29 881 469 as at the end of February

The remaining cash balance must meet operational requirements till end of February 2021, until receipt of the next equitable tranche due in March 2021.

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 172 058 608 payable to the Trade creditors in February 2021. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
19 620 921	0	0	0	0	0	0	152 437 687	172 058 608

c) Net Assets

Reserves

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for

Monthly fixed operating expenditure

$$\text{The cost coverage formula} = \frac{(29\,881\,469) + R0}{R\,34\,768\,431}$$

$$= 0.86 \text{ TIMES}$$

The cost coverage of the municipality indicates 0.86 monthly fixed operating expenditure and shows that the cash flow of the municipality is unfavorable. Our cash formula on hand must cover at least until end of February 2021 as the next equitable share allocation is in March 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R 124 642 000 was received in the month of July and second tranche of R 87 122 000 Received in December. The third tranche will be received on March 2021 and will amount to R70 068 000.

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 36 120 in month of February .The FMG Interns were involved in the following activities during the month of February 2021 as part of their training rotation plan:

- One intern in income and budget section
- One intern in Expenditure section
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

R2 456 000 received. Expenditure incurred of R 28 806 in February.

HIV/Aids

R 5 577 000 was received in September, R 3 718 000 in November and R 1 853 000 in February. R 354 207 was spent for the Month of February 2021.

Extended Public Works Projects:

First Tranche of R 250 000 was received in September 2020 and expenditure incurred for the month of February is R 155 140.

Water Services

No Grants received in the month of February.

YOUTH CENTRES (National Youth Development Agency)

Grant received in the month of October R2 654 000 and expenditure incurred during month of February R 412 630.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of February.

6.2 Financial Performance

Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

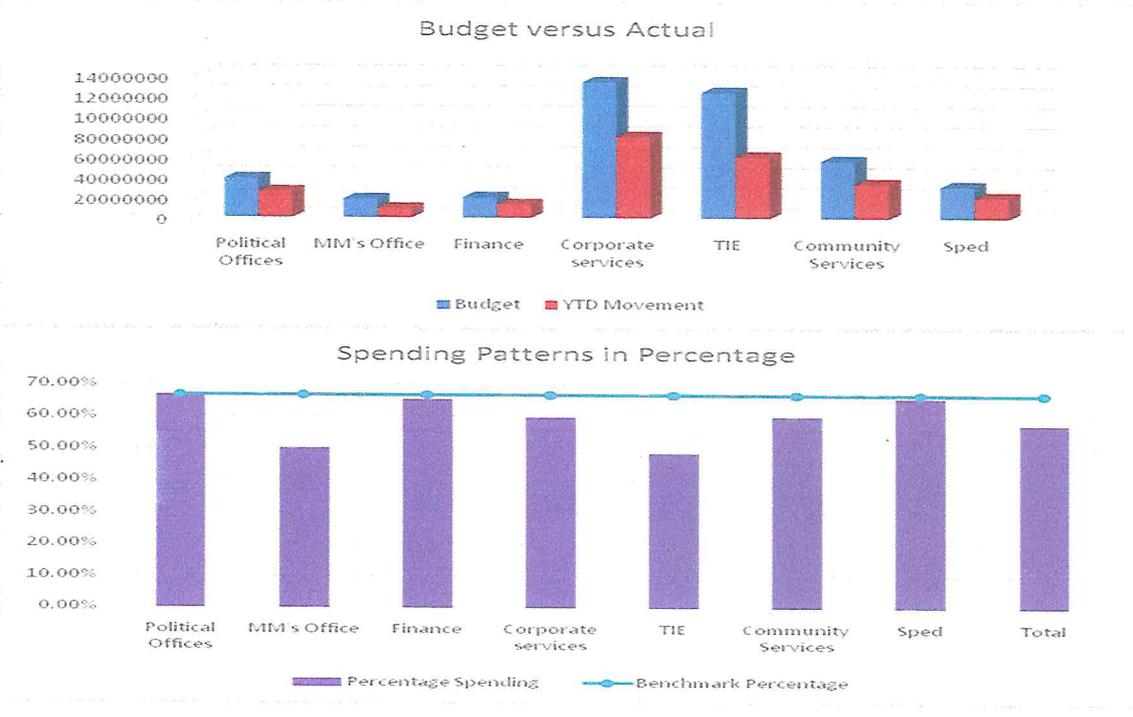
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 3 335 941 was generated in revenue. R 34 411 471 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 94 190 was funded internally for various moveable assets such as furniture & equipment, computers & printers.



b) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of February 2021 signals the second month of the third quarter 2020/21 financial year, spending trends ought to be around 66.67%. "Other Income" consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 57.37% and revenue is at 65,50% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

c) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2020/2021 amounts to R 2 850 000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities.

Details on performance progress on all capital projects are outlined as per "Annexure I."

The spending analysis on own fixed assets as at the end of the month of February 2021 is shown in the table below:-

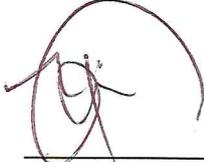
Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200 000	200 000	60 210	52 912	134 793	65 207	67.4
Computers and printers	200 000	200 000	0		120 856	79 144	60.4
Network Infrastructure	400 000	400 000	33 980	108 689	260 840	139 160	65.2
Vehicles	1 350 000	2 050 000	0	1 069 961	0	2 050 000	0.0
Total	2 150 000	2 850 000	94 191	1 231 562	516 489	2 333 511	18.1

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end February 2021 as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

12/3/2021
Date

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END MARCH 2021

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of MARCH 2021.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Make rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the MARCH 2021 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision-making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at the end MARCH 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual February 2021	Actual March 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 2 457 392	R 2 451 339	Slight reduction due to recoveries on fruitless and wasteful expenditure.
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 7 753 165	R 32 587 561	Increase due to last tranche received of Equitable Share.
Cashbook balance (bank reconciliation) Licensing	R 22 128 304	R 41 282 537	
Current Liabilities			
(Table SC4) Creditors	R 172 058 608	R 167 226 090	Decrease due Licensing payment.
Cash Flow			
(Table C7) Receipts	R 3 335 941	R 85 493 843	Increase due to last tranche received of Equitable Share.
Payments	R 34 349 925	R 35 365 711	
Cash flow closing balance	R 29 912 494	R 73 910 922	
Cost Coverage indicator	0.86	2.12	Increase due to last tranche received of Equitable Share.
(Table C2) Operating Revenue	R 3 335 941	R 82 976 902	Received to date 92.44% (benchmark 75%).

Item of Financial Position/ Performance	Actual February 2021	Actual March 2021	Trend Analysis
for Month			
Operating Expenditure for Month	R 34 411 471	R 32 268 634	Spent to date 67.94% (benchmark 75%).
(Table C5) Capital Expenditure for Month	R 94 190	R 1 155 040	Total Capex budget spent to date is 44.69% (benchmark 75%). The municipality is anticipating to spend 75% of the budget by end of April 2021 as is in the process of procuring vehicles for the council. The municipality has incurred a commitment of R 1 325 928.
(Table C6) Total Assets	R 139 761 969	R 185 354 932	Municipality has liquidity problems whereby the current liabilities exceed current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Liabilities	R 199 954 047	R 194 838 742	
Total Net Liabilities	R (60 192 078)	R (9 483 810)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter one reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M09 March											
Description	Ref	2019/20	Budget Year 2020/21							Trend Analysis	
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %		Full Year Forecast
R thousands											
Revenue By Source											
Property rates								-			
Service charges - electricity revenue								-			
Service charges - water revenue								-			
Service charges - sanitation revenue								-			
Service charges - refuse revenue								-			
Rental of facilities and equipment		223	516	-	-	-	258	(258)	-100%	-	No bookings due to covid 19
Interest earned - external investments		3,307	2,700	1,743	112	1,304	1,786	(482)	-27%	1,743	Decline in interest rate by reserve bank
Interest earned - outstanding debtors		-	-	-	-	-	-	-		-	
Dividends received											
Fines, penalties and forfeits											
Licences and permits		1,445	1,575	2,347	25	2,306	1,374	932	68%	2,347	Increase due to summons issued
Agency services		51,966	75,630	68,267	10,341	44,475	54,882	(10,407)	-19%	68,267	Revenue always 1 month in arrears.
Transfers and subsidies		284,349	313,062	303,022	71,533	300,805	234,468	66,337	28%	303,022	Water service grant not received
Other revenue		20,120	24,139	13,101	965	10,812	15,345	(4,533)	-30%	13,101	
Gains		48	140	140	-	36	105	(69)	-66%	140	
Total Revenue (excluding capital transfers and contributions)		381,458	417,763	388,620	82,977	359,737	308,218	51,519	17%	388,620	
Expenditure By Type											
Employee related costs		277,981	274,644	279,591	22,393	213,127	207,559	5,568	3%	279,591	Increase due to salary increment backpayed.
Remuneration of councillors		13,379	14,018	13,505	1,077	9,434	10,385	(951)	-9%	13,505	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset impairment		17,647	11,272	11,272	-	-	8,454	(8,454)	-100%	11,272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges											
Bulk purchases											
Other materials		6,963	6,905	6,850	1,187	3,605	6,138	(2,534)	-41%	6,850	Reduction due to covid 19 spending
Contracted services		47,486	46,534	41,465	2,109	16,293	33,859	(17,566)	-52%	41,465	Municipal Health services one month in arrears
Transfers and subsidies		8,366	27,973	12,148	536	5,046	17,024	(11,978)	-70%	12,148	Water service grant not received
Other expenditure		41,200	35,875	37,832	4,966	26,065	27,361	(1,296)	-5%	37,832	Reduction due to covid 19 spending
Losses		1,185	40	40	-	-	30	(30)	-100%	40	
Total Expenditure		414,207	417,261	402,703	32,269	273,569	310,810	(37,241)	-12%	402,703	
Surplus/(Deficit) subsidies - capital		(52,749)	502	(14,083)	50,708	86,168	(2,592)	88,760	(0)	(14,083)	
subsidies - capital		39	-	600	-	-	150	(150)	(0)	600	
subsidies -											
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & Taxation		(52,710)	502	(13,483)	50,708	86,168	(2,442)			(13,483)	
Surplus/(Deficit) after taxation		(52,710)	502	(13,483)	50,708	86,168	(2,442)			(13,483)	
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(52,710)	502	(13,483)	50,708	86,168	(2,442)			(13,483)	
surplus/ (deficit) of associate											
Surplus/ (Deficit) for the year		(52,710)	502	(13,483)	50,708	86,168	(2,442)			(13,483)	
References											
1. Material variances to be explained on Table SC1											
Total Revenue (excluding capital transfer:		361,497	417,763	389,220	82,977	359,737	308,368			389,220	

Cash Flow Statement - July 2020 to June 2021

	ACTUAL												PROJECTED												Total	
	July	August	September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June		
Opening Balance	10 308 729	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	7 722 993	32 583 618	47 383 411	19 524 797	10 308 729													
Cash Inflow	125 582 277	1 537 067	29 254 042	58 539 654	56 783 444	91 241 180	10 811 839	54 468 888	77 609 060	63 793 391	22 758 672	25 117 979	617 497 293													
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-													
Sundries	765 236	393 199	1 561 936	746 298	1 792 946	3 984 170	708 074	750 446	2 904 600	358 890	638 298	2 938 725	17 542 818													
Licensing	-	-	20 000 000	55 000 000	49 500 000	-	10 000 000	51 000 000	3 000 000	63 282 536	22 000 000	22 000 000	295 782 536													
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-													
Medical aid Pensioners income	175 041	143 868	146 106	139 356	154 062	135 010	103 765	128 242	171 460	151 965	120 374	179 254	1 748 503													
Subsidies and Grants	124 642 000	1 000 000	7 546 000	2 654 000	5 336 436	87 122 000	-	2 590 000	71 533 000	-	-	-	302 423 436													
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-													
Cash Outflow	(62 267 756)	(46 137 618)	(50 304 259)	(56 975 298)	(60 302 102)	(50 336 411)	(51 927 952)	(52 552 531)	(52 748 435)	(48 993 598)	(50 617 286)	(51 680 404)	(634 843 650)													
Salaries	(23 039 427)	(23 939 862)	(26 268 935)	(25 123 653)	(24 847 708)	(24 136 644)	(32 144 221)	(26 078 696)	(24 592 754)	(26 031 250)	(26 031 250)	(26 031 250)	(308 265 650)													
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-													
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-													
Licensing	(28 845 870)	(16 477 298)	(19 035 979)	(25 194 445)	(22 914 498)	(19 825 236)	(13 437 680)	(16 080 846)	(16 274 646)	(17 000 000)	(17 000 000)	(17 000 000)	(229 086 498)													
Other Creditors	(10 382 459)	(5 720 458)	(4 999 345)	(6 657 200)	(12 539 896)	(6 374 531)	(6 346 051)	(10 392 989)	(11 881 035)	(5 962 348)	(7 586 036)	(8 649 154)	(97 491 502)													
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-													
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-													
Closing Balance	73 623 250	29 022 699	7 972 482	9 536 838	6 018 180	46 922 949	5 806 836	7 722 993	32 583 618	47 383 411	19 524 797	(7 037 628)	(7 037 628)													

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

2017/02/28	12 065 954.44
2017/03/31	14 449 661.65
2017/04/30	12 665 528.14
2017/05/31	16 490 437.27
2018/09/30	16 027 541.88
2019/01/31	18 583 787.44
2019/09/30	16 045 876.16
2019/10/31	18 238 715.20
TOTAL	124 557 502.18

Table SC6,7(1)and 7(2)Grants received and spent for March

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual February	Actual March	Balance	%	Comment
RAMS	2,456,000	2,456,000	0	2,456,000.00	239,024	23,806	47,766	2,216,976	10	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	380,802	36,120	27,089	619,198	38	Interns Stipend
EPWP	1,000,000	1,000,000	750,000	1,000,000	798,264	155,540	138,471	201,736	80	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	0	11,148,000	4,247,384.00	354,207	397,906	6,900,616	38	Payment of salaries
DSRACH	2,654,000	2,654,000	0	2,654,000	1,102,910	412,630.00	0.00	1,551,090	42	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	0	1,537,000	0	0	0	0.00	0.00	1,537,000	0	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	18,258,000	19,795,000	750,000	18,258,000	6,768,384	982,303	611,232	13,026,616	34	

UNSPENT GRANT	
Description	Opening balance
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow, as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting

Principles (GRAP). The difference between assets and liabilities is referred to as the “Net Assets.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending March

The debtor’s book balance of the municipality as attached in annexure A is R 2 451 339 and bad debts impairment R 954 100.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
486 142	0	0	0	0	0	0	1 965 197	2 451 339

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of March 2021 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 73 870 098 as at the end of March

The remaining cash balance must meet operational requirements till end of June 2021, until receipt of the next equitable tranche due in July 2021.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 167 226 090 payable to the Trade creditors in March 2021. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
14 788 403	0	0	0	0	0	0	15 2437 687	167 226 090

c) Net Assets

Reserves

The balance sheet of Council is broadly distinguished into “Assets” (what Council owns) and “Liabilities” (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the “Net Assets.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as "revenue" (non-cash) on the statement of financial performance. This "revenue" recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves are to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures "B", "C1- 4", "E"

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 85 493 843. Outgoing payments were made to the amount of R 35 365 711. Taking into account the opening cashbook balance, this left a favorable closing balance of R 73 910 922, at the end of March 2021 period, which shows a Increase margin from last month's closing balance.

Cost coverage indicator.

The cost coverage formula =
$$\frac{\text{(All available cash at the end of the period in the cashbook) + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = \frac{= (73\,870\,097) + R0}{R\,34\,768\,431}$$

= 2.12 TIMES

The cost coverage of the municipality indicates 2.12 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of June 2021 as the next equitable share allocation is in July 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R 124 642 000 was received in the month of July and second tranche of R 87 122 000 Received in December. The third tranche of R 69 246 000 received on March 2021.

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 27 089 in month of March .The FMG Interns were involved in the following activities during the month of March 2021 as part of their training rotation plan:

- One intern in income and budget section
- One intern in Expenditure section
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

R2 456 000 received. Expenditure incurred of R 47 766 in March.

HIV/Aids

R 5 577 000 was received in September, R 3 718 000 in November and R 1 853 000 in February. R 397 906 was spent for the Month of March 2021.

Extended Public Works Projects:

First Tranche of R 250 000 was received in September 2020 and R 750 000 in March 2021 expenditure incurred for the month of March is R 138 471.

Water Services

No Grants received in the month of March.

YOUTH CENTRES (National Youth Development Agency)

Grant received in the month of October R2 654 000 and expenditure incurred during month of March R 0.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of March.

6.2 Financial Performance

Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

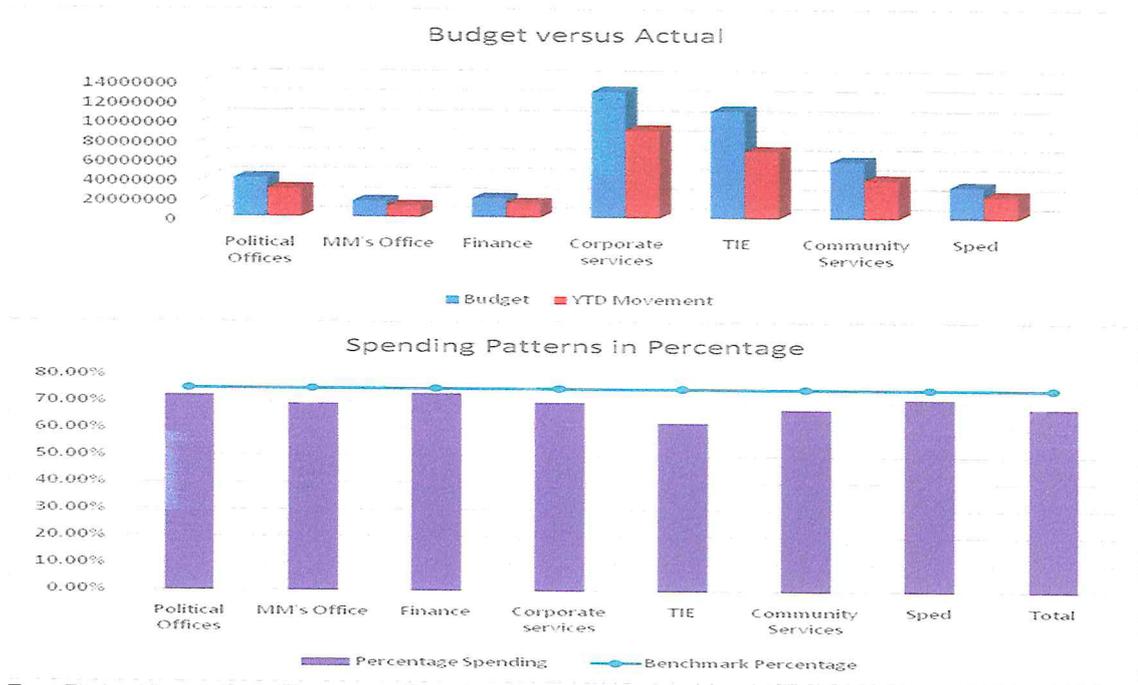
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

"See Annexures G, H & I"

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 82 976 902 was generated in revenue. R 32 268 634 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 1 155 040 was funded internally for various moveable assets such as furniture & equipment, computers & printers.



b) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of March 2021 signals the last month of the third quarter 2020/21 financial year, spending trends ought to be around 75%. "Other Income" consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 67.94% and revenue is at 92.44% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

c) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2020/2021 amounts to R 2 150 00 and it was increased in Special Adjustment budget to R 2 850 000.

During the last adjustment budget the capital budget was increased to R 3 740 000 whereby R 690 000 is funded from (National Treasury) Roads Assets Management Grant, R 3 050 000 funded internally from reserves (accumulated surplus) Details on performance progress on all capital projects are outlined as per "Annexure I."

The spending analysis on own fixed assets as at the end of the month of March 2021 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200 000	180 000	34 188	0	168 981	11 019	93.9
Computers and printers	200 000	200 000	25 388		146 244	53 756	73.1
Network Infrastructure	400 000	400 000	37 388	45 216	298 230	101 770	74.6
Vehicles Rural Assets management Grant		690 000				690 000	0.0
Vehicles	1 350 000	2 270 000	1 058 075	1 178 833	1 058 075	1 2119 25	46.6
Total	2 150 000	3 740 000	1 155 039	1 224 049	1671530	2 068 470	44.7

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock takes place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2020 to 30 June 2021, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programmes based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

- "A" – Debtors Age Analysis
- "B" – Investment Schedule

- "C" – Bank Reconciliations
- "D" – Creditors Age Analysis
- "E" – Cash Flow Statement
- "F" – Grants Allocation and Expenditure
- "G" – Operating Revenue and Expenditure
- "H" – Capital Expenditure and Revenue Source
- "I" – Capital Projects Progress
- "J" – MFMA Compliance

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

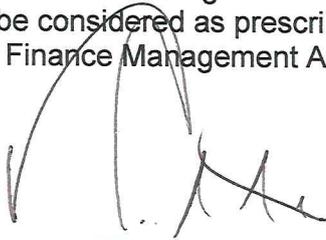
No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end March 2021 as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

Date