

# MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END OCTOBER 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 OCTOBER 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;

## 3. 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).

## 4. 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 OCTOBER 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 OCTOBER 2021 is indicated in the different schedules as listed below.

#### 5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual SEPTEMBER 2021	Actual OCTOBER 2021	Trend Analysis
<b>Current Assets</b>			
<b>(Table SC3) Debtors</b>	R 3 810 168	R 3 751 006	Decrease due to staff recoveries
<b>Cash &amp; cash equivalents:</b>			
Cashbook balance (bank reconciliation) Primary	R 2 161 550	R 852 713	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 49 288 531	R 42 722 198	
<b>Current Liabilities</b>			
<b>(Table SC4) Creditors</b>	R 200 716 345	R 216 273 813	Increase in licensing fees allocated in October payable to department of transport.
<b>Cash Flow</b>			
<b>(Table C7) Receipts</b>	R 34 978 770	R 27 746 740	Decrease in receipts based on payments of transfers and subsidies and decrease in payments due to operational activities.
Payments	R 54 574 357	R 34 952 832	
Cash flow closing balance	R 51 489 619	R 43 615 735	
Cost Coverage indicator	1.54	1.31	Decrease due to operational activities.
<b>(Table C2) Operating Revenue for Month</b>	R 10 066 217	R 9 584 481	Received to date 37.27% (benchmark 33.3%).
Operating Expenditure for Month	R 31 783 755	R 32 073 958	Spent to date 30.27% (bench mark 33.3%).



Item of Financial Position/ Performance	Actual SEPTEMBER 2021	Actual OCTOBER 2021	Trend Analysis
<b>(Table C5)</b> Capital Expenditure for Month	R 80 508	R 667 791	Total Capex budget spent to date is 30.49 % (benchmark 33.3%).
<b>(Table C6)</b> Total Assets	R 155 352 270	R 148 087 016	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 232 813 245	R 248 037 468	
Total Net Liabilities	R (77 460 974 )	R (99 950 452 )	
<b>MFMA Compliance</b>			
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

## 5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M04 October											Trend Analysis
Description	Ref	2020/21	Budget Year 2021/22							Full Year Forecast	
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %		
R thousands	0	0	0	0	0	0	0	0	0	0	
<b>Revenue By Source</b>	0	0	0	0	0	0	0	0	0	0	
Property rates	0	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - water revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	0%	-	
Rental of facilities and equipment	0	3	340	340	-	-	113	(113)	-100%	340	No bookings due to covid 19
Interest earned - external investments	0	1 718	1 035	1 035	160	570	345	225	65%	1 035	Decline in interest rate by reserve bank
Interest earned - outstanding debt	0	-	-	-	-	-	-	-	-	-	
Dividends received	0	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	0	-	-	-	-	-	-	-	-	-	
Licences and permits	0	2 351	1 575	1 575	2	62	525	(463)	-88%	1 575	Increase due to summons issued
Agency services	0	62 115	71 680	71 680	7 325	18 414	23 893	(5 480)	-23%	71 680	Revenue always 1 month in arrears.
Transfers and subsidies	0	297 614	306 054	306 054	1 729	124 067	102 018	22 049	22%	306 054	Water service grant not received
Other revenue	0	13 879	8 345	8 345	369	1 864	2 782	(918)	-33%	8 345	
Gains	0	58	140	140	-	26	47	(21)	-45%	140	
<b>Total Revenue (excluding capital transfers and contributions)</b>	0	377 737	389 169	389 169	9 584	145 002	129 723	15 279	12%	389 169	
0	0	-	-	-	-	-	-	-	-	-	
<b>Expenditure By Type</b>	0	-	-	-	-	-	-	-	-	-	
Employee related costs	0	286 598	276 282	276 282	22 405	91 694	92 095	(400)	0%	276 282	Increase due to salary increment backpayed.
Remuneration of councillors	0	12 803	14 143	14 143	1 071	4 222	4 714	(492)	-10%	14 143	
Debt impairment	0	-	-	-	-	-	-	-	-	-	
Depreciation & asset impairment	0	12 154	11 272	11 272	-	-	3 758	(3 758)	-100%	11 272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges	0	-	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	0	-	-	-	-	-	-	-	-	-	
Inventory consumed	0	6 427	6 895	6 895	632	2 440	2 298	141	6%	6 895	Reduction due to covid 19 spending
Contracted services	0	37 307	41 208	40 838	3 647	7 704	13 627	(5 924)	-43%	40 838	Municipal Health services one month in arrears Water service grant not received
Transfers and subsidies	0	9 861	12 171	12 171	870	3 217	4 057	(840)	-21%	12 171	Reduction due to covid 19 spending
Other expenditure	0	39 851	36 913	37 023	3 450	14 097	12 327	1 770	14%	37 023	
Losses	0	35	40	40	-	-	13	(13)	-100%	40	
<b>Total Expenditure</b>	0	405 035	398 924	398 664	32 074	123 374	132 890	(9 516)	-7%	398 664	
0	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit)</b>	0	(27 298)	(9 755)	(9 495)	(22 489)	21 628	(3 166)	24 795	(0)	(9 495)	
Transfers and subsidies - capital (monetary allocations) (National)	0	67	-	-	-	-	-	-	-	-	
(monetary allocations) (National)	0	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital	0	471	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	0	(26 761)	(9 755)	(9 495)	(22 489)	21 628	(3 166)	-	-	(9 495)	
Taxation	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after taxation</b>	0	(26 761)	(9 755)	(9 495)	(22 489)	21 628	(3 166)	-	-	(9 495)	
Attributable to minorities	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) attributable to municipality</b>	0	(26 761)	(9 755)	(9 495)	(22 489)	21 628	(3 166)	-	-	(9 495)	
Share of surplus/ (deficit) of associate	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/ (Deficit) for the year</b>	0	(26 761)	(9 755)	(9 495)	(22 489)	21 628	(3 166)	-	-	(9 495)	
References	0	0	0	0	0	0	0	0	0	0	
1. Material variances to be explained	0	0	0	0	0	0	0	0	0	0	
0	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	-	-	
<b>Total Revenue (excluding capital tr.</b>	0	378 274	389 169	389 169	9 584	145 002	129 723	-	-	389 169	



Cash Flow Statement - July 2021 to June 2022

	ACTUAL												PROJECTED					
	July	August	September	October	November	December	January	February	March	April	May	June	Total					
Opening Balance	2 253 206	59 772 719	15 485 215	2 159 889	852 571	18 470 609	84 200 614	51 522 181	23 519 184	66 654 455	39 573 342	15 677 041	15 677 041	2 253 206				
<b>Cash Inflow</b>	121 636 453	2 337 767	41 690 992	33 934 102	70 005 642	111 241 180	20 811 839	23 468 688	94 609 060	21 827 821	21 341 706	22 367 860	585 272 115					
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-					
Sundries	775 962	739 948	1 553 445	1 798 675	1 792 946	3 984 170	708 074	750 446	2 904 600	748 280	1 204 403	2 217 250	19 178 199					
Licensing	-	-	40 000 000	32 000 000	62 722 198	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	274 722 198					
Transfer from call / Investment	-	-	-	-	-	-	-	-	-	-	-	-	-					
Medical aid Pensioners income	140 496	141 819	137 547	135 427	154 062	135 010	103 765	128 242	171 460	136 892	137 303	150 610	1 672 633					
Subsidies and Grants	120 719 000	1 456 000	-	-	5 336 436	87 122 000	-	2 590 000	71 533 000	942 649	-	-	289 699 085					
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-					
<b>Cash Outflow</b>	(64 115 945)	(46 625 271)	(55 016 318)	(35 241 420)	(52 387 604)	(45 511 175)	(53 490 272)	(51 471 685)	(51 473 789)	(48 908 934)	(45 238 007)	(50 116 725)	(599 597 145)					
Salaries	(23 937 732)	(24 817 982)	(27 545 284)	(24 874 537)	(24 847 708)	(24 136 644)	(32 144 221)	(26 078 696)	(24 592 754)	(24 554 006)	(25 148 161)	(24 871 372)	(307 549 097)					
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-					
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-					
Licensing	(30 446 242)	(14 004 150)	(20 818 314)	-	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(185 268 706)					
Other Creditors	(9 731 971)	(7 803 139)	(6 652 720)	(10 366 883)	(12 539 896)	(6 374 531)	(6 346 051)	(10 392 989)	(11 881 035)	(9 354 928)	(5 089 846)	(10 245 353)	(106 779 342)					
External Inv/Red	-	-	-	-	-	-	-	-	-	-	-	-	-					
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-					
Closing Balance	59 772 719	15 485 215	2 159 889	852 571	18 470 609	84 200 614	51 522 181	23 519 184	66 654 455	39 573 342	15 677 041	(12 071 824)	(12 071 824)					

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	18 563 767,44
2019/09/30	16 045 876,16
2019/10/31	18 238 715,20
2021/09/30	24 976 466,02
<b>TOTAL</b>	<b>149 533 988,20</b>

**5.2 Table SC6, 7(1) and 7(2) Grants received and spent for October**

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual September	Actual October	Balance	%	Comment
RAMS	2 489 000.00	0.00	0.00	1 742 000.00	798 786.00	586 687.00	122 269.11	1 690 214.00	32.09	Interns Stipend
FMG	1 200 000.00	0.00	0.00	1 200 000.00	493 176.00	107 472.00	187 171.00	706 824.00	41.10	Interns Stipend
EPWP	1 023 000.00	0.00	0.00	256 000.00	248 601.40	110 595.00	93 465.40	774 398.60	24.30	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000.00	0.00	0.00	0.00	2 968 852.80	749 341.00	781 352.00	8 179 147.20	26.63	Payment of salaries
DSRACH	2 654 000.00	0.00	550 000.00	0.00	700 071.85	233 358.01	233 358.01	1 953 928.15	26.38	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000.00	0.00	0.00	0.00	0.00	0.00	0.00	1 537 000.00	0.00	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
<b>Total</b>	<b>20 051 000.00</b>	<b>0.00</b>	<b>550 000.00</b>	<b>3 198 000.00</b>	<b>5 209 488.05</b>	<b>1 802 092.01</b>	<b>1 417 615.52</b>	<b>14 841 511.95</b>	<b>25.98</b>	

**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 October*

The debtor’s book balance of the municipality as attached in annexure A is R 4 705 106 less bad debts impairment R 954 100 resulting to R 3 751 006.



0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
0	0	0	2 947 933	173 099	0	378 658	1 205 416	4 705 106

#### Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of October 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 43 574 911 as at the end of October.

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

#### b) Current Liabilities

##### *Creditors’ Age Analysis*

Annexure “D” represents the creditors’ age analysis of R 216 273 813 payable to the creditors in September 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
27 794 518	24 976 466	0	0	5 293 818	0	0	158 209 011	216 273 813

#### 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 is 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 27 746 740. Outgoing payments were made to the amount of 34 952 832. Taking into account the opening cashbook balance, this left a favorable closing balance of R 43 615 735 at the end of October 2021 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{= (43\,574\,911) + R0}{R\,33\,243\,674}$$

$$= \underline{1.31 \text{ TIMES}}$$

The cost coverage of the municipality indicates 1.31 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 November 2021 as the next equitable share allocation is in December 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 R118 977 000 was received in month of July.

#### Finance Management Grant (FMG):

Received R 1 200 000 in August .Expenditure incurred of R 187 171 in month of October. The FMG Interns were involved in the following activities during the month 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

First tranche of R 1 742 000 received in August. Expenditure incurred of R 122 269 in October

#### HIV/Aids

R 781 352 was spent for the Month of October 2021.

#### Extended Public Works Projects:

First tranche of R 256 000 received in August and expenditure incurred for the month of October is R 93 465.

### YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of October R 0.

#### Grant payments to Local Municipalities:

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

## 6.2 Financial Performance

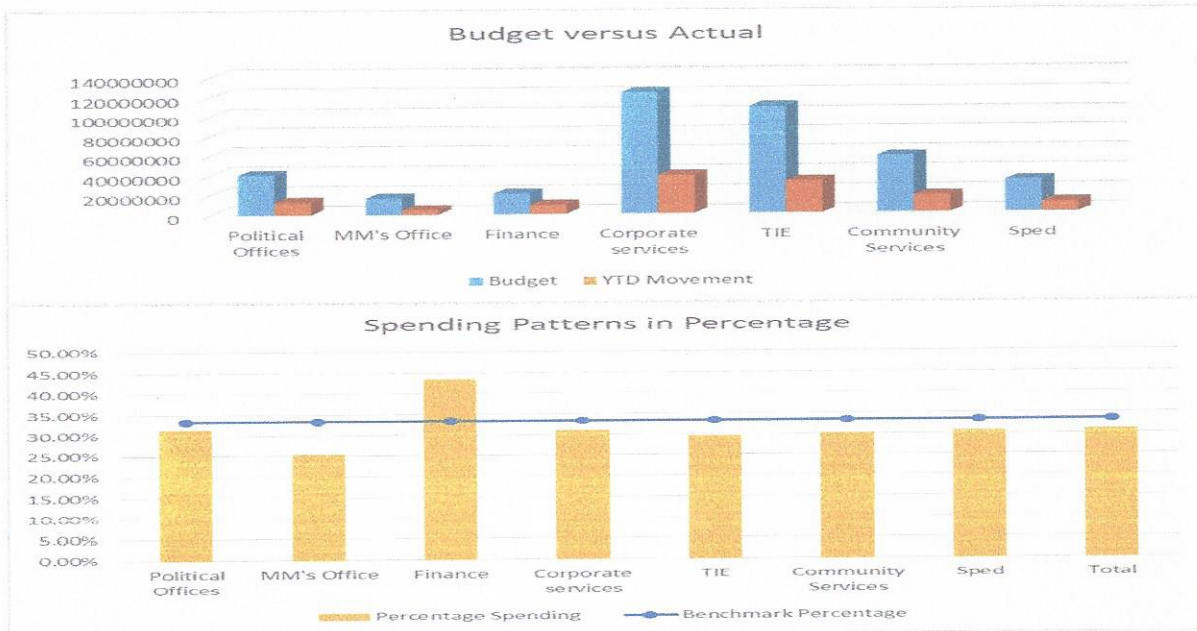
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 9 584 481 was generated in revenue. R 32 073 958 in expenditure.



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 October 2021 signals the 1<sup>st</sup> month of the second quarter 2021/22 financial year, spending trends ought to be around 33.3%. “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 30.27% and revenue is at 37.27% 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)



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 667 791 and budget of R 2 370 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and R 350 000 from National Grants(Financial Management and Rural Roads Assets Management Grant) .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 October 2021 is shown in the table below:-

Description	Approved Budget	Adjusments	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	180 000.00	180 000.00	164 600.00	-	179 250.00	750.00	99.58
COMPUTER EQUIPMENT AND NETWORKS	200 000.00	200 000.00	-	-	8 448.00	191 552.00	4.22
NEW ICT EQUIPMENT	400 000.00	717 069.00	266 693.09	-	386 304.35	330 764.65	53.87
Financial Management (Grant)	90 000.00	250 000.00	146 072.18	80 859.00	129 551.00	120 449.00	51.82
Assets management Grant	-	100 000.00	90 426.08	-	98 251.37	1 748.63	98.25
Vehicles	1 500 000.00	1 182 931.00	-	-	-	1 182 931.00	-
<b>Total</b>	<b>2 370 000.00</b>	<b>2 630 000.00</b>	<b>667 791.35</b>	<b>80 859.00</b>	<b>801 804.72</b>	<b>1 828 195.28</b>	<b>30.49</b>

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 2021 to 30 June 2022, 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 programed 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 October 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.



MR. C STEYN  
ACTING CHIEF FINANCIAL OFFICER

CLLR. P B TSOTETSI  
MMC FOR FINANCE

2021/10/15

Date

Date





# MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END NOVEMBER 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 NOVEMBER 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;

## 3. 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).

## 4. 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 NOVEMBER 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 NOVEMBER 2021 is indicated in the different schedules as listed below.

#### 5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual OCTOBER 2021	Actual NOVEMBER 2021	Trend Analysis
<b>Current Assets</b>			
<b>(Table SC3) Debtors</b>	R 3 751 006	R 1 689 723	Decrease due to correction of prior year balances during audit.
<b>Cash &amp; cash equivalents:</b>			
Cashbook balance (bank reconciliation) Primary	R 852 713	R 3 636 272	Increase due to transfers and subsidies
Cashbook balance (bank reconciliation) Licensing	R 42 722 198	R 43 982 757	
<b>Current Liabilities</b>			
<b>(Table SC4) Creditors</b>	R 216 273 813	R 236 039 424	Increase in licensing fees allocated in November payable to department of transport.
<b>Cash Flow</b>			
<b>(Table C7) Receipts</b>	R 27 746 740	R 34 099 366	Increase in receipts based on payments of transfers and subsidies and decrease in payments due to reduction in operating activities.
Payments	R 34 952 832	R 31 777 265	
Cash flow closing balance	R 43 615 735	R 47 657 965	
Cost Coverage indicator	1.31	1.43	Increase due to operational activities reduction.
<b>(Table C2) Operating Revenue for Month</b>	R 9 584 481	R 14 630 987	Received to date 41.03% (benchmark 41.67%).
Operating Expenditure for Month	R 32 073 958	R 28 205 098	Spent to date 38.03% (benchmark 41.67%).

Item of Financial Position/ Performance	Actual OCTOBER 2021	Actual NOVEMBER 2021	Trend Analysis
<b>(Table C5)</b> Capital Expenditure for Month	R 667 791	R 93 737	Total Capex budget spent to date is 34.05 % (benchmark 41.67%).
<b>(Table C6)</b> Total Assets	R 148 087 016	R 154 782 436	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 248 037 468	R 267 862 659	
Total Net Liabilities	R (99 950 452 )	R (113 080 223)	
<b>MFMA Compliance</b>			
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



## 5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M05 November											
Description	Ref	2020/21	Budget Year 2021/22							Trend Analysis	
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %		Full Year Forecast
R thousands	1	0	0	0	0	0	0	0	0	0	0
<b>Revenue - Functional</b>	0	0	0	0	0	0	0	0	0	0	0
Municipal governance and administration	0	303 002	301 105	301 105	8 222	131 828	125 460	6 368	5%	301 105	
Executive and council	0	-	-	-	-	-	-	-	-	-	
Mayor and Council	0	-	-	-	-	-	-	-	-	-	
Municipal Manager, Town Secretary	0	-	-	-	-	-	-	-	-	-	
Finance and administration	0	303 002	301 105	301 105	8 222	131 828	125 460	6 368	5%	301 105	
Administrative and Corporate Support	0	8 824	11 238	11 238	826	3 795	4 683	(887)	-19%	11 238	No bookings due to covid 19
Asset Management	0	-	-	-	-	-	-	-	-	-	Decline in interest rate by reserve bank
Finance	0	286 029	289 379	289 379	7 284	127 807	120 575	7 232	6%	289 379	
Fleet Management	0	-	-	-	-	-	-	-	-	-	
Human Resources	0	317	488	488	112	226	203	23	11%	488	
Information Technology	0	6 618	-	-	-	-	-	-	-	-	
Legal Services	0	-	-	-	-	-	-	-	-	-	Increase due to summons issued
Marketing, Customer Relations, Publicity	0	-	-	-	-	-	-	-	-	-	Revenue always 1 month in arrears.
Property Services	0	1 214	-	-	-	-	-	-	-	-	Water service grant not received
Risk Management	0	-	-	-	-	-	-	-	-	-	
Security Services	0	-	-	-	-	-	-	-	-	-	
<b>Supply Chain Management</b>	0	-	-	-	-	-	-	-	-	-	
Valuation Service	0	-	-	-	-	-	-	-	-	-	
<b>Internal audit</b>	0	-	-	-	-	-	-	-	-	-	
Governance Function	0	-	-	-	-	-	-	-	-	-	Increase due to salary increment backpayed.
Community and public safety	0	4 725	6 689	6 689	72	783	2 787	(2 024)	-73%	6 689	
Community and social services	0	2 374	5 114	5 114	22	651	2 131	(1 480)	-69%	5 114	Depreciation will be done after auditor general has completed 19/20 financial year audit
Aged Care	0	-	-	-	-	-	-	-	-	-	
Agricultural	0	-	-	-	-	-	-	-	-	-	
Animal Care and Diseases	0	-	-	-	-	-	-	-	-	-	
Cemeteries, Funeral Parlours and Burial	0	-	-	-	-	-	-	-	-	-	Reduction due to covid 19 spending
Child Care Facilities	0	-	-	-	-	-	-	-	-	-	Municipal Health services one month in arrears
Community Halls and Facilities	0	2 374	5 114	5 114	22	651	2 131	(1 480)	-69%	5 114	Water service grant not received
Consumer Protection	0	-	-	-	-	-	-	-	-	-	Reduction due to covid 19 spending
Cultural Matters	0	-	-	-	-	-	-	-	-	-	
<b>Disaster Management</b>	0	-	-	-	-	-	-	-	-	-	
Education	0	-	-	-	-	-	-	-	-	-	
<b>Indigenous and Customary Law</b>	0	-	-	-	-	-	-	-	-	-	
Industrial Promotion	0	-	-	-	-	-	-	-	-	-	
Language Policy	0	-	-	-	-	-	-	-	-	-	
Libraries and Archives	0	-	-	-	-	-	-	-	-	-	
<b>Literacy Programmes</b>	0	-	-	-	-	-	-	-	-	-	
Media Services	0	-	-	-	-	-	-	-	-	-	
<b>Museums and Art Galleries</b>	0	-	-	-	-	-	-	-	-	-	
Population Development	0	-	-	-	-	-	-	-	-	-	
<b>Provincial Cultural Matters</b>	0	-	-	-	-	-	-	-	-	-	
Theatres	0	-	-	-	-	-	-	-	-	-	
<b>Zoo's</b>	0	-	-	-	-	-	-	-	-	-	
<b>Sport and recreation</b>	0	0	0	0	0	0	0	0	0	0	
Beaches and Jetties	0	0	0	0	0	0	0	0	0	0	
Casinos, Racing, Gambling, Wager	0	-	-	-	-	-	-	-	-	-	
Community Parks (including Nurse	0	-	-	-	-	-	-	-	-	-	
Recreational Facilities	0	-	-	-	-	-	-	-	-	-	

Cash Flow Statement - July 2021 to June 2022

	ACTUAL												PROJECTED													
	July	August	September	October	November	December	January	February	March	April	May	June	Total	July	August	September	October	November	December	January	February	March	April	May	June	Total
Opening Balance	2 253 206	59 772 719	15 485 215	2 159 889	852 571	3 688 941	66 728 510	34 050 077	6 047 080	49 182 351	22 101 238	(1 795 063)	2 253 206													
Cash Inflow	121 635 458	2 337 767	41 690 992	33 934 102	32 526 217	155 272 369	20 811 839	23 468 688	94 609 060	21 827 821	21 341 706	22 367 860	591 823 879													
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-													
Sundries	775 962	739 948	1 553 445	1 798 675	512 461	3 984 170	708 074	750 446	2 904 600	748 280	1 204 403	2 217 250	17 897 714													
Licensing	-	-	40 000 000	32 000 000	25 000 000	64 031 189	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	281 031 189													
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-													
Medical aid Pensioners income	140 496	141 819	137 547	135 427	141 356	135 010	103 765	128 242	171 480	136 892	137 303	150 610	1 659 927													
Subsidies and Grants	120 719 000	1 456 000	-	-	6 872 400	87 122 000	-	2 590 000	71 533 000	942 649	-	-	291 235 049													
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-													
Cash Outflow	(64 115 945)	(46 625 271)	(55 016 318)	(35 241 420)	(29 689 847)	(92 232 800)	(53 490 272)	(51 471 685)	(51 473 789)	(48 908 934)	(45 238 007)	(50 116 725)	(623 621 013)													
Salaries	(23 937 732)	(24 817 982)	(27 545 284)	(24 874 537)	(24 812 537)	(24 136 644)	(32 144 221)	(26 078 696)	(24 592 754)	(24 554 006)	(25 148 161)	(24 871 372)	(307 513 926)													
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-													
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-													
Licensing	(30 446 242)	(14 004 150)	(20 818 314)	-	-	(61 721 625)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(216 990 331)													
Other Creditors	(9 731 971)	(7 803 139)	(6 652 720)	(10 366 883)	(4 877 310)	(6 374 531)	(6 346 051)	(10 392 989)	(11 881 035)	(9 354 928)	(5 089 846)	(10 245 353)	(99 116 756)													
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-													
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-													
Closing Balance	59 772 719	15 485 215	2 159 889	852 571	3 688 941	66 728 510	34 050 077	6 047 080	49 182 351	22 101 238	(1 795 063)	(29 543 928)	(29 543 928)													

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	16 046 876.16
2019/10/31	18 238 715.20
2021/09/30	24 976 466.02
2023/1/10/31	18 745 158.84
TOTAL	188 279 127.04



**5.2 Table SC6, 7(1) and 7(2) Grants received and spent for November**

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual October	Actual November	Balance	%	Comment
RAMS	2 489 000.00	0.00	0.00	1 742 000.00	1 271 696.70	122 269.11	441 953.00	1 217 303.30	51.09	Interns Stipend
FMG	1 200 000.00	0.00	0.00	1 200 000.00	623 895.84	187 171.00	120 718.00	576 104.16	51.99	Interns Stipend
EPWP	1 023 000.00	0.00	0.00	256 000.00	248 601.40	93 465.40	118 264.00	774 398.60	24.30	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000.00	0.00	6 872 400.00	6 872 400.00	3 794 399.10	781 352.00	825 546.00	7 353 600.90	34.04	Payment of salaries
DSRACH	2 654 000.00	0.00	550 000.00	0.00	1 166 787.87	233 358.01	233 358.01	1 487 212.13	43.96	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000.00	0.00	0.00	0.00	0.00	0.00	0.00	1 537 000.00	0.00	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
<b>Total</b>	<b>20 051 000.00</b>	<b>0.00</b>	<b>7 422 400.00</b>	<b>10 070 400.00</b>	<b>7 105 380.91</b>	<b>1 417 615.52</b>	<b>1 739 839.01</b>	<b>12 945 619.09</b>	<b>35.44</b>	

**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 November*

The debtor's book balance of the municipality as attached in annexure A is



R 2 649 299 less bad debts impairment R 959 576 resulting to R 1 689 723.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
0	0	0	892 126	173 099	0	378 658	1 205 416	2 649 299

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of November 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 47 619 029 as at the end of November.

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

b) Current Liabilities

*Creditors' Age Analysis*

Annexure "D" represents the creditors' age analysis of R 236 039 424 payable to the creditors in November 2021. An amount of R 168 279 127 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
18 428 679	27 388 354	24 976 466	0	5 293 818	0	0	160 324 781	236 412 098

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 is 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 34 099 366. Outgoing payments were made to the amount of 31 777 265. Taking into account the opening cashbook balance, this left a favorable closing balance of R 47 657 965 at the end of October 2021 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{(47\,657\,965) + R0}{R\,33\,243\,674}$$

$$= \underline{1.43 \text{ TIMES}}$$

The cost coverage of the municipality indicates 1.43 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 November 2021 as the next equitable share allocation is in December 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 2018/19 as well as 2019/20.

*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 R118 977 000 was received in month of July.

Finance Management Grant (FMG):

Received R 1 200 000 in August .Expenditure incurred of R 120 718.85 in month of November. The FMG Interns were involved in the following activities during the month 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

First tranche of R 1 742 000 received in August. Expenditure incurred of R 441 953 in November.

HIV/Aids

R 825 546 was spent for the November 2021.

Extended Public Works Projects:

First tranche of R 256 000 received in August and expenditure incurred for the month of October is R 118 264.

YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of November R 233 358.

Grant payments to Local Municipalities:

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

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.

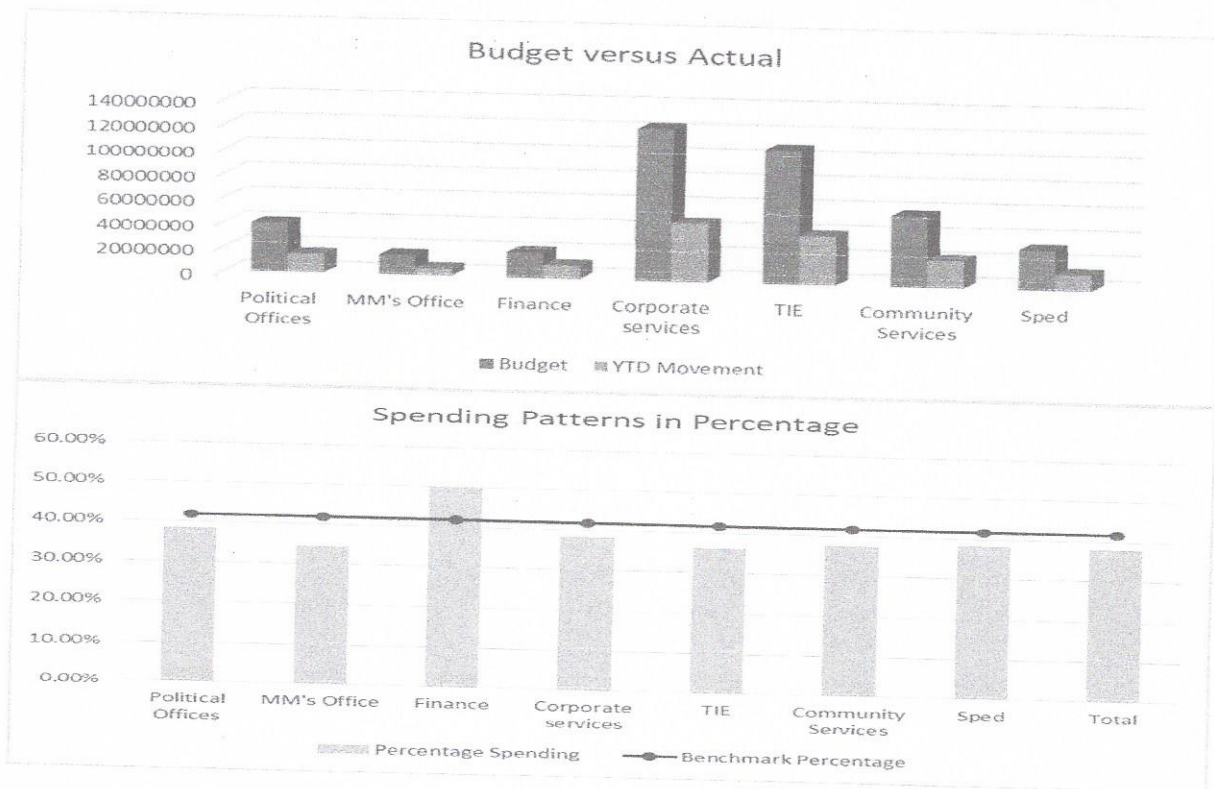


Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

"See Annexures G, H & I"

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 14 630 987 was generated in revenue. R 28 205 098 in expenditure.



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 November 2021 signals the 2<sup>nd</sup> month of the second quarter 2021/22 financial year, spending trends ought to be around 41.66%. "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 38.03% and revenue is at 41.03% 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)

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 93 736.52 and budget of R 2 370 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and R 350 000 from National Grants(Financial Management and Rural Roads Assets Management Grant) .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 November 2021 is shown in the table below:-

Description	Approved Budget	Adjustments	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	180 000.00	180 000.00	-	-	179 250.00	750.00	99.58
COMPUTER EQUIPMENT AND NETWORKS	200 000.00	200 000.00	-	-	8 448.00	191 552.00	4.22
NEW ICT EQUIPMENT	400 000.00	717 069.00	62 440.00	-	408 746.09	308 322.91	57.00
Financial Management (Grant)	90 000.00	250 000.00	31 296.52	9 564.35	200 845.22	49 154.78	80.34
Vehicles Rural Assets managent Grant	-	100 000.00	-	-	98 251.37	1 748.63	98.25
Vehicles	1 500 000.00	1 182 931.00	-	-	-	1 182 931.00	-
<b>Total</b>	<b>2 370 000.00</b>	<b>2 630 000.00</b>	<b>93 736.52</b>	<b>9 564.35</b>	<b>895 540.68</b>	<b>1 734 459.32</b>	<b>34.05</b>

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 2021 to 30 June 2022, 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 programed 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 November 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.



MR. C STEYN  
ACTING CHIEF FINANCIAL OFFICER

2021/12/10

Date

Monthly Fin management report  
Nov. 2021.

CLLR. P B TSOTETSI  
MMC FOR FINANCE

\_\_\_\_\_  
Date



# MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END DECEMBER 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 DECEMBER 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;

## 3. 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).

## 4. 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 DECEMBER 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 DECEMBER 2021 is indicated in the different schedules as listed below.

## 5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual NOVEMBER 2021	Actual DECEMBER 2021	Trend Analysis
<b>Current Assets</b>			
<b>(Table SC3) Debtors</b>	R 1 689 723	R 1 795 363	Decrease due to vat claimable from SARS.
<b>Cash &amp; cash equivalents:</b>			
Cashbook balance (bank reconciliation) Primary	R 3 636 272	R 4 753 916	Increase due to equitable share received.
Cashbook balance (bank reconciliation) Licensing	R 43 982 757	R 64 870 176	
<b>Current Liabilities</b>			
<b>(Table SC4) Creditors</b>	R 236 039 424	R 201 340 280	Decrease due to payment made to department of transport.
<b>Cash Flow</b>			
<b>(Table C7) Receipts</b>	R 34 099 366	R 115 746 488	Increase in receipts based on transfers and subsidies received and decrease in payments due to reduction in operating activities.
Payments	R 31 777 265	R 93 650 221	
Cash flow closing balance	R 47 657 965	R 69 664 917	
Cost Coverage indicator	1.43	2.09	Increase due to Equitable share received and reduction in operational activities.
<b>(Table C2) Operating Revenue for Month</b>	R 14 630 987	R 93 538 168	Received to date 65.07% (benchmark 50%).
Operating Expenditure for Month	R 28 205 098	R 36 045 086	Spent to date 47.07% (bench mark 50%).



Item of Financial Position/ Performance	Actual NOVEMBER 2021	Actual DECEMBER 2021	Trend Analysis
<b>(Table C5)</b> Capital Expenditure for Month	R 93 737	R 93 393	Total Capex budget spent to date is 37.60 % (benchmark 50%).
<b>(Table C6)</b> Total Assets	R 154 782 436	R 176 988 422	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 267 862 659	R 232 575 563	
Total Net Liabilities	R(113 080 223)	R (55 587 141)	
<b>MFMA Compliance</b>			
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

## 5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December											Trend Analysis
Description	Ref	Budget Year 2021/22									
		2020/21	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands	0	0	0	0	0	0	0	0	0	0	
<b>Revenue By Source</b>	0	0	0	0	0	0	0	0	0	0	
Property rates	0	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - water revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	0%	-	
Rental of facilities and equipment	0	3	340	340	-	3	170	(167)	-98%	340	No bookings due to covid 19
Interest earned - external investments	0	1 718	1 035	1 035	126	820	518	302	58%	1 035	Decline in interest rate by reserve bank
Interest earned - outstanding debt	0	-	-	-	-	-	-	-	-	-	
Dividends received	0	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	0	-	-	-	-	-	-	-	-	-	
Licences and permits	0	2 351	1 575	1 575	20	132	788	(656)	-83%	1 575	Revenue based on air quality license renewals.
Agency services	0	62 115	71 680	71 680	3 876	28 141	35 840	(7 699)	-21%	71 680	Revenue always 1 month in arrears.
Transfers and subsidies	0	293 453	306 054	306 054	89 461	221 917	153 027	68 890	45%	306 054	
Other revenue	0	13 879	8 345	8 345	55	2 132	4 173	(2 040)	-49%	8 345	
Gains	0	58	140	140	-	26	70	(44)	-63%	140	
<b>Total Revenue (excluding capital transfers and contributions)</b>	0	373 575	389 169	389 169	93 538	253 172	194 585	58 587	30%	389 169	
0	0	-	-	-	-	-	-	-	-	-	
<b>Expenditure By Type</b>	0	-	-	-	-	-	-	-	-	-	
Employee related costs	0	287 554	276 282	276 282	28 023	142 402	138 142	4 260	3%	276 282	Increase due to salary increment backpayed.
Remuneration of councillors	0	12 803	14 143	14 143	985	5 877	7 072	(1 195)	-17%	14 143	
Debt impairment	0	5	-	-	-	-	-	-	-	-	
Depreciation & asset impairment	0	12 653	11 272	11 272	-	-	5 636	(5 636)	-100%	11 272	Depreciation will be done after auditor general has completed 20/21 financial year audit
Finance charges	0	-	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	0	-	-	-	-	-	-	-	-	-	
Inventory consumed	0	6 825	6 895	6 817	219	2 895	3 437	(542)	-16%	6 817	Reduction due to covid 19 spending
Contracted services	0	37 307	41 208	40 997	3 314	12 380	20 453	(8 073)	-39%	40 997	Municipal Health services one month in arrears .
Transfers and subsidies	0	6 301	12 171	12 171	810	4 971	6 086	(1 115)	-18%	12 171	Expenses based on grant utilization.
Other expenditure	0	39 950	36 913	36 943	2 694	19 099	18 490	610	3%	36 943	Expenses done based on needs analysis.
Losses	0	35	40	40	-	-	20	(20)	-100%	40	
<b>Total Expenditure</b>	0	403 432	398 924	398 664	36 045	187 624	199 334	(11 710)	-6%	398 664	
0	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit)</b>	0	(29 857)	(9 755)	(9 495)	57 493	65 547	(4 750)	70 297	(0)	(9 495)	
Transfers and subsidies - capital (monetary allocations) (National)	0	2 173	-	-	-	-	-	-	-	-	
(monetary allocations) (National)	0	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital	0	471	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	0	(27 214)	(9 755)	(9 495)	57 493	65 547	(4 750)	-	-	(9 495)	
Taxation	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after taxation</b>	0	(27 214)	(9 755)	(9 495)	57 493	65 547	(4 750)	-	-	(9 495)	
Attributable to minorities	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) attributable to municipality</b>	0	(27 214)	(9 755)	(9 495)	57 493	65 547	(4 750)	-	-	(9 495)	
Share of surplus/ (deficit) of associate	0	-	-	-	-	-	-	-	-	-	
<b>Surplus/ (Deficit) for the year</b>	0	(27 214)	(9 755)	(9 495)	57 493	65 547	(4 750)	-	-	(9 495)	
References	0	0	0	0	0	0	0	0	0	0	
1. Material variances to be explained	0	0	0	0	0	0	0	0	0	0	
0	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	-	-	
<b>Total Revenue (excluding capital tr</b>	0	376 219	389 169	389 169	93 538	253 172	194 585			389 169	



Cash Flow Statement - July 2021 to June 2022

	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	2 253 206	59 772 719	15 485 215	2 159 889	852 571	3 688 941	4 744 414	43 080 377	15 077 380	58 212 651	31 131 538	7 235 237	-	-	-	-	-	-	-	-	-	-	-	-	-	2 253 206
Cash Inflow	121 635 458	2 337 767	41 690 992	33 934 102	32 526 217	94 409 736	85 682 014	23 468 688	94 609 060	21 827 821	21 341 706	22 367 860	-	-	-	-	-	-	-	-	-	-	-	-	-	595 831 421
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	775 962	739 948	1 553 445	1 798 675	512 461	187 121	708 074	750 446	2 904 600	748 280	1 204 403	2 217 250	-	-	-	-	-	-	-	-	-	-	-	-	-	14 100 665
Licensing	-	-	40 000 000	32 000 000	25 000 000	-	84 870 175	20 000 000	20 000 000	20 000 000	20 000 000	20 000 000	-	-	-	-	-	-	-	-	-	-	-	-	-	281 870 175
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	140 496	141 819	137 547	135 427	141 356	140 423	103 765	128 242	171 460	136 892	137 303	150 610	-	-	-	-	-	-	-	-	-	-	-	-	-	1 665 340
Subsidies and Grants	120 719 000	1 458 000	-	-	6 872 400	94 082 192	-	2 590 000	71 533 000	942 649	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	298 195 241
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(64 115 945)	(46 625 271)	(55 016 318)	(35 241 420)	(29 689 847)	(93 354 263)	(47 346 051)	(51 471 685)	(51 473 789)	(48 908 934)	(45 238 007)	(50 116 725)	-	-	-	-	-	-	-	-	-	-	-	-	-	(618 598 255)
Salaries	(23 937 732)	(24 817 982)	(27 545 284)	(24 874 537)	(24 812 537)	(30 554 526)	(26 000 000)	(26 078 696)	(24 592 754)	(24 554 006)	(25 148 161)	(24 871 372)	-	-	-	-	-	-	-	-	-	-	-	-	-	(307 787 587)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(30 446 242)	(14 004 150)	(20 818 314)	-	-	(55 589 537)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	(15 000 000)	-	-	-	-	-	-	-	-	-	-	-	-	-	(210 858 243)
Other Creditors	(9 731 971)	(7 803 139)	(6 652 720)	(10 366 883)	(4 877 310)	(7 210 200)	(6 346 051)	(10 392 989)	(11 881 035)	(9 354 928)	(5 089 846)	(10 245 353)	-	-	-	-	-	-	-	-	-	-	-	-	-	(99 952 425)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	59 772 719	15 485 215	2 159 889	852 571	3 688 941	4 744 414	43 080 377	15 077 380	58 212 651	31 131 538	7 235 237	(20 513 628)	-	-	-	-	-	-	-	-	-	-	-	-	-	(20 513 628)

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
2019/10/31	18 238 715.20
TOTAL	124 557 502.18

## 5.2 Table SC6, 7(1) and 7(2) Grants received and spent for December

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual November	Actual December	Balance	%	Comment
RAMS	2 489 000.00	0.00	0.00	1 742 000.00	1 727 709.63	441 953.00	456 013.00	761 290.37	69.41	Interns Stipend
FMG	1 200 000.00	0.00	0.00	1 200 000.00	786 778.79	120 718.00	162 882.95	413 221.21	65.56	Interns Stipend
EPWP	1 023 000.00	0.00	0.00	256 000.00	469 259.00	118 254.00	102 393.80	553 741.00	45.87	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000.00	0.00	0.00	6 872 400.00	4 501 696.90	825 546.00	707 297.80	6 646 303.10	40.38	Payment of salaries
DSRACH	2 654 000.00	0.00	0.00	0.00	1 466 485.31	233 358.01	299 697.44	1 187 514.69	55.26	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000.00	0.00	0.00	0.00	0.00	0.00	0.00	1 537 000.00	0.00	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
<b>Total</b>	<b>20 051 000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10 070 400.00</b>	<b>8 951 929.63</b>	<b>1 739 839.01</b>	<b>1 728 284.99</b>	<b>11 099 070.37</b>	<b>44.65</b>	

## 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 December*

The debtor's book balance of the municipality as attached in annexure A is R 2 754 939 less bad debts impairment R 959 576 resulting to R 1 795 363

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
112 279	1 568 524	0	0	0	0	0	1 074 136	2 754 939



### Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of December 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 69 624 092 as at the end of December.

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 201 340 280 payable to the creditors in December 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
28 545 978	0	0	0	0	0	0	172 794 302	201 340 280

### 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 is 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 115 746 488. Outgoing payments were made to the amount of 93 650 221. Taking into account the opening cashbook balance, this left a favorable closing balance of R 69 664 917 at the end of December 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{= (69\,624\,092) + R0}{R\,33\,243\,674}$$

$$= \underline{2.09 \text{ TIMES}}$$

The cost coverage of the municipality indicates 2.09 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 2018/19 as well as 2019/20.

*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 R118 977 000 was received in month of July and R 93 608 000 in December.

Finance Management Grant (FMG):

Received R 1 200 000 in August .Expenditure incurred of R 162 882.95 in month of December FMG Interns were involved in the following activities during the month 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

First tranche of R 1 742 000 received in August. Expenditure incurred of R 456 013 in December.

HIV/Aids

R 707 298 was spent for the December 2021.

Extended Public Works Projects:

First tranche of R 256 000 received in August and expenditure incurred for the month of December is R 102 394.

YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of December R 299 697.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

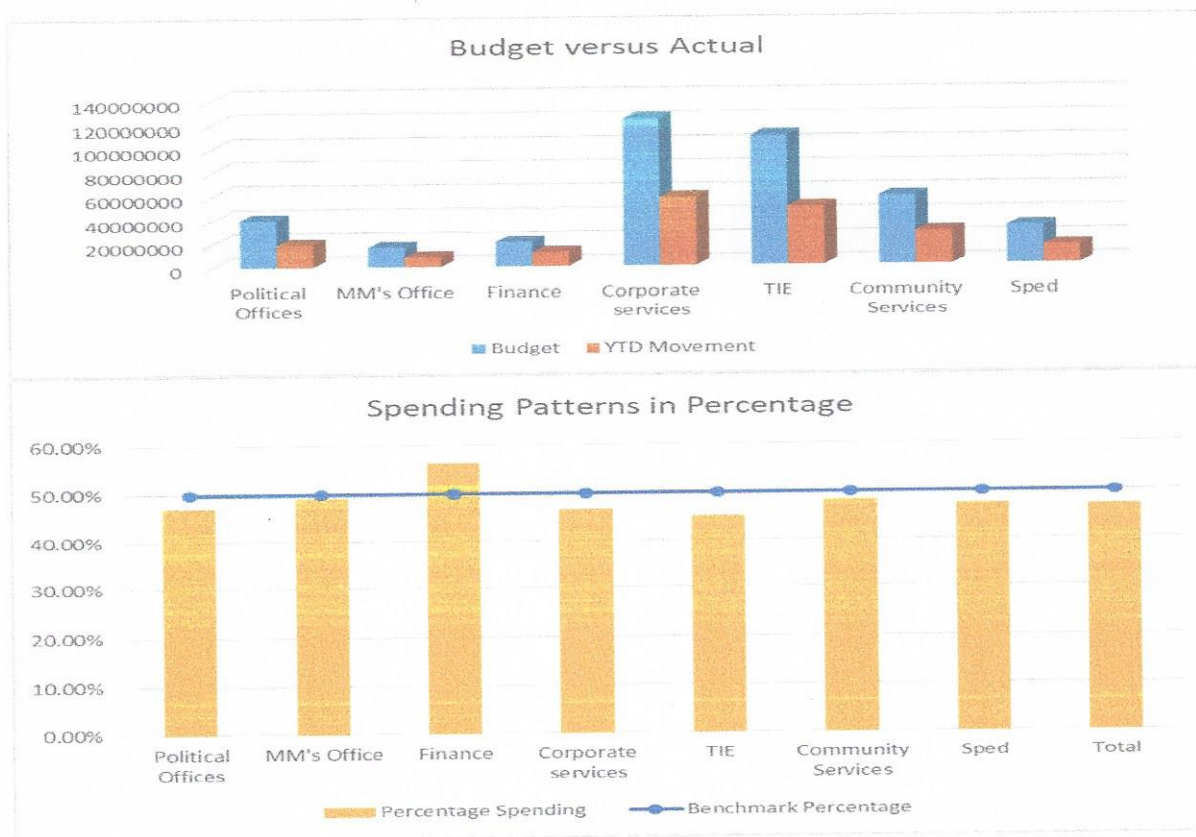
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 93 538 168 was generated in revenue. R 36 045 086 in expenditure.



**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 December 2021 signals the 3<sup>rd</sup> month of the second quarter 2021/22 financial year, spending trends ought to be around 50%. “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 65.07% and revenue is at 47.07% 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)**



Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 93 538 168 and budget of R 2 370 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and R 350 000 from National Grants(Financial Management and Rural Roads Assets Management Grant) .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 December 2021 is shown in the table below:-

Description	Approved Budget	Adjustments	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	180 000.00	180 000.00	-	-	179 250.00	750.00	99.58
COMPUTER EQUIPMENT AND NETWORKS	200 000.00	153 190.00	-	-	8 448.00	144 742.00	5.51
NEW ICT EQUIPMENT	400 000.00	763 879.00	24 002.19	296 128.70	432 748.28	331 130.72	56.65
Financial Management Grant	90 000.00	250 000.00	69 391.30	9 564.35	270 236.52	(20 236.52)	108.09
Vehicles Rural Assets management Grant	-	100 000.00	-	-	98 251.37	1 748.63	98.25
Vehicles	1 500 000.00	1 182 931.00	-	-	-	1 182 931.00	-
<b>Total</b>	<b>2 370 000.00</b>	<b>2 630 000.00</b>	<b>93 393.49</b>	<b>305 693.05</b>	<b>988 934.17</b>	<b>1 641 065.83</b>	<b>37.60</b>

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 2021 to 30 June 2022, 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 programed 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 December 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.

  
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MR. C STEYN  
ACTING CHIEF FINANCIAL OFFICER

2022/01/13  
Date