

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END APRIL 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 APRIL 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 APRIL 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 APRIL 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual March 2021	Actual April 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 2 451 339	R 2 449 555	Slight reduction due to recoveries on fruitless and wasteful expenditure.
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 32 587 561	R 5 422 695	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 41 282 537	R 34 323 920	
Current Liabilities			
(Table SC4) Creditors	R 167 226 090	R 158 279 396	Decrease due Licensing payment.
Cash Flow			
(Table C7) Receipts	R 85 493 843	R 15 999 913	Decrease due to operational activities.
Payments	R 35 365 711	R 49 614 002	
Cash flow closing balance	R 73 910 922	R 39 787 440	
Cost Coverage indicator	2.12	1.14	Decrease due to operational activities..
(Table C2) Operating Revenue	R 82 976 902	R 7 199 894	Received to date 94.20% (benchmark 83.33%).

Item of Financial Position/ Performance	Actual March 2021	Actual April 2021	Trend Analysis
for Month			
Operating Expenditure for Month	R 32 268 634	R 31 685 400	Spent to date 75.8% (bench mark 83.33%).
(Table C5) Capital Expenditure for Month	R 1 155 040	R 576 867	Total Capex budget spent to date is 60% (benchmark 83.33%).
(Table C6) Total Assets	R 139 761 969	R 151 806 532	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 185 800 637	
Total Net Liabilities	R (60 192 078)	R (33 994 105)	
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 3 reporting

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M10 April

Description	Ref	Budget Year 2020/21									Trend Analysis
		2019/20 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	-	3	3	172	(170)	-98%	-	No bookings due to covid 19
Interest earned - external invest		3,307	2,700	1,743	127	1,431	1,772	(340)	-19%	1,743	Decline in interest rate by reserve bank
Interest earned - outstanding de		-	-	-	-	-	-	-		-	
Dividends received											
Fines, penalties and forfeits											
Licences and permits		1,445	1,575	2,347	5	2,311	1,699	613	36%	2,347	Increase due to summons issued
Agency services		51,966	75,630	68,267	5,537	50,012	59,343	(9,331)	-16%	68,267	Revenue always 1 month in arrears.
Transfers and subsidies		284,349	313,062	303,022	943	301,748	257,320	44,428	17%	303,022	Water service grant not received
Other revenue		20,120	24,139	13,101	585	11,397	14,597	(3,200)	-22%	13,101	
Gains		48	140	140	-	36	117	(81)	-69%	140	
Total Revenue (excluding capital transfers and contributions)		361,458	417,763	388,620	7,200	366,937	335,019	31,918	10%	388,620	
Expenditure By Type											
Employee related costs		277,981	274,644	279,591	22,454	235,581	231,571	4,010	2%	279,591	Increase due to salary increment .
Remuneration of councillors		13,379	14,018	13,505	1,185	10,620	11,425	(806)	-7%	13,505	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset impairment		17,647	11,272	11,272	-	-	9,394	(9,394)	-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	6,865	87	3,691	6,381	(2,690)	-42%	6,865	Reduction due to covid 19 spending
Contracted services		47,486	46,534	41,494	3,266	19,559	36,404	(16,844)	-46%	41,494	Municipal Health services one month in arrears
Transfers and subsidies		8,366	27,973	12,148	452	5,498	15,398	(9,900)	-64%	12,148	Water service grant not received
Other expenditure		41,200	35,875	37,788	4,241	30,305	30,837	(531)	-2%	37,788	Reduction due to covid 19 spending
Losses		1,185	40	40	-	-	33	(33)	-100%	40	
Total Expenditure		414,207	417,261	402,703	31,685	305,255	341,443	(36,188)	-11%	402,703	
Surplus/(Deficit)		(52,749)	502	(14,083)	(24,486)	61,682	(6,424)	68,106	(0)	(14,083)	

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	5 398 372	11 863 677	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	77 609 060	22 827 821	57 082 591	25 117 979	610 855 642													
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	748 280	638 298	2 938 725	17 932 208													
Licensing	-	-	20 000 000	55 000 000	49 500 000	-	10 000 000	51 000 000	3 000 000	21 000 000	56 323 919	22 000 000	287 823 919													
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	136 892	120 374	179 254	1 733 430													
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	942 649	-	-	303 366 085													
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)	(50 013 067)	(50 617 286)	(51 660 404)	(635 863 119)													
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)	(24 554 006)	(26 031 250)	(26 031 250)	(306 788 406)													
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)	(16 104 133)	(17 000 000)	(17 000 000)	(228 190 631)													
Other Creditors	(10 382 459)	(5 720 458)	(4 999 345)	(6 657 200)	(12 539 896)	(6 374 531)	(6 346 051)	(10 392 969)	(11 861 035)	(9 354 928)	(7 586 036)	(8 649 154)	(100 884 082)													
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	5 398 372	11 863 677	(14 698 748)	(14 698 748)													

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

2017/02/28	2017/03/31	2017/04/30	2017/05/31	2018/09/30	2019/01/31	2019/09/30	2019/10/31	TOTAL
12 055 954.44	14 449 661.65	12 665 528.14	16 480 437.27	16 027 541.88	18 583 767.44	16 045 876.16	18 238 715.20	124 557 502.18

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual March	Actual April	Balance	%	Comment
RAMS	2,456,000	2,456,000	0	2,456,000.00	265,524	47,766	26,201	2,190,476	11	Interns Stipend
FVG	1,000,000	1,000,000	0	1,000,000	407,893	27,089	27,090	592,107	41	Interns Stipend
EPWP	1,000,000	1,000,000	0	1,000,000	889,872	138,471	91,609	110,128	89	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	0	11,148,000	4,608,041	397,906	360,657	6,539,959	41	Payment of salaries
DSRACH	2,654,000	2,654,000	0	2,654,000	1,102,910	0.00	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	0	18,258,000	7,274,240	611,232	505,557	12,520,760	37	

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 April

The debtor's book balance of the municipality as attached in annexure A is R 2 449 555 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
484 358							1 965 197	2 449 555

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of April 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 39 746 615 as at the end of April. 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 158 279 396 payable to the Trade creditors in April 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
5 841 709	0	0	0	0	0	0	152 437 687	158 279 396

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:

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 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 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 April. The FMG Interns were involved in the following activities during the month of April 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 26 202 in April.

HIV/Aids

R 5 577 000 was received in September, R 3 718 000 in November and R 1 853 000 in February. R 360 657 was spent for the Month of April 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 April is R 91 609

Water Services

No Grants received in the month of April.

YOUTH CENTRES (National Youth Development Agency)

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

Grant payments to Local Municipalities:

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

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.

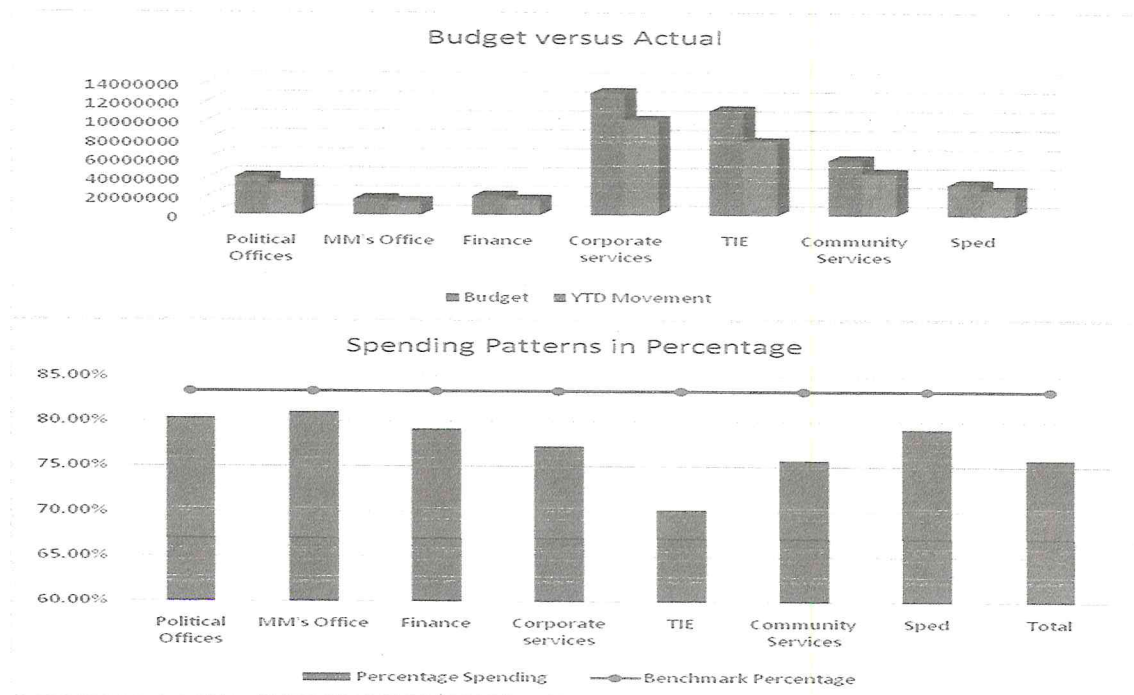
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 7 119 894 was generated in revenue. R 31 685 400 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 3 050 000 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 April 2021 signals the first month of the last quarter 2020/21 financial year, spending trends ought to be around 83.33%. “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 75.8% and revenue is at 94.2% 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 and Financial 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 April 2021 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200,000.00	180,000.00	3,000.00	-	171,981.73	8,018.27	95.55
Computers and printers	200,000.00	200,000.00	(1,913.00)		144,332.52	55,667.48	72.17
Network Infrastructure	400,000.00	433,000.00	26,084.00	80,864.35	324,313.79	108,686.21	74.90
Financial Service Equipment		90,000.00	67,474.00		67,473.00	22,527.00	74.97
Assets management Grant		600,000.00				600,000.00	-
Vehicles	1,350,000.00	2,237,000.00	482,221.00	696,612.00	1,540,296.00	696,704.00	68.86
Total	2,150,000.00	3,740,000.00	576,866.00	777,476.35	2,248,397.04	1,491,602.96	60.12

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:

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END MAY 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 MAY 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 MAY 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 MAY 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual APRIL 2021	Actual MAY 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R R 2 451 339	R 2 106 362	Slight reduction due to recoveries on fruitless and wasteful expenditure.
<u>Cash & cash equivalents:</u>			
Cashbook balance (bank reconciliation) Primary	R 5 422 695	R 4 526 076	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 34 323 920	R 21 418 031	
Current Liabilities			
(Table SC4) Creditors	R 158 279 396	R 168 875 635	Increase due to Licensing payment outstanding
Cash Flow			
(Table C7) Receipts	R 15 999 913	R 16 693 062	Decrease in cash available due to operational activities whereby last equitable share was received in March 2021
Payments	R 49 614 002	R 30 428 096	
Cash flow closing balance	R 39 787 440	R 25 984 933	
Cost Coverage indicator	1.14	0.75	Decrease due to operational activities.
(Table C2) Operating Revenue	R 7 19 894	R 4 558 337	Received to date 95.47% (benchmark 91.67%).

Item of Financial Position/ Performance	Actual APRIL 2021	Actual MAY 2021	Trend Analysis
for Month			
Operating Expenditure for Month	R 31 685 400	R 29 343 803	Spent to date 83.09% (benchmark 91.67%).
(Table C5) Capital Expenditure for Month	R 576 867	R 53 042	Total Capex budget spent to date is 61.53% (benchmark 91.67%). The municipality has further commitments of R 330 275.
(Table C6) Total Assets	R 151 806 532	R 137 525 054	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 185 800 637	R 196 304 625	
Total Net Liabilities	R (33 994 105)	R (58 779 570)	
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) - M11 May											ANNEXURE "G"
Description	Ref	2019/20	Budget Year 2020/21								
		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	-	-	3	86	(83)	-97%	-	No bookings due to Covid-19
Interest earned - external investments		3,307	2,700	1,743	138	1,569	1,757	(188)	-11%	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	20	2,331	2,023	308	15%	2,347	Increase due to summons issued
Agency services		51,966	75,630	68,267	3,872	53,884	63,805	(9,921)	-16%	68,267	Revenue always one month in arrears
Transfers and subsidies		284,349	313,062	303,022	-	301,748	280,171	21,577	8%	303,022	Water services grant not received
Other revenue		20,120	24,139	13,101	528	11,925	13,849	(1,924)	-14%	13,101	
Gains		48	140	140	-	36	128	(93)	-72%	140	
Total Revenue (excluding capital transfers and contributions)		361,458	417,763	388,620	4,558	371,495	361,819	9,676	3%	388,620	
Expenditure By Type											
Employee related costs		277,981	274,644	279,591	22,563	258,144	255,582	2,562	1%	279,591	Increase due to salary increment not originally budgeted for
Remuneration of councillors		13,379	14,018	13,505	1,178	11,798	12,465	(667)	-5%	13,505	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset impairment		17,647	11,272	11,272	-	-	10,333	(10,333)	-100%	11,272	Depreciation to be done in June 2021
Finance charges											
Bulk purchases											
Other materials		6,963	6,905	6,874	1,321	5,013	6,628	(1,615)	-24%	6,874	Reduction due to Covid-19 spending
Contracted services		47,486	46,534	41,420	1,004	20,563	38,912	(18,349)	-47%	41,420	Municipal Health services in arrears
Transfers and subsidies		8,366	27,973	12,148	1,174	6,672	13,773	(7,101)	-52%	12,148	Water services grant not received
Other expenditure		41,200	35,875	37,853	2,103	32,409	34,345	(1,936)	-6%	37,853	Reduction due to Covid-19 spending
Losses		1,185	40	40	-	-	37	(37)	-100%	40	
Total Expenditure		414,207	417,261	402,703	29,344	334,599	372,075	(37,476)	-10%	402,703	
Surplus/(Deficit)		(52,749)	502	(14,083)	(24,785)	36,897	(10,256)	47,152	(0)	(14,083)	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		39	-	600	-	-	450	(450)	(0)	600	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)											
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after capital transfers & contributions		(52,710)	502	(13,483)	(24,785)	36,897	(9,806)			(13,483)	
Taxation											
Surplus/(Deficit) after taxation		(52,710)	502	(13,483)	(24,785)	36,897	(9,806)			(13,483)	
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		(52,710)	502	(13,483)	(24,785)	36,897	(9,806)			(13,483)	
Share of surplus/ (deficit) of associate											
Surplus/ (Deficit) for the year		(52,710)	502	(13,483)	(24,785)	36,897	(9,806)			(13,483)	

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual April	Actual May	Balance	%	Comment
RAMS	2,456,000	2,456,000	0	2,456,000.00	298,431	26,201	32,907	2,157,569	12	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	515,207	27,090	29,840	484,793	52	Interns Stipend
EPWP	1,000,000	1,000,000	0	1,000,000	916,674	91,609	55,382	83,326	92	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	0	11,148,000	5,726,611.33	360,657	1,118,570	5,421,389	51	Payment of salaries
DSRACH	2,654,000	2,654,000	0	2,654,000	1,102,910	0.00	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	0	18,258,000	8,559,833	505,557	1,236,699	11,235,167	43	

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 May

The debtor's book balance of the municipality as attached in annexure A is R2,447,770 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
0	482 573	0	0	0	0	0	1 965 197	2 447 770

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of May 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 25 984 933 as at the end of May

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 168 875 635 payable to the creditors in May 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
16 437 948	0	0	0	0	0	0	152 437 687	168 875 635

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 16 693 062. Outgoing payments were made to the amount of R 428 096. Taking into account the opening cashbook balance, this left a favorable closing balance of R 25 984 933, at the end of May 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{= (25\,984\,933) + R0}{R\,34\,768\,431}$$

$$= \underline{0.75 \text{ TIMES}}$$

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 29 840 in month of May .The FMG Interns were involved in the following activities during the month of May 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 2 456 000 received. Expenditure incurred of R 32 907 in May.

HIV/Aids

R 5 577 000 was received in September, R 3 718 000 in November and R 1 853 000 in February. R 1 118 570 was spent for the Month of May 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 May is R 55 382.

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 May 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.

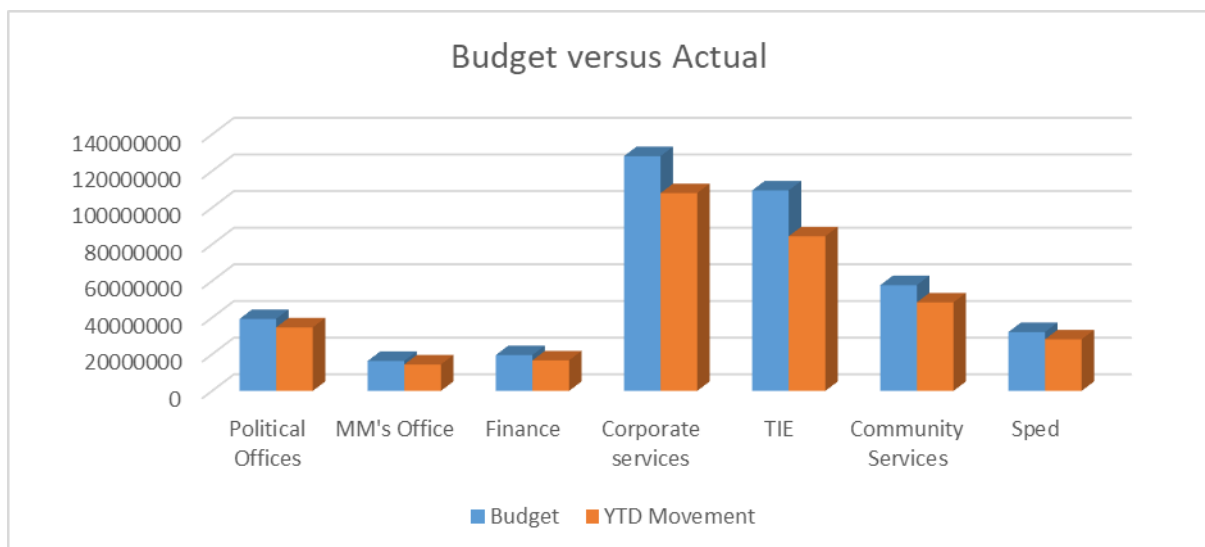
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

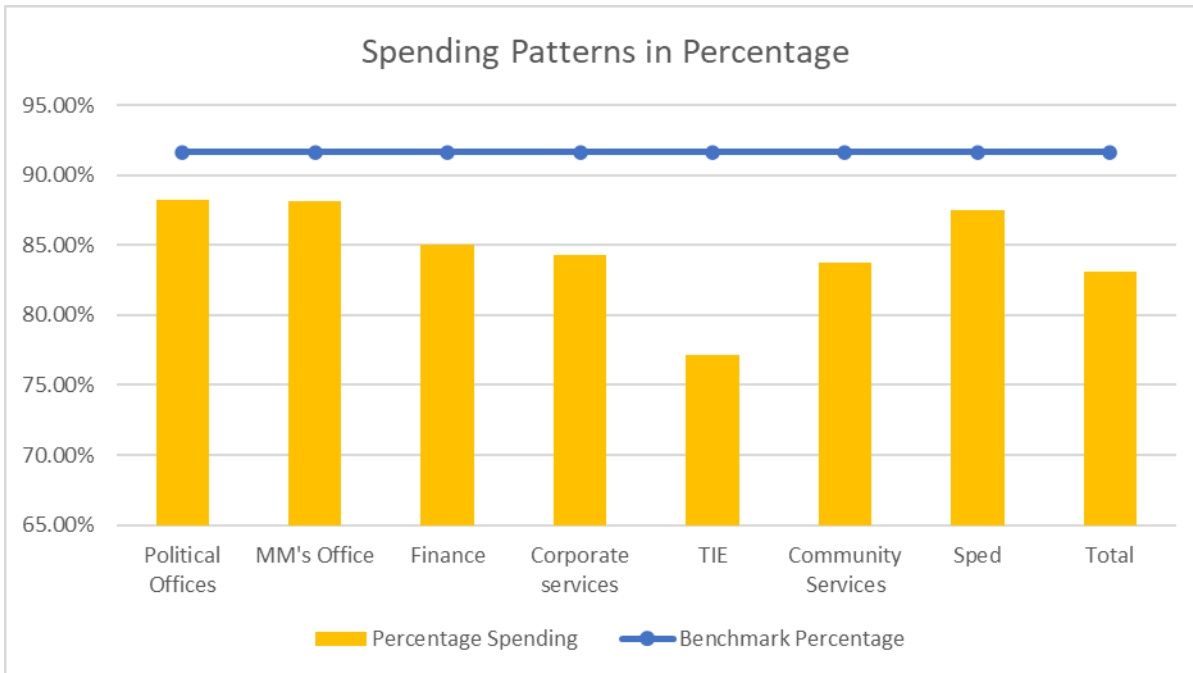
“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 4 558 337 was generated in revenue. R 29 343 803 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 53 042 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 May 2021 signals the 2nd month of the last quarter 2020/21 financial year, spending trends ought to be around 91.67%. "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 83.09% and revenue is at 95.47% 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 and FMG Grant, R3,050,000 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 May 2021 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200,000	180,000			171,982	8,018	95.5
Computer equipment and networks	200,000	200,000			144,333	55,667	72.2
New ICT equipment	400,000	433,000	53,042	27,823	377,356	55,644	87.1
Financial Service Equipment		90,000		9,564	67,473	22,527	75.0
Vehicles Rural Assets management Grant		600,000		292,889	0	600,000	0.0
Vehicles	1,350,000	2,237,000			1,540,296	696,704	68.9
Total	2,150,000	3,740,000	53,042	330,276	2,301,439	1,438,561	61.5

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 May 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

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JUNE 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 JUNE 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 JUNE 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 JUNE 2021 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual MAY 2021	Actual JUNE 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 2 106 362	R 2 516 954	Increase as results of vat claimable
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 4 526 076	R 2 269 673	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 21 418 031	R 7 261 134	
Current Liabilities			
(Table SC4) Creditors	R 168 875 635	R 180 462 708	Increase due to no payment to Department of Transport
Cash Flow			
(Table C7) Receipts	R 16 693 062	R 27 299 805	Increase due to licensing income receipt on behalf of Department of Transport
Payments	R 30 428 096	R 42 985 170	
Cash flow closing balance	R 25 984 933	R 9 571 633	
Cost Coverage indicator	0.75	0.27	Decrease due to operational activities.
(Table C2) Operating Revenue for Month	R 4 558 337	R 5 437 444	Received to date 96.87% (benchmark 91.67%).

Item of Financial Position/ Performance	Actual MAY 2021	Actual JUNE 2021	Trend Analysis
Operating Expenditure for Month	R 29 343 803	R 52 720 859	Spent to date 96.19% (bench mark 100%).
(Table C5) Capital Expenditure for Month	R 53 042	R 797 750	Total Capex budget spent to date is 82.87% (benchmark 100%).
(Table C6) Total Assets	R 137 525 054	R 107 396 708	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 196 304 625	R 213 459 693	
Total Net Liabilities	R (58 779 570)	R (106 062 985)	
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) - M12 June											
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 eq		223	516	-	-	3	-	3	#DIV/0!	-	No bookings due to covid 19
Interest earned - external		3 307	2 700	1 743	89	1 658	1 743	(85)	-5%	1 743	Decline in interest rate by reserve bank
Interest earned - outstanding		-	-	-	-	-	-	-		-	
Dividends received											
Fines, penalties and forfeits											
Licences and permits		1 445	1 575	2 347	20	2 351	2 347	4	0%	2 347	Increase due to summons issued
Agency services		51 966	75 630	68 267	4 043	57 927	68 267	(10 339)	-15%	68 267	Revenue always 1 month in arrears.
Transfers and subsidies		284 349	313 062	303 022	-	301 748	303 022	(1 275)	0%	303 022	Water service grant not received
Other revenue		20 120	24 139	13 101	1 286	13 211	13 101	110	1%	13 101	
Gains		48	140	140	-	36	140	(104)	-75%	140	
Revenue (excluding capital transfers and		361 458	417 763	388 620	5 437	376 933	388 620	(11 687)	-3%	388 620	
Expenditure By Type											
Employee related costs		277 981	274 644	279 591	28 455	286 599	279 591	7 008	3%	279 591	Increase due to salary increment .
Remuneration of council		13 379	14 018	13 505	1 005	12 803	13 505	(702)	-5%	13 505	
Debt impairment		-	-	-	-	-	-	-		-	
Depreciation & asset imp		17 647	11 272	11 272	14 881	14 881	11 272	3 609	32%	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	6 824	1 116	6 128	6 824	(696)	-10%	6 824	Reduction due to covid 19 spending
Contracted services		47 486	46 534	41 520	2 770	23 333	41 520	(18 187)	-44%	41 520	Municipal Health services one month in arrears
Transfers and subsidies		8 366	27 973	12 148	1 380	8 052	12 148	(4 096)	-34%	12 148	Water service grant not received
Other expenditure		41 200	35 875	37 803	3 115	35 523	37 803	(2 279)	-6%	37 803	Reduction due to covid 19 spending
Losses		1 185	40	40	-	-	40	(40)	-100%	40	
Total Expenditure		414 207	417 261	402 703	52 721	387 320	402 703	(15 383)	-4%	402 703	
Surplus/(Deficit) Transfers and		(52 749)	502	(14 083)	(47 283)	(10 387)	(14 083)	3 696	(0)	(14 083)	
and		39	-	600	-	-	600	(600)	(0)	600	
and											
Transfers and subsidies - capital (in-kind - all)											
Surplus/(Deficit) after Taxation		(52 710)	502	(13 483)	(47 283)	(10 387)	(13 483)			(13 483)	
Surplus/(Deficit) after taxation		(52 710)	502	(13 483)	(47 283)	(10 387)	(13 483)			(13 483)	
Attributable to minorities		(52 710)	502	(13 483)	(47 283)	(10 387)	(13 483)			(13 483)	
Surplus/(Deficit) for the year		(52 710)	502	(13 483)	(47 283)	(10 387)	(13 483)			(13 483)	
References											
1. Material variances to be explained on Table SC1											
Total Revenue (excluding capital transfers and											
		361 497	417 763	389 220	5 437	376 933	389 220			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	
Operating Balance	10,308,729	73,623,250	29,022,699	7,972,482	9,536,838	6,018,180	46,922,949	7,722,993	32,583,618	5,398,372	4,502,071	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	77,609,060	22,827,821	29,341,706	594,232,227													
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sundries	765,236	383,199	1,561,936	746,288	1,792,946	3,964,170	708,074	750,446	2,904,600	748,280	1,204,403	18,498,313													
Licensing	-	-	20,000,000	55,000,000	49,500,000	-	10,000,000	51,000,000	3,000,000	21,000,000	28,000,000	270,617,470													
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical aid Pensioners income	175,041	143,868	146,106	139,366	154,062	135,010	103,765	126,242	171,460	136,892	137,303	1,750,359													
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	942,649	-	303,366,086													
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Outflow	(62,287,756)	(46,137,618)	(50,304,259)	(56,975,298)	(60,302,102)	(50,336,411)	(51,927,952)	(52,552,531)	(52,748,435)	(50,013,067)	(30,238,007)	(586,483,840)													
Salaries	(23,039,427)	(23,939,862)	(26,268,935)	(25,123,653)	(24,847,708)	(24,136,644)	(32,144,221)	(26,076,696)	(24,592,754)	(24,554,006)	(25,148,161)	(305,905,317)													
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)	(16,080,946)	(16,274,646)	(16,104,133)	-	(194,190,631)													
Other Creditors	(10,382,459)	(5,720,458)	(4,989,345)	(6,657,200)	(12,539,896)	(6,374,531)	(6,346,051)	(10,392,969)	(11,881,035)	(9,354,928)	(5,089,846)	(98,387,892)													
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	32,563,618	5,398,372	4,502,071	6,057,116													

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

2017/03/31	12,055,954.44
2017/02/28	14,449,661.65
2017/04/30	12,665,528.14
2017/05/31	16,490,437.27
2018/09/30	16,027,541.68
2019/01/31	18,583,787.44
2019/09/30	16,045,876.16
2019/10/31	18,238,715.20
2021/04/30	9,409,325.39
TOTAL	133,966,827.57

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual May	Actual June	Balance	%	Comment
RAMS	2 456 000	2 456 000	0	2 456 000.00	344 543	32 907	46 113	2 111 457	14	Interns Stipend
FMG	1 000 000	1 000 000	0	1 000 000	586 552	29 840	71 345	413 448	59	Interns Stipend
EPWP	1 000 000	1 000 000	0	1 000 000	1 037 314	55 382	92 059	-37 314	104	Ex penditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000	11 148 000	0	11 148 000	7 014 223.00	1 118 570	1 287 612	4 133 777	63	Payment of salaries
DSRACH	2 654 000	2 654 000	0	2 654 000	1 102 910	0.00	0.00	1 551 090	42	Ex penditure 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	0	18 258 000	10 085 542	1 236 699	1 497 129	9 709 458	51	

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 June

The debtor's book balance of the municipality as attached in annexure A is R2 516 954 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
173 099	0	378 658	0	0	0	0	1 965 197	2 516 954

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of June 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 9 530 807as at the end of June.

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 180 462 708 payable to the creditors in June 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
11 729 351	16 295 670	0	0	0	0	0	152 437 687	180 462 708

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 27 299 805.18 . Outgoing payments were made to the amount of R 42 985 170. Taking into account the opening cashbook balance, this left a favorable closing balance of R 9 571 632, at the end of June 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{(9\,530\,807) + R0}{R\,34\,768\,431}$$

$$= \underline{0.27 \text{ TIMES}}$$

The cost coverage of the municipality indicates 0.27 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 71 345 in month of June. The FMG Interns were involved in the following activities during the month of June 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 43 113 in June.

HIV/Aids

R 5 577 000 was received in September, R 3 718 000 in November and R 1 853 000 in February. R 1 287 612 was spent for the Month of June 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 June is R 92 059.

Water Services

No Grants received in the month of June.

YOUTH CENTRES (National Youth Development Agency)

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

Grant payments to Local Municipalities:

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

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.

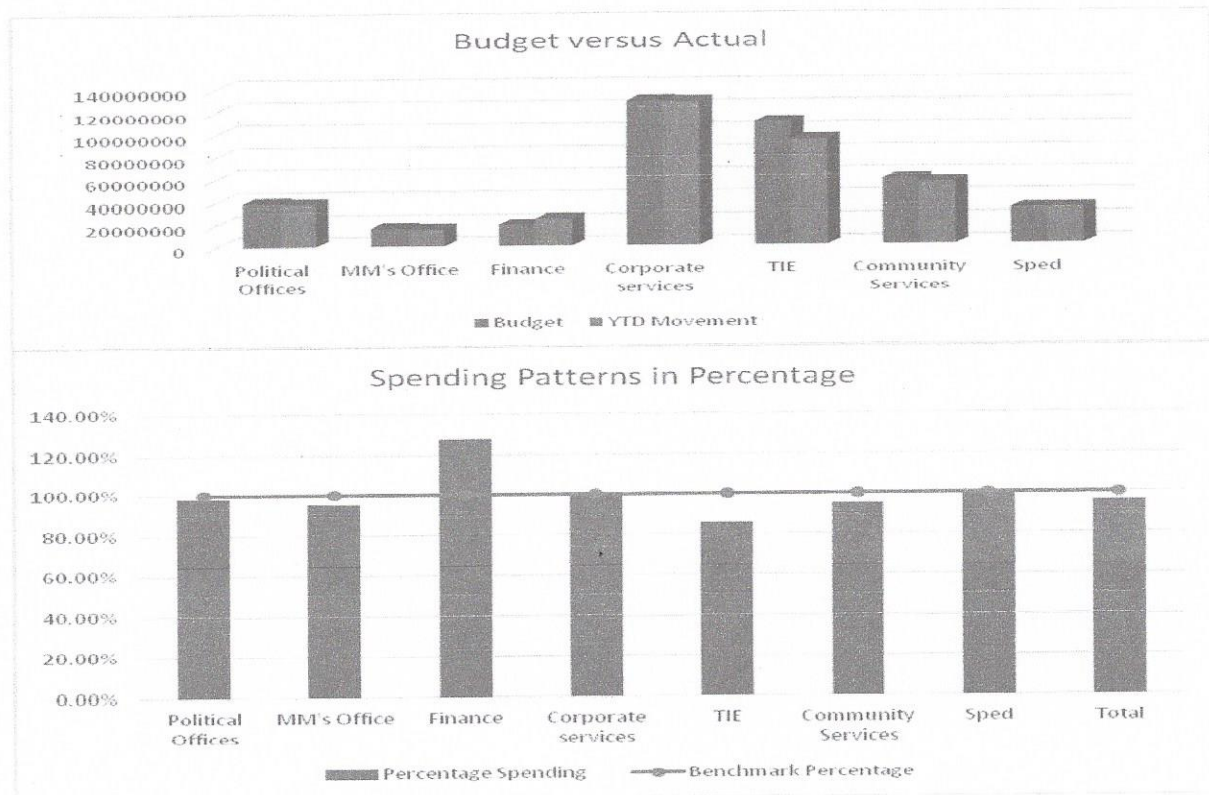
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 5 437 444 was generated in revenue. R 52 720 859 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 797 750 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 June 2021 signals the 3rd month of the last quarter 2020/21 financial year, spending trends ought to be around 100%. "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 96.19% and revenue is at 96.87% 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 and FMG Grant, R3,050,000 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 June 2021 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percent age
Furniture and equipment	200 000	180 000	3 500		175 482	4 518	97.5
COMPUTER EQUIPMENT AND NETWORKS	200 000	200 000			144 333	55 667	72.2
NEW ICT EQUIPMENT	400 000	433 000	27822	0	411 522	16 378	95.0
Financial Service Equipment		90 000		0	67 473	22 527	75.0
Vehicles Rural Assets management Grant		600 000	69 816	0	69 816	530 184	11.6
Vehicles	1 350 000	2 237 000	696612		2 236 908	92	100.0
Total	2 150 000	3 740 000	797 750	0	3 099 189	640 810	82.9

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.

THAT the financial management report as at the end June 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

2021/07/14

Date

Date