

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JULY2021

(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 JULY 2021.

2. OBJECTIVE

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

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

3. LEGISLATIVE REQUIREMENTS:

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

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

4. BACKGROUND

With reference to section 71 above, "*the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the JULY 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 JULY 2021 is indicated in the different schedules as listed below.

5.EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual JUNE 2021	Actual JULY 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 2 516 954	4 761 744.00	Increase as results of year end debtors namely Fresh produce market and National youth development agency
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 2 269 673	R 59 778 449	Increase due to first tranche received of equitable share
Cashbook balance (bank reconciliation) Licensing	R 7 261 134	R 27 718 411	
Current Liabilities			
(Table SC4) Creditors	R 180 462 708	R 188 030 010	Increase due to accrual of year end creditors.
Cash Flow			
(Table C7) Receipts	R 27 299 805	R 142 376 641	Increase due to first tranche received of equitable share
Payments	R 42 985 170	R 64 410 587	
Cash flow closing balance	R 9 571 633	R 87 537 686	
Cost Coverage indicator	0.27	2.63	Increase due to first tranche received of equitable share
(Table C2) Operating Revenue for Month	R 5 437 444	R 121 405 797	Received to date 31.21% (benchmark 8.33%).

Item of Financial Position/ Performance	Actual JUNE 2021	Actual JULY 2021	Trend Analysis
Operating Expenditure for Month	R 52 720 859	R 29 243 167	Spent to date 7.34% (bench mark 8.33%).
(Table C5) Capital Expenditure for Month	R 797 750	R 0	Total Capex budget spent to date is 0 % (benchmark 8.33%).
(Table C6) Total Assets	R 137 525 054	R 188 095 256	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 220 731 259	
Total Net Liabilities	R (58 779 570)	R (-32 636 003)	
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

5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July											Trend Analysis
Description	Ref	2020/21 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands	0	0	0	0	0	0	0	0	0	0	
Revenue By Source											
Property rates	0	0	0	0	0	0	0	0	0	0	
Service charges - electricity revenue	0	0	0	0	0	0	0	0	0	0	
Service charges - water revenue	0	0	0	0	0	0	0	0	0	0	
Service charges - sanitation revenue	0	0	0	0	0	0	0	0	0	0	
Service charges - refuse revenue	0	0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	0%	0	
Rental of facilities and equipment	0	3	340	340	0	0	28	(28)	-100%	340	No bookings due to covid 19
Interest earned - external investments	0	1 718	1 035	1 035	60	60	86	(26)	-31%	1 035	Decline in interest rate by reserve bank
Interest earned - outstanding debtors	0	0	0	0	0	0	0	0	0	0	
Dividends received	0	0	0	0	0	0	0	0	0	0	
Fines, penalties and forfeits	0	0	0	0	0	0	0	0	0	0	
Licences and permits	0	2 351	1 575	1 575	0	0	131	(131)	-100%	1 575	Increase due to summons issued
Agency services	0	62 115	71 680	71 680	0	0	5 973	(5 973)	-100%	71 680	Revenue always 1 month in arrears.
Transfers and subsidies	0	297 614	306 054	306 054	120 719	120 719	25 505	95 214	373%	306 054	Water service grant not received
Other revenue	0	13 879	8 345	8 345	627	627	695	(68)	-10%	8 345	
Gains	0	58	140	140	0	0	12	(12)	-100%	140	
		377 737	389 169	389 169	121 406	121 406	32 431	88 975	274%	389 169	
Total Revenue (excluding capital transfers and contributions)	0	0	0	0	0	0	0	0	0	0	
Expenditure By Type											
Employee related costs	0	286 598	276 282	276 282	21 821	21 821	23 024	(1 203)	-5%	276 282	Increase due to salary increment backpayed.
Remuneration of councillors	0	12 803	14 143	14 143	995	995	1 179	(183)	-16%	14 143	
Debt impairment	0	0	0	0	0	0	0	0	0	0	
Depreciation & asset impairment	0	14 881	11 272	11 272	0	0	939	(939)	-100%	11 272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges	0	0	0	0	0	0	0	0	0	0	
Bulk purchases - electricity	0	0	0	0	0	0	0	0	0	0	
Inventory consumed	0	6 427	6 895	6 895	499	499	575	(76)	-13%	6 895	Reduction due to covid 19 spending
Contracted services	0	36 986	41 208	40 948	694	694	3 412	(2 718)	-80%	40 948	Municipal Health services one month in arrears
Transfers and subsidies	0	9 861	12 171	12 171	737	737	1 014	(277)	-27%	12 171	Water service grant not received
Other expenditure	0	39 851	36 913	36 913	4 497	4 497	3 076	1 420	46%	36 913	Reduction due to covid 19 spending
Losses	0	15	40	40	0	0	3	(3)	-100%	40	
Total Expenditure	0	407 421	398 924	398 664	29 243	29 243	33 222	(3 979)	-12%	398 664	
Surplus/(Deficit)	0	0	0	0	0	0	0	0	0	0	
(monetary allocations) (National / Provincial and District)	0	(29 684)	(9 755)	(9 495)	92 163	92 163	(792)	92 954	(0)	(9 495)	
(monetary allocations) (National / Provincial and District)	0	67	0	0	0	0	0	0	0	0	
Transfers and subsidies - capital (in-k)	0	471	0	0	0	0	0	0	0	0	
Surplus/(Deficit) after capital transfers & contributions	0	(29 147)	(9 755)	(9 495)	92 163	92 163	(792)	92 954	(0)	(9 495)	
Taxation	0	0	0	0	0	0	0	0	0	0	
Surplus/(Deficit) after taxation	0	(29 147)	(9 755)	(9 495)	92 163	92 163	(792)	92 954	(0)	(9 495)	
Attributable to minorities	0	0	0	0	0	0	0	0	0	0	
Surplus/(Deficit) attributable to municipality	0	(29 147)	(9 755)	(9 495)	92 163	92 163	(792)	92 954	(0)	(9 495)	
Share of surplus/ (deficit) of associate	0	0	0	0	0	0	0	0	0	0	
Surplus/ (Deficit) for the year	0	(29 147)	(9 755)	(9 495)	92 163	92 163	(792)	92 954	(0)	(9 495)	
<i>References</i>	0	0	0	0	0	0	0	0	0	0	
<i>1. Material variances to be explained or</i>	0	0	0	0	0	0	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
	0	0	0	0	0	0	0	0	0	0	
Total Revenue (excluding capital transfe	0	378 274	389 169	389 169	121 406	121 406	32 431	88 975	274%	389 169	

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual July	Balance	%	Comment
RAMS	2 489 000	0	0	0	33 366	33 366	2 455 634	1	Interns Stipend
FMG	1 200 000	0	0	0	85 644	85 644	1 114 356	7	Interns Stipend
EPWP	1 023 000	0	0	0	32 219	32 219	990 781	3	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000	0	0	0	704 879.00	704 879	10 443 121	6	Payment of salaries
DSRACH	2 654 000	0	0	0	0	0.00	2 654 000	0	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000	0	0	0	0	0.00	1 537 000	0	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	20 051 000	0	0	0	856 108	856 108	19 194 892	4	

UNSPENT GRANT

<u>Description</u>	<u>Opening balance</u>
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 July

The debtor's book balance of the municipality as attached in annexure A is R4 761 744 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
3 004 571	173 099	0	378 658	0	0	0	1 205 416	4 761 744

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of JULY 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 87 496 860 as at the end of July.

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

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 188 030 010 payable to the creditors in July 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
30 298 505	52 93818	0	0	0	0	0	152 437 687	188 030 010

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 142 376 641. Outgoing payments were made to the amount of R 64 410 588. Taking into account the opening cashbook balance, this left a favorable closing balance of R 87 537 686 at the end of July 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{(87\,496\,860) + R0}{R\,33\,243\,674}$$

$$= \underline{2.63 \text{ TIMES}}$$

The cost coverage of the municipality indicates 2.63 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of November 2021 as the next equitable share allocation is in December 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure “F” represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R118 977 000 was received in month of July.

Finance Management Grant (FMG):

Expenditure incurred of R 85 644 in month of July. The FMG Interns were involved in the following activities during the month of July 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

Expenditure incurred of R 33 366 in July.

HIV/Aids

R 704 879 was spent for the Month of July 2021.

Extended Public Works Projects:

Expenditure incurred for the month of July is R 32 219.

YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of July R 0.

Grant payments to Local Municipalities:

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

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.

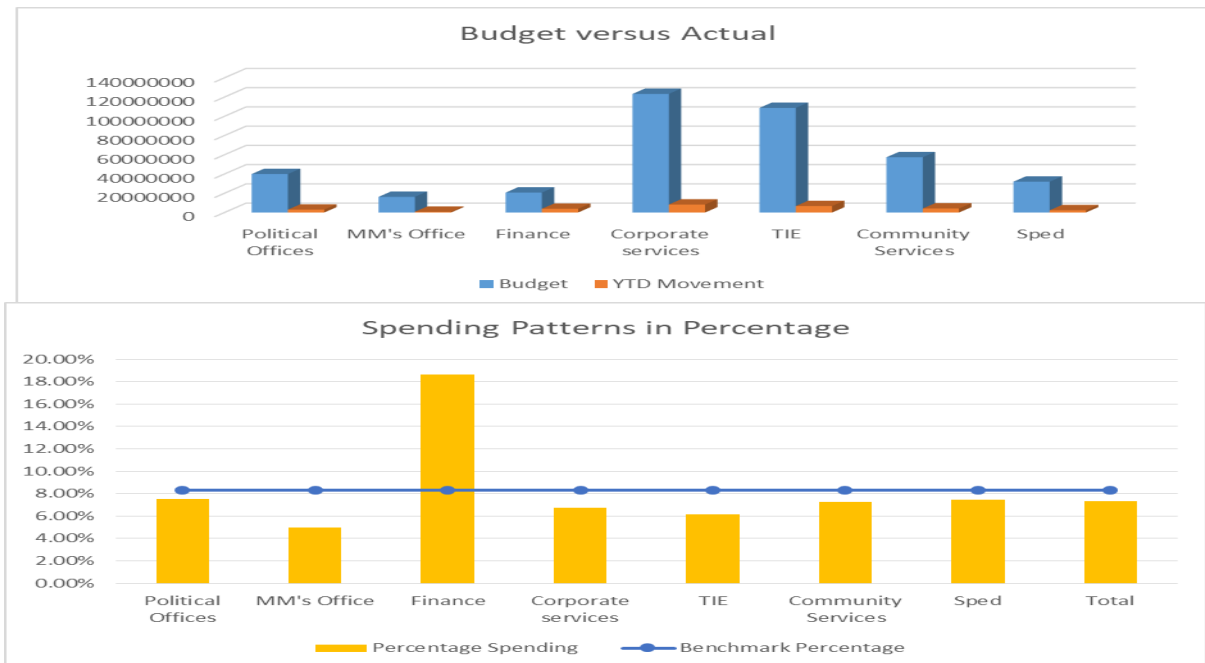
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 121 405 797 was generated in revenue. R 29 243 167 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 0 and budget of R 2 370 000 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 July 2021 signals the 1st month of the first quarter 2021/22 financial year, spending trends ought to be around 8.33%. “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 7.34% and revenue is at 31.21% 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 2021/2022 amounts to R 2 370 000. 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 July 2021 is shown in the table below:-

Description	Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	180 000	0	8800	0	180 000	0.0
COMPUTER EQUIPMENT AND NETWORKS	200 000	0	8448	0	200 000	0.0
NEW ICT EQUIPMENT	400 000	0	0	0	400 000	0.0
Financial Service Equipment	90 000	0	0	0	90 000	0.0
Vehicles Rural Assets managent Grant		0	0	0	0	0.0
Vehicles	1 500 000	0		0	1 500 000	0.0
Total	2 370 000	0	0	0	2 370 000	0.0

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

Asset Management

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

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

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality’s MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2021 to 30 June 2022, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

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

It must be noted that the individual Clusters are responsible to action projects and 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 July 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 AUGUST 2021

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

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The purpose of the report is to reflect the financial position of the Municipality for the month of AUGUST 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;
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(Table SC3) Debtors	R 3 807 643	R 3 820 282	Increase due to vat claimable.
<u>Cash & cash equivalents:</u>			
Cashbook balance (bank reconciliation) Primary	R 59 778 449	R 15 487 297	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 27 718 411	R 56 342 363	
Current Liabilities			
(Table SC4) Creditors	R 188 030 010	R 198 982 194	Increase in licensing fees allocated in august payable to department of transport.
Cash Flow			
(Table C7) Receipts	R 142 376 641	R 31 324 197	Decrease due to Equitable share received in August and expenses lower due to operational activities.
Payments	R 64 410 587	R 46 937 895	
Cash flow closing balance	R 87 537 686	R 71 870 483	
Cost Coverage indicator	2.63	2.16	Decrease due to operational activities.
(Table C2) Operating Revenue for Month	R 121 405 797	R 3 945 868	Received to date 32.22% (benchmark 16.67%).
Operating	R 29 243 167	R 30 273 028	Spent to date 14.93% (bench

Item of Financial Position/ Performance	Actual JULY 2021	Actual AUGUST 2021	Trend Analysis
Expenditure for Month			mark 16.67%).
(Table C5) Capital Expenditure for Month	R 0	R 53 505	Total Capex budget spent to date is 2.03 % (benchmark 16.67%).
(Table C6) Total Assets	R 188 095 256	R 175 662 742	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 220 731 259	R 231 406 179	
Total Net Liabilities	R (32 636 003)	R (55 743 437)	
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

5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August											
Description	Ref	Budget Year 2021/22									Trend Analysis
		2020/21 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands	0	0	0	0	0	0	0	0	0	0	
Revenue By Source	0	0	0	0	0	0	0	0	0	0	
Property rates	0	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - water revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	0%	-	
Rental of facilities and equipment	0	3	340	340	-	-	57	(57)	-100%	340	No bookings due to covid 19
Interest earned - external investments	0	1 718	1 035	1 035	218	277	173	105	61%	1 035	Decline in interest rate by reserve bank
Interest earned - outstanding debt	0	-	-	-	-	-	-	-	-	-	
Dividends received	0	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	0	-	-	-	-	-	-	-	-	-	
Licences and permits	0	2 351	1 575	1 575	40	40	263	(223)	-85%	1 575	Increase due to summons issued
Agency services	0	62 115	71 680	71 680	4 633	4 633	11 947	(7 314)	-61%	71 680	Revenue always 1 month in arrears.
Transfers and subsidies	0	297 614	306 054	306 054	(1 403)	119 316	51 009	68 307	134%	306 054	Water service grant not received
Other revenue	0	13 879	8 345	8 345	433	1 060	1 391	(330)	-24%	8 345	
Gains	0	58	140	140	26	26	23	2	10%	140	
Total Revenue (excluding capital transfers and contributions)	0	377 737	389 169	389 169	3 946	125 352	64 862	60 490	93%	389 169	
0	0	-	-	-	-	-	-	-	-	-	
Expenditure By Type	0	-	-	-	-	-	-	-	-	-	
Employee related costs	0	286 598	276 282	276 282	22 360	44 181	46 047	(1 867)	-4%	276 282	Increase due to salary increment backpayed.
Remuneration of councillors	0	12 803	14 143	14 143	1 024	2 020	2 357	(338)	-14%	14 143	
Debt impairment	0	-	-	-	-	-	-	-	-	-	
Depreciation & asset impairment	0	12 154	11 272	11 272	-	-	1 879	(1 879)	-100%	11 272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges	0	-	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	0	-	-	-	-	-	-	-	-	-	
Inventory consumed	0	6 427	6 895	6 895	729	1 228	1 149	79	7%	6 895	Reduction due to covid 19 spending
Contracted services	0	37 307	41 208	40 948	1 329	2 023	6 825	(4 802)	-70%	40 948	Municipal Health services one month in arrears
Transfers and subsidies	0	9 861	12 171	12 171	751	1 488	2 029	(541)	-27%	12 171	Water service grant not received
Other expenditure	0	39 851	36 913	36 913	4 080	8 577	6 152	2 424	39%	36 913	Reduction due to covid 19 spending
Losses	0	35	40	40	-	-	7	(7)	-100%	40	
Total Expenditure	0	405 035	398 924	398 664	30 273	59 516	66 445	(6 929)	-10%	398 664	
0	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit)	0	(27 298)	(9 755)	(9 495)	(26 327)	65 835	(1 583)	67 419	(0)	(9 495)	
Transfers and subsidies - capital (monetary allocations) (National)	0	67	-	-	-	-	-	-	-	-	
(monetary allocations) (National)	0	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital	0	471	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	0	(26 761)	(9 755)	(9 495)	(26 327)	65 835	(1 583)	-	-	(9 495)	
Taxation	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation	0	(26 761)	(9 755)	(9 495)	(26 327)	65 835	(1 583)	-	-	(9 495)	
Attributable to minorities	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality	0	(26 761)	(9 755)	(9 495)	(26 327)	65 835	(1 583)	-	-	(9 495)	
Share of surplus/ (deficit) of associate	0	-	-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year	0	(26 761)	(9 755)	(9 495)	(26 327)	65 835	(1 583)	-	-	(9 495)	
References	0	0	0	0	0	0	0	0	0	0	
1. Material variances to be explained	0	0	0	0	0	0	0	0	0	0	
0	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	-	-	
Total Revenue (excluding capital tr	0	378 274	389 169	389 169	3 946	125 352	64 862	60 490		389 169	

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual July	Actual August	Balance	%	Comment
RAMS	2 489 000,00	0,00	1 742 000,00	1 742 000,00	100 560,00	46 112,66	54 447,29	2 388 440,00	4,04	Interns Stipend
FMG	2 654 000,00	0,00	1 200 000,00	1 200 000,00	184 234,00	71 345,49	112 889,00	2 469 766,00	6,94	Interns Stipend
EPWP	1 023 000,00	0,00	256 000,00	256 000,00	44 541,00	32 219,00	12 322,00	978 459,00	4,35	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000,00	0,00	0,00	0,00	1 443 709,00	704 879,00	738 830,00	9 704 291,00	12,95	Payment of salaries
DSRACH	2 654 000,00	0,00	0,00	0,00	0,00	0,00	0,00	2 654 000,00	0,00	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000,00	0,00	0,00	0,00	0,00	0,00	0,00	1 537 000,00	0,00	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	21 505 000,00	0,00	3 198 000,00	3 198 000,00	1 773 044,00	854 556,15	918 488,29	19 731 956,00	8,24	

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 August

The debtor's book balance of the municipality as attached in annexure A is R 4 774 383 less bad debts impairment R 954 100 resulting to R 3 820 283.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
0	3 017 210	173 099	0	378 658	0	0	1 205 416	4 774 383

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations – prepared for the month of August 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 71 829 660 as at the end of August.

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

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 198 982 194 payable to the creditors in August 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
3 5479 365	0	5 293 818	0	0	0	0	158 209 011	198 982 194

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 31 324 197,41. Outgoing payments were made to the amount of R 46 937 894,77. Taking into account the opening cashbook balance, this left a favorable closing balance of R 71 870 483 at the end of August 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{= (71\ 829\ 660) + R0}{R\ 33\ 243\ 674}$$

$$= \underline{2.16 \text{ TIMES}}$$

The cost coverage of the municipality indicates 2.16 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of November 2021 as the next equitable share allocation is in December 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure “F” represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R118 977 000 was received in month of July.

Finance Management Grant (FMG):

Received R 1 200 000 in August .Expenditure incurred of R 112 890 in month of August. The FMG Interns were involved in the following activities during the month as part of their training rotation plan:

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

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

Rural Roads Assets Management Grant

First tranche of R 1 742 000 received in August. Expenditure incurred of R 54 447.29 in August.

HIV/Aids

R 738 830 was spent for the Month of August 2021.

Extended Public Works Projects:

First tranche of R 256 000 received in August and expenditure incurred for the month of August is R 12 322.

YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of July R 0.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

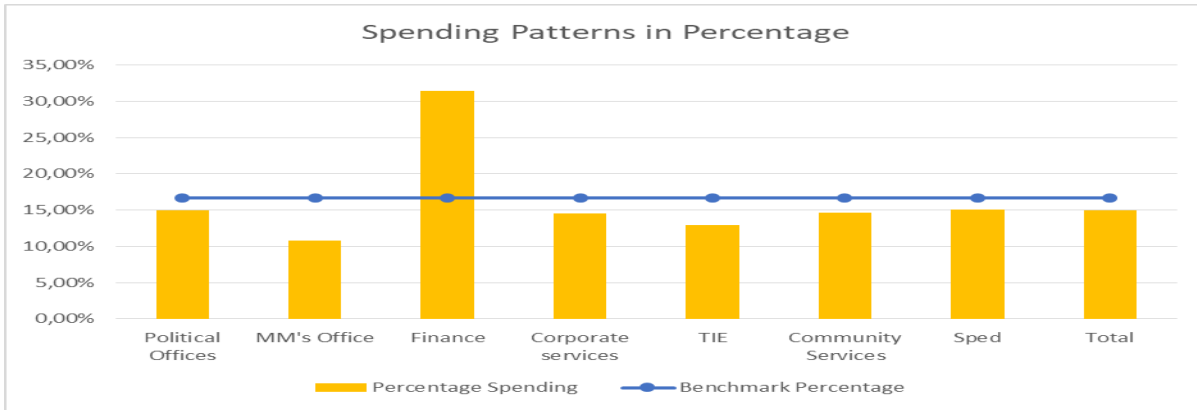
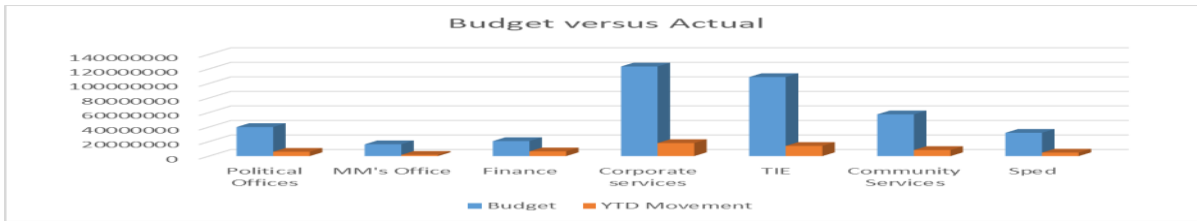
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue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

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

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 3 945 868 was generated in revenue. R 30 273 028 in expenditure.



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

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

As the month of August 2021 signals the 2nd month of the first quarter 2021/22 financial year, spending trends ought to be around 16.667%. "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 14.93% and revenue is at 32.22% of the pro rata budget.

Intervention measures:

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

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

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

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 53 505 and budget of R 2 370 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and R 350 000 from National Grants(Financial Management and Rural Roads Assets Management Grant) .Details on performance progress on all capital projects are outlined as per "Annexure I."

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

Description	Approved Budget	Adjustment	Monthly Spending	Commitment	Movements	Balance	%
Furniture and equipment	180 000,00	180 000,00	8 800,00	162 400,00	8 800,00	171 200,00	4,89
COMPUTER EQUIPMENT AND NETWORKS	200 000,00	200 000,00	8 448,00	-	8 448,00	191 552,00	4,22
NEW ICT EQUIPMENT	400 000,00	400 000,00	4 955,65	109 604,79	4 955,65	395 044,35	1,24
Financial Management (Grant)	90 000,00	250 000,00	23 476,52	185 905,22	23 476,52	226 523,75	9,39
Rural Roads Assets managment Grant	-	100 000,0	7 825,29	-	7 825,29	92 174,71	7,83
Vehicles	1 500 000,00	1 500 000,00	-	-	-	1 500 000,00	-
Total	2 370 000,00	2 630 000,00	53 505,46	457 910,01	53 505,46	2 576 494,81	2,03

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

Asset Management

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

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

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2021 to 30 June 2022, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

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

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

See Attached Annexures reflecting detail information:

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

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end August 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 SEPTEMBER 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 SEPTEMBER 2021.

2. OBJECTIVE

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

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

3. LEGISLATIVE REQUIREMENTS:

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

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

4. BACKGROUND

With reference to section 71 above, "*the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the SEPTEMBER 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 SEPTEMBER 2021 is indicated in the different schedules as listed below.

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual AUGUST 2021	Actual SEPTEMBER 2021	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 3 820 282	R 3 810 168	Decrease due to staff recoveries
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 15 487 297	R 2 161 550	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 56 342 363	R 49 288 531	
Current Liabilities			
(Table SC4) Creditors	R 198 982 194	R 200 716 345	Increase in licensing fees allocated in September payable to department of transport.
Cash Flow			
(Table C7) Receipts	R 31 324 197	R 34 978 770	Increase in receipts based on licensing income and an increase in payments due to licensing refunds and salaries.
Payments	R 46 937 895	R 54 574 357	
Cash flow closing balance	R 71 870 483	R 51 489 619	
Cost Coverage indicator	2.16	1.54	Decrease due to operational activities.
(Table C2) Operating Revenue for Month	R 3 945 868	R 10 066 217	Received to date 34.80% (benchmark 25%).
Operating Expenditure for Month	R 30 273 028	R 31 783 755	Spent to date 22.90% (benchmark 25%).

Item of Financial Position/ Performance	Actual AUGUST 2021	Actual SEPTEMBER 2021	Trend Analysis
(Table C5) Capital Expenditure for Month	R 53 505	R 80 508	Total Capex budget spent to date is 5.10 % (benchmark 25%).
(Table C6) Total Assets	R 175 662 742	R 155 352 270	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 231 406 179	R 232 813 245	
Total Net Liabilities	R (55 743 437)	R (77 460 974)	
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

5.1 Table C4 Monthly budget statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September											Trend Analysis
Description	Ref	2020/21	Budget Year 2021/22								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands	0	0	0	0	0	0	0	0	0	0	
Revenue By Source	0	0	0	0	0	0	0	0	0	0	
Property rates	0	-	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - water revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	0	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	0	-	-	-	-	-	-	-	-	-	
0	0	-	-	-	-	-	-	-	0%	-	
Rental of facilities and equipment	0	3	340	340	-	-	85	(85)	-100%	340	No bookings due to covid 19
Interest earned - external investments	0	1 718	1 035	1 035	132	410	259	151	58%	1 035	Decline in interest rate by reserve bank
Interest earned - outstanding debt	0	-	-	-	-	-	-	-	-	-	
Dividends received	0	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	0	-	-	-	-	-	-	-	-	-	
Licences and permits	0	2 351	1 575	1 575	20	60	394	(334)	-85%	1 575	Increase due to summons issued
Agency services	0	62 115	71 680	71 680	6 456	11 089	17 920	(6 831)	-38%	71 680	Revenue always 1 month in arrears.
Transfers and subsidies	0	297 614	306 054	306 054	3 022	122 338	76 514	45 825	60%	306 054	Water service grant not received
Other revenue	0	13 879	8 345	8 345	435	1 495	2 086	(591)	-28%	8 345	
Gains	0	58	140	140	-	26	35	(9)	-27%	140	
Total Revenue (excluding capital transfers and contributions)	0	377 737	389 169	389 169	10 066	135 418	97 292	38 126	39%	389 169	
Expenditure By Type	0	-	-	-	-	-	-	-	-	-	
Employee related costs	0	286 598	276 282	276 282	25 109	69 290	69 071	218	0%	276 282	Increase due to salary increment backpayed.
Remuneration of councillors	0	12 803	14 143	14 143	1 131	3 151	3 536	(385)	-11%	14 143	
Debt impairment	0	-	-	-	-	-	-	-	-	-	
Depreciation & asset impairment	0	12 154	11 272	11 272	-	-	2 818	(2 818)	-100%	11 272	Depreciation will be done after auditor general has completed 19/20 financial year audit
Finance charges	0	-	-	-	-	-	-	-	-	-	
Bulk purchases - electricity	0	-	-	-	-	-	-	-	-	-	
Inventory consumed	0	6 427	6 895	6 895	580	1 808	1 724	84	5%	6 895	Reduction due to covid 19 spending
Contracted services	0	37 307	41 208	40 838	2 034	4 057	10 226	(6 169)	-60%	40 838	Municipal Health services one month in arrears
Transfers and subsidies	0	9 861	12 171	12 171	860	2 348	3 043	(695)	-23%	12 171	Water service grant not received
Other expenditure	0	39 851	36 913	37 023	2 071	10 647	9 240	1 408	15%	37 023	Reduction due to covid 19 spending
Losses	0	35	40	40	-	-	10	(10)	-100%	40	
Total Expenditure	0	405 035	398 924	398 664	31 784	91 300	99 667	(8 367)	-8%	398 664	
Surplus/(Deficit)	0	(27 298)	(9 755)	(9 495)	(21 718)	44 118	(2 375)	46 493	(0)	(9 495)	
Transfers and subsidies - capital (monetary allocations) (National)	0	67	-	-	-	-	-	-	-	-	
(monetary allocations) (National)	0	-	-	-	-	-	-	-	-	-	
Transfers and subsidies - capital	0	471	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions	0	(26 761)	(9 755)	(9 495)	(21 718)	44 118	(2 375)	-	-	(9 495)	
Taxation	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation	0	(26 761)	(9 755)	(9 495)	(21 718)	44 118	(2 375)	-	-	(9 495)	
Attributable to minorities	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality	0	(26 761)	(9 755)	(9 495)	(21 718)	44 118	(2 375)	-	-	(9 495)	
Share of surplus/ (deficit) of associate	0	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year	0	(26 761)	(9 755)	(9 495)	(21 718)	44 118	(2 375)	-	-	(9 495)	
References	0	0	0	0	0	0	0	0	0	0	
1. Material variances to be explained	0	0	0	0	0	0	0	0	0	0	
0	0										
0	0										
Total Revenue (excluding capital transfers and contributions)	0	378 274	389 169	389 169	10 066	135 418	97 292	38 126		389 169	

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

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual August	Actual September	Balance	%	Comment
RAMS	2 489 000,00	0,00	0,00	1 742 000,00	707 474,00	54 447,29	611 837,00	1 781 526,00	28,42	Interns Stipend
FMG	1 200 000,00	0,00	0,00	1 200 000,00	306 005,00	89 413,00	107 472,00	893 995,00	25,50	Interns Stipend
EPWP	1 023 000,00	0,00	0,00	256 000,00	155 136,00	12 322,00	110 595,00	867 864,00	15,16	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11 148 000,00	0,00	0,00	0,00	2 192 550,90	738 830,00	738 830,00	8 955 449,10	19,67	Payment of salaries
DSRACH	2 654 000,00	0,00	0,00	0,00	700 071,85	466 713,84	233 358,01	1 953 928,15	26,38	Expenditure incurred for YDP managed by community services.
Aerotropolis sector	1 537 000,00	0,00	0,00	0,00	0,00	0,00	0,00	1 537 000,00	0,00	Utilised to conduct feasibility study on the aerotropolis in the sedibeng Region
Total	20 051 000,00	0,00	0,00	3 198 000,00	4 061 237,75	1 361 726,13	1 802 092,01	15 989 762,25	20,25	

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 September

The debtor's book balance of the municipality as attached in annex A is R 4 764 268 less bad debts impairment R 954 100 resulting to R 3 810 168.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
0	0	3 007 095	173 099	0	378 658	0	1 205 416	4 764 268

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of September 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 51 450 081 as at the end of September.

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

b) Current Liabilities

Creditors' Age Analysis

Annexure “D” represents the creditors’ age analysis of R 200 716 345 payable to the creditors in September 2021. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
37 213 516	0	0	5 293 818	0	0	0	158 209 011	200 716 345

c) Net Assets

Reserves

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

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

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

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

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

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

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

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

d) Cash Flow

See Annexures “B”, “C1- 4”, “E”

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

Annexure “E” is Council’s cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 34 978 770. Outgoing payments were made to the amount of 54 574 357. Taking into account the opening cashbook balance, this left a favorable closing balance of R 19 586 586 at the end of September 2021 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

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

$$\text{The cost coverage formula} = \frac{= (51\,450\,081) + R0}{R\,33\,243\,674}$$

$$= \underline{1.54 \text{ TIMES}}$$

The cost coverage of the municipality indicates 1.54 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of November 2021 as the next equitable share allocation is in December 2021. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2017/18 as well as 2018/19.

Grant allocations and expenditure:

Annexure “F” represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2020/21 amounting to R118 977 000 was received in month of July.

Finance Management Grant (FMG):

Received R 1 200 000 in August .Expenditure incurred of R 107 472 in month of September. The FMG Interns were involved in the following activities during the month as part of their training rotation plan:

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

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

Rural Roads Assets Management Grant

First tranche of R 1 742 000 received in August. Expenditure incurred of R 611 837 in September

HIV/Aids

R 738 830 was spent for the Month of September 2021.

Extended Public Works Projects:

First tranche of R 256 000 received in August and expenditure incurred for the month of September is R 110 595.

YOUTH CENTRES (National Youth Development Agency)

Expenditure incurred during month of September R 0.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

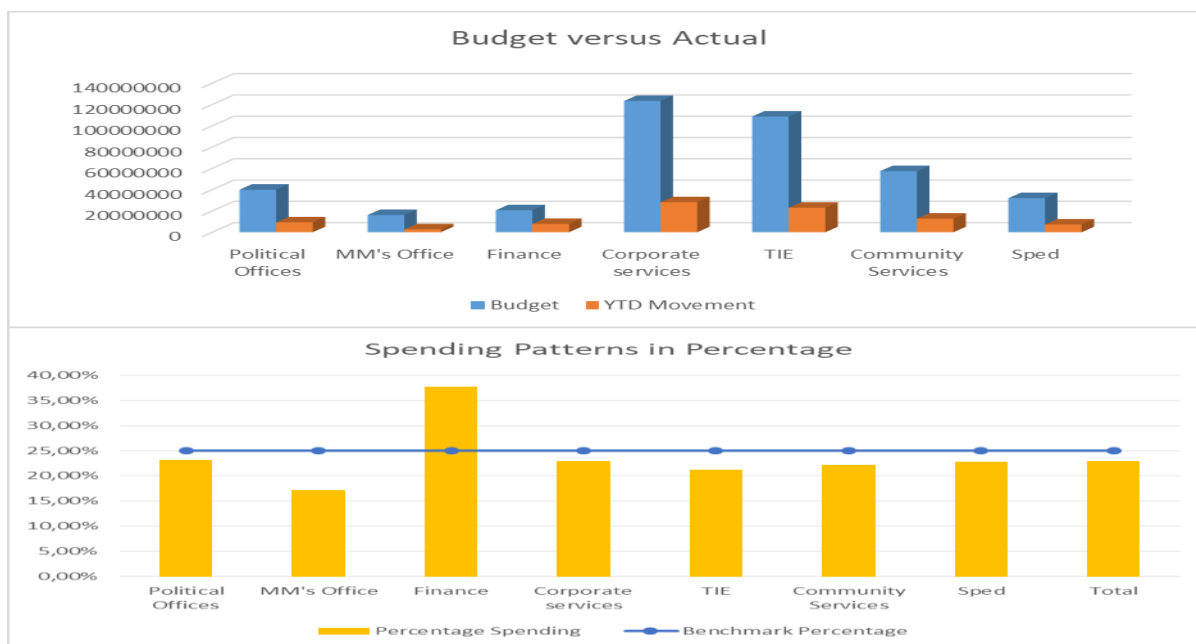
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue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

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

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 10 066 218 was generated in revenue. R 31 783 755 in expenditure.



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

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

As the month of September 2021 signals the 3rd month of the first quarter 2021/22 financial year, spending trends ought to be around 25%. “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 22.90% and revenue is at 34.80% of the pro rata budget.

Intervention measures:

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

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

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

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 80 508 and budget of R 2 370 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and R 350 000 from National Grants(Financial Management and Rural

Roads Assets Management Grant) .Details on performance progress on all capital projects are outlined as per “Annexure I.”

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

Description	Approved Budget	Adjustments	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	180 000,00	180 000,00	5850,00	162 400,00	14 650,00	165 350,00	8,14
COMPUTER EQUIPMENT AND NETWORKS	200 000,00	200 000,00	8 448,00	-	8 448,00	191 552,00	4,22
NEW ICT EQUIPMENT	400 000,00	717 069,00	74657,83	329730,87	79 613,00	637 456,00	11,10
Financial Management (Grant)	90 000,00	250 000,00	-	48686,96	23 476,52	226 523,75	9,39
Assets managment Grant	-	100 000,00	7 825,29	-	7 825,29	92 174,71	7,83
Vehicles	1 500 000,00	1 182 931,00	-	-	-	1 182 931,00	-
Total	2 370 000,00	2 630 000,00	16 273,29	162 400,00	134 012,81	2 495 987,46	5,10

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

Asset Management

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

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

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality’s MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2021 to 30 June 2022, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

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

It must be noted that the individual Clusters are responsible to action projects and programed based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the

Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

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

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end September 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