

# MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END OCTOBER 2020

(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 2020.

## 2. OBJECTIVE

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

- a) Makes 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 OCTOBER 2020 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

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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 2020 is indicated in the different schedules as listed below.

### EXECUTIVE SUMMARY

<b>Item of Financial Position/ Performance</b>	<b>Actual SEPTEMBER 2020</b>	<b>Actual OCTOBER 2020</b>	<b>Trend Analysis</b>
<i>Current Assets</i>			
Debtors	R 4 632 319	R 4 421 418	Slight reduction in debtors based on settlement.
<i>Cash &amp; cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 7 944 311	R 9 519 679	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 63 773 138	R 40 931 749	
<i>Current Liabilities</i>			
Creditors	R 185 629 646	R 138 463 966	Resolution taken by both Sedibeng District and Emfuleni Local Municipality to offset debt against Emfuleni Creditors.
<i>Cash Flow</i>			
Cash flow closing balance	R 71 717 449	R 50 492 253	Decrease due to operational activities.
Cost Coverage indicator	2.06	1.45	Decrease due to operational activities.
Operating Revenue for Month	R 15 725 477	R 10 623 252	Received to date 37.19% (benchmark 33.33%).
Operating Expenditure for Month	R 30 229 409	R 30 023 718	Spent to date 27.6% (bench mark 33.33%).
Capital Expenditure for Month	R 67 752	R 103 395	9.8 % of total Capex budget spent to date (benchmark 33.33%).
<i>MFMA Compliance</i>			

Item of Financial Position/ Performance	Actual SEPTEMBER 2020	Actual OCTOBER 2020	Trend Analysis
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

Cash Flow Statement - July 2020 to June 2021

	July	August	September	October	November	December	January	February	March	April	May	June	Total	
Opening Balance	10 308 729	73 623 230	29 022 699	7 972 482	9 536 938	20 923 591	81 588 301	64 122 790	37 524 097	83 537 363	59 248 697	34 408 770	34 408 770	10 308 729
Cash Inflow	125 582 277	1 537 067	29 254 042	58 539 554	60 543 098	1 12 983 127	23 984 613	24 250 086	93 666 972	23 181 535	24 859 632	25 117 979	603 499 482	
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sundries	766 236	393 199	1 561 936	746 298	967 469	931 283	3 352 424	826 970	901 394	358 890	636 298	2 998 725	14 402 102	
Leasing	-	-	20 000 000	55 000 000	58 887 575	22 000 000	18 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	283 887 575	
Transfer from call / Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	
Medical and Pensioners Income	175 041	143 868	146 106	139 356	140 054	133 664	117 189	149 076	135 666	151 965	120 374	179 254	1 731 613	
Subsidies and Grants	124 642 000	1 000 000	7 546 000	2 654 000	528 000	89 918 200	2 515 000	1 274 040	70 629 312	670 680	2 100 960	-	303 478 192	
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cash Outflow	(62 267 756)	(46 137 618)	(50 304 259)	(56 975 296)	(49 156 345)	(52 318 417)	(41 450 124)	(50 848 779)	(47 653 106)	(47 470 201)	(49 699 559)	(51 021 630)	(605 303 092)	
Salaries	(23 039 427)	(23 939 862)	(26 268 935)	(25 123 653)	(24 951 138)	(24 123 849)	(24 211 092)	(26 689 931)	(24 758 684)	(23 632 620)	(24 238 290)	(24 497 243)	(295 474 724)	
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leasing	(28 845 870)	(16 477 298)	(19 035 979)	(25 194 445)	(17 000 000)	(14 727 698)	(11 079 328)	(17 875 233)	(15 308 207)	(17 875 233)	(17 875 233)	(17 875 233)	(219 169 757)	
Other Creditors	(10 382 459)	(5 720 458)	(4 999 345)	(6 657 200)	(7 205 207)	(13 466 870)	(6 159 704)	(6 283 615)	(7 588 215)	(5 962 348)	(7 589 036)	(8 649 154)	(90 658 611)	
External In/Red	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing Balance	73 623 250	29 022 699	7 972 482	9 536 938	20 923 591	81 588 301	64 122 790	37 524 097	83 537 363	59 248 697	34 408 770	8 505 119	8 505 119	

PROJECTED

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

20/7/2028	12 656 954 44
20/7/2031	14 448 661 65
20/7/2030	12 666 528 14
20/7/2031	16 496 437 27
20/8/2030	16 627 541 88
20/9/2031	18 583 767 44
20/9/2030	16 646 876 16
20/9/2031	18 238 715 20
TOTAL	124 557 502 78

## 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	October	Balance	%	Comment
Equitable Share	362,240,514	366,263,047	0	124,642,000	105,754,064	27,444,081	26,612,021	260,508,983	29	First tranche of Equitable share received in July
RAMS	2,456,000	1,719,000	0	1,719,000.00	92,773.00	24,899	37,576	1,626,227	5	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	200,743	33,664	38,017	799,257	20	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	55,631	0	53,611	944,369	6	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	0	5,577,000	2,418,850.00	998,386	1,420,464	8,729,150	22	Payment of salaries
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	0	0	690,281	0.00	0.00	1,963,719	26	Expenditure incurred for YDP managed by community services.

### UNSPENT GRANT

<u>Description</u>	<u>Opening balance</u>
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
<b>Total</b>	<b>13,516,966</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 2020.*

The debtor’s book balance of the municipality as attached in annexure A is R 4 421 418 and bad debts impairment R 954 100.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
1 347 480	1 618 436	0	0	0	0	0	1 455 502	4 421 418

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of October 2020 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 50 451 428 as at the end of October 2020.

The remaining cash balance must meet operational requirements till end of November 2020, until receipt of the next equitable tranche due in December 2020.

b) Current Liabilities

*Creditors’ Age Analysis*

Annexure “D” represents the creditors’ age analysis of R188 581 470 payable to the Trade creditors in October 2020. 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
35 229 661	0	0	0	0	0	14 887 843	138 463 966	188 581 470

c) Net Assets

## Reserves

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

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

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

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

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

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

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

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

### d) Cash Flow

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

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

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 10 623 252. Outgoing payments were made to the amount of R 36 408 433. Taking into account the opening cashbook balance,

this left a favorable closing balance of R 50 492 253, at the end of October 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{(50\,451\,428) + R0}{R\,34\,768\,431}$$

$$= 1.45 \text{ TIMES}$$

The cost coverage of the municipality indicates 1.45 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 2020 as the next equitable share allocation is in December 2020. 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

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 38 017 in month of October. The FMG Interns were involved in the following activities during the month of October 2020 as part of their training rotation plan:

- One intern in income and budget
- One intern in Expenditure.
- 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.

RRAM

R 1 719 000 received in October. Expenditure incurred of R 37 576.

HIV/Aids

R 5 577 000 was received in September and R 1 420 464 was spent for the Month of October 2020, The Expenditure incurred it is for payment of Salaries for community worker.

EPWP Projects:

First Tranche of R 250 000 was received and expenditure incurred for the month of October was R 53 611.



## Water Services

No Grants received in the month of October.

## YOUTH CENTRES (NYDA)

No grant received for the month of October, Expenditure incurred of R 0.

### Grant payments to Local Municipalities:

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

## 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.

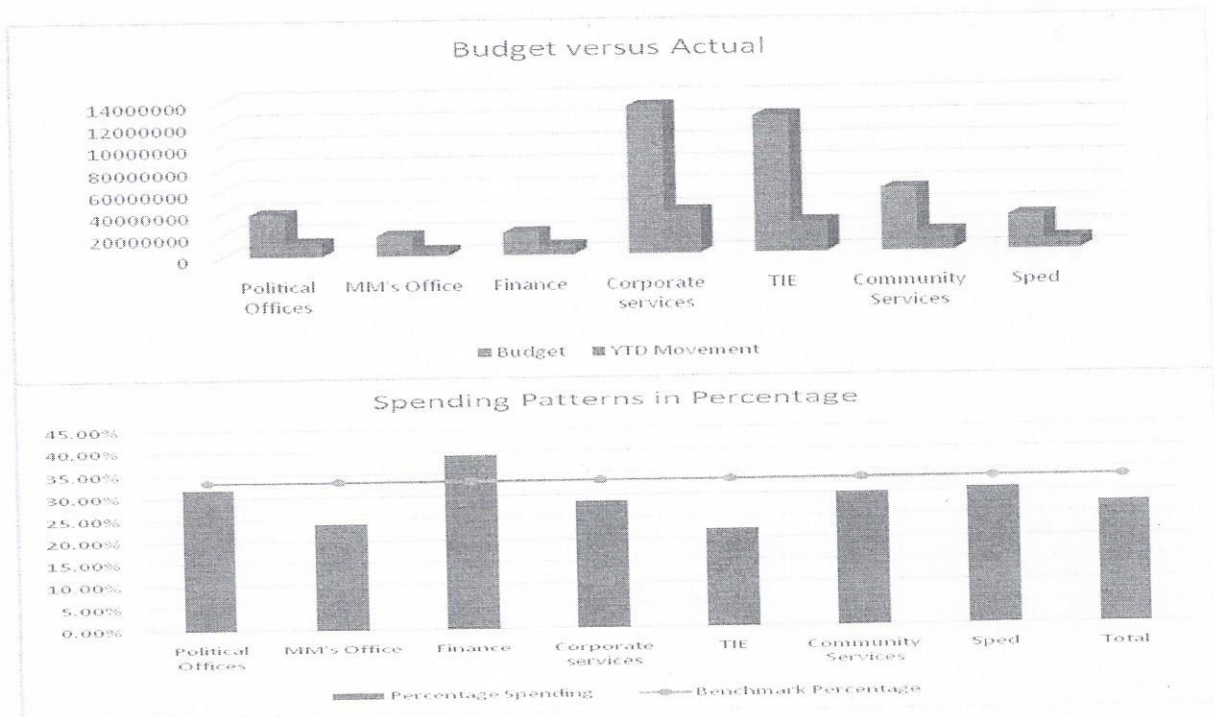
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

*"See Annexures G, H & I"*

### a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 10 623 252 was generated in revenue. R 30 023 718 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 103 395 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 October 2020 signals the first month of the second quarter 2020/21 financial year, spending trends ought to be around 33.33%. "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 27.6% and revenue is at 37.19% of the pro rata budget.

Intervention measures:

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

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

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

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

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

**The spending analysis on own fixed assets as at the end of the month of October 2020 is shown in the table below:-**

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200000	200000	0	22609	24978	175022	12.5
Computers and printers	200000	200000	38525	16789	104067	95933	52.0
Network Infrastructure	400000	400000	64870	0	149206	250794	37.3
Vehicles	1350000	2050000	0		0	2050000	0.0
<b>Total</b>	<b>2150000</b>	<b>2850000</b>	<b>103395</b>	<b>39398</b>	<b>278251</b>	<b>2571749</b>	<b>9.8</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 take took 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 October 2020 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

2020/11/12  
\_\_\_\_\_  
Date

\_\_\_\_\_  
CLLR. P B TSOTETSI  
MMC FOR FINANCE

\_\_\_\_\_  
Date

## MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END NOVEMBER 2020

(9/1/3/6)

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Portfolio: Financial Management

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<i>Current Assets</i>			
(Table SC3) Debtors	R 4 421 418	R 954 100	Reduction due to finalizing the offsetting of Emfuleni Local and Sedibeng District Municipality debts and payment received from fresh produce market and National youth development agencies
<i>Cash &amp; cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 9 519 679	R 6 023 879	Decrease based on equitable share only receivable in December
Cashbook balance (bank reconciliation) Licensing	R 40 931 749	R 17 937 369	
<i>Current Liabilities</i>			
(Table SC4) Creditors	R 188 581 470	R 174 519 643	Resolution taken by both Sedibeng District and Emfuleni Local Municipality to offset debt against Emfuleni Creditors.
<i>Cash Flow</i>			
(Table C7) Receipts	10 623 252	11 735 496	Decrease due to operational activities.
Payments	36 408 433	27 503 896	
Cash flow closing balance	R 50 492 253	R 23 998 027	

Item of Financial Position/ Performance	Actual OCTOBER 2020	Actual NOVEMBER 2020	Trend Analysis
Cost Coverage indicator	1.45	0.69	Decrease due to operational activities.
<b>(Table C2)</b> Operating Revenue for Month	R 10 623 252	R 11 735 496	Received to date 39.96% (benchmark 41.67%).
Operating Expenditure for Month	R 30 023 718	R 27 503 896	Spent to date 34.14% (benchmark 41.67%).
<b>(Table C5)</b> Capital Expenditure for Month	R 103 395	R 16 789	Total Capex budget spent to date is 10.35 (benchmark 41.67%). The municipality is anticipating to spent 75% of the budget by end of March 2021 as is in the process of procuring vehicles for the council.
<b>(Table C6)</b> Total Assets	R151 734 703	R121 774 391	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
Total Liabilities	R 216 926 262	R 202 819 056	
Total Net Liabilities	R(65 191 559)	R (81 044 665)	
<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

**Table C4 Monthly budget statement**

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M05 November											Trend Analysis	
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												
<b>Revenue By Source</b>												
Property rates												
Service charges - electricity revenue												
Service charges - water revenue												
Service charges - sanitation revenue												
Service charges - refuse revenue												
Rental of facilities and equipment		223	516	516	--	--	215	(215)	-100%		516	
Interest earned - external investments		3,307	2,700	2,700	97	727	1,125	(398)	-35%		2,700	Decline in interest rate by reserve bank
Interest earned - outstanding		--	--	--	--	--	--	--	--		--	
Dividends received		--	--	--	--	--	--	--	--		--	
Fines, penalties and forfeits		--	--	--	--	--	--	--	--		--	
Licences and permits		1,445	1,575	1,575	22	454	656	(202)	-31%		1,575	Expected revenue in December based on summons issued.
Agency services		51,968	75,630	75,630	6,736	23,135	31,513	(8,377)	-27%		75,630	Revenue always 1 month in arrears.
Transfers and subsidies		284,349	313,062	317,910	3,718	139,560	131,897	7,663	6%		317,910	Water service grant not received
Other revenue		20,120	24,139	24,139	1,163	4,980	10,058	(5,078)	-50%		24,139	
Gains		48	140	140	--	10	58	(48)	-82%		140	
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>361,458</b>	<b>417,763</b>	<b>422,611</b>	<b>11,735</b>	<b>168,867</b>	<b>175,522</b>	<b>(6,655)</b>	<b>-4%</b>		<b>422,611</b>	
<b>Expenditure By Type</b>												
Employee related costs		277,981	274,644	275,394	22,597	113,735	114,661	(926)	-1%		275,394	
Remuneration of councillors		13,379	14,018	14,018	1,177	5,724	5,841	(117)	-2%		14,018	
Debt impairment		--	--	--	--	--	--	--	--		--	
Depreciation & asset impairment		15,562	11,272	11,272	--	--	4,697	(4,697)	-100%		11,272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges		--	--	--	--	--	--	--	--		--	
Bulk purchases		--	--	--	--	--	--	--	--		--	
Other materials		6,963	6,905	9,083	362	1,275	3,531	(2,256)	-64%		9,083	Reduction due to covid 19 spending
Contracted services		47,486	46,534	47,034	619	7,022	19,539	(12,517)	-64%		47,034	Municipal Health services one month in arrears
Transfers and subsidies		8,366	27,973	27,973	526	2,991	11,655	(8,665)	-74%		27,973	Water service grant not yet received
Other expenditure		41,192	35,875	35,782	2,222	12,864	14,920	(2,056)	-14%		35,782	Reduction due to covid 19 spending
Losses		1,185	40	40	--	--	17	(17)	-100%		40	
<b>Total Expenditure</b>		<b>412,115</b>	<b>417,261</b>	<b>420,596</b>	<b>27,504</b>	<b>143,611</b>	<b>174,861</b>	<b>(31,250)</b>	<b>-18%</b>		<b>420,596</b>	
Surplus/(Deficit) and subsidies - and		(50,657)	502	2,015	(15,768)	25,256	661	24,595	0		2,015	
Transfers and subsidies - capital (in-kind - all)		39	--	--	--	--	--	--	--		--	
Surplus/(Deficit) after capital transfers & taxation		(50,618)	502	2,015	(15,768)	25,256	661				2,015	
Surplus/(Deficit) after taxation		(50,618)	502	2,015	(15,768)	25,256	661				2,015	
Attributable to minorities		(50,618)	502	2,015	(15,768)	25,256	661				2,015	
Surplus/(Deficit) attributable to municipality surplus/ (deficit) of associate												
<b>Surplus/ (Deficit) for the year</b>		<b>(50,618)</b>	<b>502</b>	<b>2,015</b>	<b>(15,768)</b>	<b>25,256</b>	<b>661</b>				<b>2,015</b>	
<b>References</b>												
1. Material variances to be explained on Table SC1												
<b>Total Revenue (excluding capital</b>		<b>361,497</b>	<b>417,763</b>	<b>422,611</b>	<b>11,735</b>	<b>168,867</b>	<b>175,522</b>				<b>422,611</b>	



**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 September	October	Balance	%	Comment
Equitable Share	362,240,514	366,263,047	0	124,642,000	130,877,347	26,612,021	25,123,282	235,385,700	36	First tranche of Equitable share received in July
RAMS	2,456,000	1,719,000	0	1,719,000.00	114,299.00	37,573	21,526	1,604,701	7	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	234,741	38,017	33,998	765,259	23	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	204,020	53,611	148,389	795,980	20	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	9,295,000	3,718,000	9,295,000	2,786,857.00	1,420,464	378,007	6,508,143	30	Payment of salaries
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	2,654,000	0	690,281	0.00	0.00	1,963,719	26	Expenditure incurred for YDP managed by community services.
<b>Total</b>	<b>396,323,514</b>	<b>397,756,047</b>	<b>6,372,000</b>	<b>136,906,000</b>	<b>134,907,545</b>	<b>28,161,686</b>	<b>25,705,202</b>	<b>262,848,502</b>	<b>34</b>	

<b>UNSPENT GRANT</b>	
<b>Description</b>	<b>Opening balance</b>
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
<b>Total</b>	<b>13,516,966</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 954 100 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
-	-	-	-	-	-	-	954 100	954 100

#### Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of November 2020 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 23 957 202 as at the end of November 2020.

The remaining cash balance must meet operational requirements till end of November 2020, until receipt of the next equitable tranche due in March 2020.

#### b) Current Liabilities

##### Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 138 463 966 payable to the Trade creditors in November 2020. 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
21 167 834	0	0	0	0	0	0	153 351 809	174 519 643

c) Net Assets  
Reserves

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

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

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

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

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

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

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

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

d) Cash Flow  
See Annexures "B", "C1- 4", "E"

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

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 11 735 496. Outgoing payments were made to the amount of R 27 503 896. Taking into account the opening cashbook balance, this left a favorable closing balance of R 23 998 027, at the end of November 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

*The cost coverage formula* = 
$$\frac{(23\ 957\ 202) + R0}{R\ 34\ 768\ 431}$$

= 0.69 TIMES

The cost coverage of the municipality indicates 0.69 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 March 2021 as the next equitable share allocation is in December 2020. 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

Finance Management Grant (FMG):

An amount of R 1 000 000 was received and expenditure incurred of R 33 998 in month of November. The FMG Interns were involved in the following activities during the month of November 2020 as part of their training rotation plan:

- One intern in income and budget
- One intern in Expenditure.
- One intern 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.

RRAM

R 1 719 000 received in November. Expenditure incurred of R 21 526.

HIV/Aids

R 5 577 000 was received in September and R 3 718 000 in November. R 378 000 was spent for the Month of November 2020.

EPWP Projects:

First Tranche of R 250 000 was received and expenditure incurred for the month of November is R148 389.

Water Services

No Grants received in the month of November .

YOUTH CENTRES (NYDA)

Grant received in the month of October R 2 654 000, Expenditure incurred of R 0.

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.

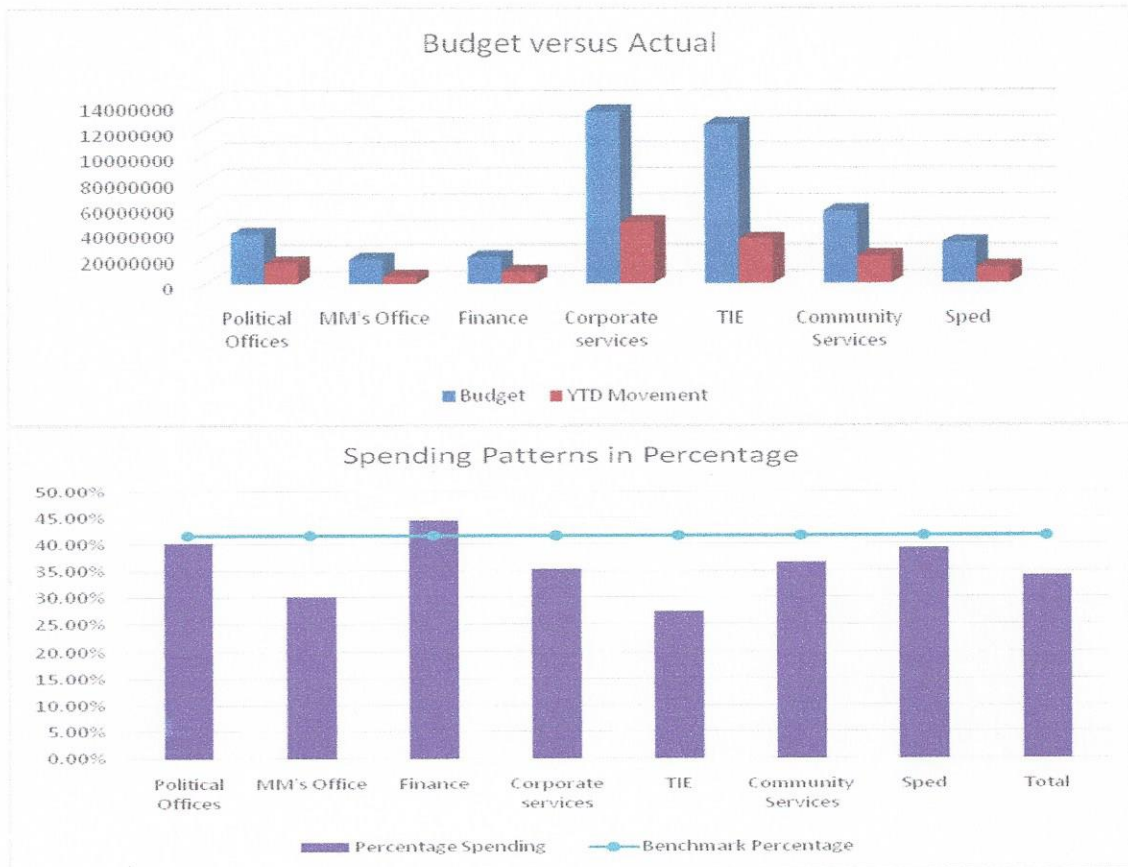
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

*"See Annexures G, H & I"*

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 11 735 496 was generated in revenue. R 27 503 893 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 16 789 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 November 2020 signals the second month of the second quarter 2020/21 financial year, spending trends ought to be around 41.67%. "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 34.14% and revenue is at 39.96% of the pro rata budget.

Intervention measures:

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

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

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

The total Capital Budget approved for 2020/2021 amounts to R 2 850 000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external

funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities.

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

**The spending analysis on own fixed assets as at the end of the month of November 2020 is shown in the table below:-**

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	YTD Movements	Balance	percentage
Furniture and equipment	200000	200000	0	49606	24977	175023	12.5
Computers and printers	200000	200000	16789		120856	79144	60.4
Network Infrastructure	400000	400000	0	37657	149206	250794	37.3
Vehicles	1 350000	2050000	0	1069961	0	2050000	0.0
<b>Total</b>	<b>2 150 000</b>	<b>2850000</b>	<b>16789</b>	<b>1157224</b>	<b>295039</b>	<b>2554961</b>	<b>10.4</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 take took 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 November 2020 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. R NETSHIVHALE  
ACTING CHIEF FINANCIAL OFFICER

\_\_\_\_\_  
CLLR. P B TSOTETSI  
MMC FOR FINANCE



Date

\_\_\_\_\_  
Date



# MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END DECEMBER 2020

(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 2020.

## 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 DECEMBER 2020 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 2020 is indicated in the different schedules as listed below.

### EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual NOVEMBER 2020	Actual December 2020	Trend Analysis
<i>Current Assets</i>			
<b>(Table SC3)</b> Debtors	R 954 100	R 2 413 029	Increase due to 5% commission payable from Fresh produce market third party to Sedibeng District Municipality which has built over six months.
<u>Cash &amp; cash equivalents:</u>			
Cashbook balance (bank reconciliation) Primary	R 6 023 879	R 46 937 173	Increase due payment received of Equitable share(second tranche)
Cashbook balance (bank reconciliation) Licensing	R 17 937 369	R 38 497 082	
<i>Current Liabilities</i>			
<b>(Table SC4)</b> Creditors	R 174 519 643	R 166 419 501	Decrease due Licensing payment and reduction in Emfuleni Debt.
<i>Cash Flow</i>			
<b>(Table C7)</b> Receipts	R 11 735 496	R 98 058 073	Increase due payment received of Equitable share(second tranche).
Payments	R 27 503 896	R 27 178 166	
Cash flow closing balance	R 23 998 027	R 85 475 082	
Cost Coverage indicator	0.69	2.46	Increase due payment received of Equitable share(second tranche).
<b>(Table C2)</b> Operating Revenue	R 11 735 496	R 98 058 073	Received to date 63.17% (benchmark 50%).

Item of Financial Position/ Performance	Actual NOVEMBER 2020	Actual December 2020	Trend Analysis
for Month			
Operating Expenditure for Month	R 27 503 896	R 27 178 166	Spent to date 40.61% (bench mark 50%).
<b>(Table C5)</b> Capital Expenditure for Month	R 16 789	R 49 606	Total Capex budget spent to date is 12.09% (benchmark 50%). The municipality is anticipating to spent 75% of the budget by end of March 2021 as is in the process of procuring vehicles for the council.
<b>(Table C6)</b> Total Assets	R121 774 391	R 184 451 066	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 202 819 056	R 194 615 824	
Total Net Liabilities	R (81 044 665)	R (10 164 758)	
<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

**Table C4 Monthly budget statement**

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December											Trend Analysis	
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												
<b>Revenue By Source</b>												
Property rates												
Service charges - electricity revenue												
Service charges - water revenue												
Service charges - sanitation revenue												
Service charges - refuse revenue												
Rental of facilities and equipm		223	516	516	-	-	215	(215)	-100%	516	Facilities closed due to covid 19	
Interest earned - external inve		3,307	2,700	2,700	97	727	1,125	(398)	-35%	2,700	Decline in interest rate by reserve bank	
Interest earned - outstanding		-	-	-	-	-	-	-	-	-		
Dividends received		-	-	-	-	-	-	-	-	-		
Fines, penalties and forfeits		-	-	-	-	-	-	-	-	-		
Licences and permits		1,445	1,575	1,575	22	454	656	(202)	-31%	1,575	Expected revenue in December based on summons issued.	
Agency services		51,966	75,630	75,630	6,736	23,135	31,513	(8,377)	-27%	75,630	Revenue always 1 month in arrears.	
Transfers and subsidies		284,349	313,062	317,910	3,718	139,560	131,897	7,663	6%	317,910	Water service grant not received	
Other revenue		20,120	24,139	24,139	1,163	4,980	10,058	(5,078)	-50%	24,139		
Gains		48	140	140	-	10	58	(48)	-82%	140		
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>361,458</b>	<b>417,763</b>	<b>422,611</b>	<b>11,735</b>	<b>168,867</b>	<b>175,522</b>	<b>(6,655)</b>	<b>-4%</b>	<b>422,611</b>		
<b>Expenditure By Type</b>												
Employee related costs		277,981	274,644	275,394	22,597	113,735	114,861	(926)	-1%	275,394		
Remuneration of councillors		13,379	14,018	14,018	1,177	5,724	5,841	(117)	-2%	14,018		
Debt impairment		-	-	-	-	-	-	-	-	-		
Depreciation & asset impairm		15,562	11,272	11,272	-	-	4,697	(4,697)	-100%	11,272	Depreciation will be done after auditor general has completed 19/20 financial year audit	
Finance charges		-	-	-	-	-	-	-	-	-		
Bulk purchases		-	-	-	-	-	-	-	-	-		
Other materials		6,963	6,905	9,083	362	1,275	3,531	(2,256)	-64%	9,083	Reduction due to covid 19 spending	
Contracted services		47,486	46,534	47,034	619	7,022	19,539	(12,517)	-64%	47,034	Municipal Health services one month in arrears	
Transfers and subsidies		8,366	27,973	27,973	526	2,991	11,655	(8,665)	-74%	27,973	Water service grant not received	
Other expenditure		41,192	35,875	35,782	2,222	12,864	14,920	(2,056)	-14%	35,782	Reduction due to covid 19 spending	
Losses		1,185	40	40	-	-	17	(17)	-100%	40		
<b>Total Expenditure</b>		<b>412,115</b>	<b>417,261</b>	<b>420,596</b>	<b>27,504</b>	<b>143,611</b>	<b>174,861</b>	<b>(31,250)</b>	<b>-18%</b>	<b>420,596</b>		
Surplus/(Deficit) and subsidies - and		(50,657)	502	2,015	(15,768)	25,256	661	24,595	0	2,015		
Transfers and subsidies - capital (in-kind - all)		39	-	-	-	-	-	-	-	-		
Surplus/(Deficit) after capital transfers & Taxation		(50,618)	502	2,015	(15,768)	25,256	661			2,015		
Surplus/(Deficit) after taxation		(50,618)	502	2,015	(15,768)	25,256	661			2,015		
Attributable to minorities		(50,618)	502	2,015	(15,768)	25,256	661			2,015		
Surplus/(Deficit) attributable to municipality		(50,618)	502	2,015	(15,768)	25,256	661			2,015		
surplus/ (deficit) of associate												
<b>Surplus/ (Deficit) for the year</b>		<b>(50,618)</b>	<b>502</b>	<b>2,015</b>	<b>(15,768)</b>	<b>25,256</b>	<b>661</b>			<b>2,015</b>		
<b>References</b>												
1. Material variances to be explained on Table SC1												
<b>Total Revenue (excluding capita</b>		<b>361,497</b>	<b>417,763</b>	<b>422,611</b>	<b>11,735</b>	<b>168,867</b>	<b>175,522</b>			<b>422,611</b>		

**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	2,456,000	0	0	1,719,000.00	142,231.00	21,526	27,934	2,313,769	6	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	268,739	33,998	33,998	731,261	27	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	364,065	148,389	160,045	635,935	36	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	9,295,000	0	9,295,000	3,141,064.00	378,007	354,207	6,153,936	28	Payment of salaries
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	0	2,654,000	690,281	0.00	0.00	1,963,719	26	Expenditure incurred for YDP managed by community services.
<b>Total</b>	<b>34,083,000</b>	<b>29,774,000</b>	<b>0</b>	<b>14,918,000</b>	<b>4,606,380</b>	<b>581,920</b>	<b>576,184</b>	<b>27,623,620</b>	<b>15</b>	

<b>UNSPENT GRANT</b>	
<b>Description</b>	<b>Opening balance</b>
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
<b>Total</b>	<b>13,516,966</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 2 413 029 and bad debts impairment R 954 100.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
1 458 929	0	0	0	0	0	0	954 100	2 413 029

Bank reconciliation

Annexure "C1 - 4" indicate the bank reconciliations prepared for the month of November 2020 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 85 434 255 as at the end of December 2020.

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 166 419 501 payable to the Trade creditors in December 2020. 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
13 981 814	0	0	0	0	0	0	152 437 687	166 419 501

c) Net Assets

*Reserves*

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

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

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

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

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

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

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

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

d) Cash Flow

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

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

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 98 058 073. Outgoing payments were made to the amount of R 27 178 166. Taking into account the opening cashbook balance,

this left a favorable closing balance of R 85 475 082, at the end of December 2020 period, which shows a decrease margin from last month's closing balance.  
 Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{(85\,434\,255) + R0}{R\,34\,768\,431}$$

= 2.46 TIMES

The cost coverage of the municipality indicates 2.46 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of February 2021 as the next equitable share allocation is in March 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

*Grant allocations and expenditure:*

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

Equitable Share:

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

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 33 998 in month of December. The FMG Interns were involved in the following activities during the month of December 2020 as part of their training rotation plan:

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

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

Rural Roads Assets Management Grant

R 1 719 000 received. Expenditure incurred of R 27 933 in December.

HIV/Aids

R 5 577 000 was received in September and R 3 718 000 in November. R 354 207 was spent for the Month of December 2020.

Extended Public Works Projects:



First Tranche of R 250 000 was received in September 2020 and expenditure incurred for the month of December is R 160 045.

### Water Services

No Grants received in the month of December.

### YOUTH CENTRES (National Youth Development Agency )

Grant received in the month of October R 2 654 000 and no expenditure was incurred during month of December.

### Grant payments to Local Municipalities:

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

## 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.

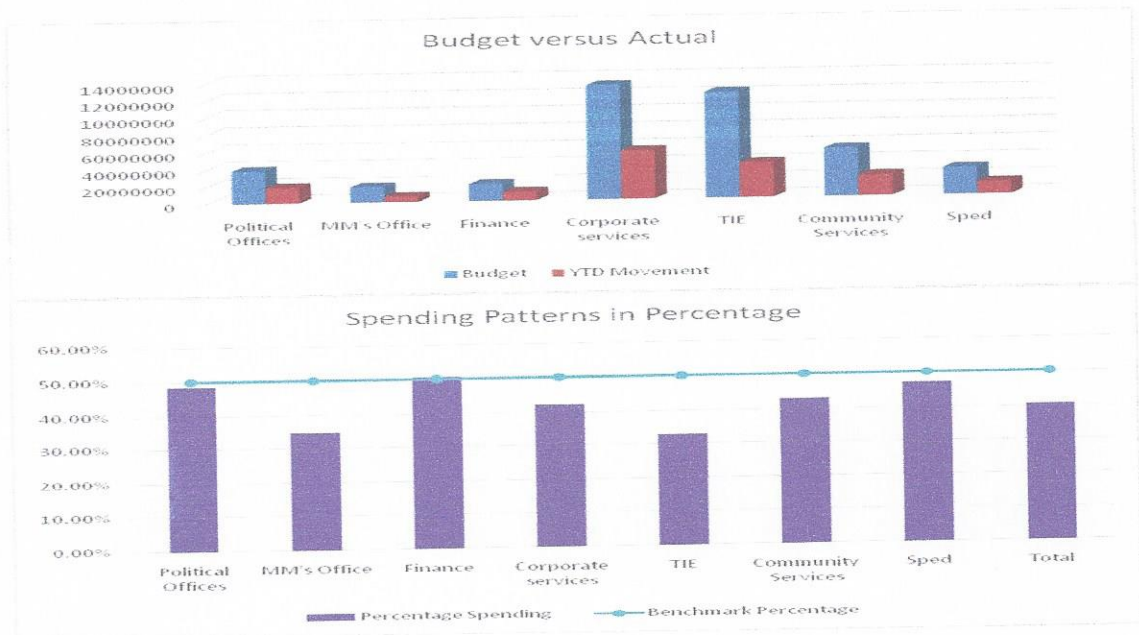
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

*"See Annexures G, H & I"*

### a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 98 058 073 was generated in revenue. R 27 178 166 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 49 606 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 December 2020 signals the third month of the second quarter 2020/21 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 40.61% and revenue is at 63.17% of the pro rata budget.

Intervention measures:

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

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

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

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

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

**The spending analysis on own fixed assets as at the end of the month of December 2020 is shown in the table below:-**

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200 000	200 000	49 606	0	74 583	125 417	37.29
Computers and printers	200 000	200 000	0		120 856	79 144	60.4
Network Infrastructure	400 000	400 000	0	77 655	149 206	250 794	37
Vehicles	1 350 000	2 050 000	0	1 069 961	0	2 050 000	0.0
<b>Total</b>	<b>2 150 000</b>	<b>2 850 000</b>	<b>49 606</b>	<b>1 147 616</b>	<b>344 645</b>	<b>2 505 354</b>	<b>12.1</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 take took 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 December 2020 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. R NETSHIVHALE  
ACTING CHIEF FINANCIAL OFFICER

14/01/2021  
Date