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MID-YEAR BUDGET AND PERFORMANCE REPORT – 1 JULY 2019 - 31 DECEMBER 2019 (CFO) (6/1/2/1)

PURPOSE

To present to Mayoral Committee a report on the Mid- year Budget and Performance Report of the Municipality for the period 1 July to 31 December 2019 as required by Section 72 of the Municipal Finance Management Act No 56 of 2003 .

BACKGROUND

In accordance with Section 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), hereafter referred to as the “MFMA”, the Accounting Officer of a municipality must by 25 January of each year-

1. Assess the performance of a Municipality during the first half of the financial year, taking into account-
 - a) The monthly statements submitted for the first half of the financial year in accordance with Section 71 of the MFMA;
 - b) The Municipality’s service delivery targets and performance indicators set in the service delivery and budget implementation plan (SDBIP);
 - c) The past year's annual report, and progress in resolving problems identified in the annual report; and
 - d) The performance of every Municipal entity under the sole or shared control of the Municipality, taking into account reports in terms of section 88 of the MFMA from any such entities.

Section 72 further states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality’s budget reflecting the following particulars for the six month period from July – December:

- Actual revenue per revenue source
- Actual borrowings
- Actual expenditure per vote
- Actual capital expenditure per vote
- The amount of any allocations received
- Actual expenditure on allocations received

The compilation of Section 72 report is as follows:

- After the billing cycle the Income Department compile the income reports debtors’ age analysis and the top 20 outstanding debtors.

- After month end the Information Communication Technology Department runs all the month end reports.
- The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
- The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- The Costing Section provides the Budget Department with the employee related reports and the overtime per department
- The Section 72 report is then compiled with all the information received from other sections and extracted from the Solar System

*** See attached under Separate Cover (1) is the Mid-Year Budget and Performance Report- 1 July - 31 December 2019.

DISCUSSIONS

The finance reports for July - December 2019

FINANCIAL IMPLICATIONS

TABLE 1	Budget for Six months	Actual for Six months (2019/2020)
Revenue	1 079 735 193	617 222 317
Grants & Subsidies	341 974 000	434 535 000
Total Income	1 421 709 193	1 051 757 317
Total Expenditure	1 623 108 257	744 658 763
Salaries	409 394 847	383 586 924
Water	258 645 678	24 497 067
Electricity	255 676 000	22 110 748
Other/Stationery, Telephone	699 391 733	314 464 024
Sub-Total	(201 399 064)	307 098 554
Loan Redemptions		
Net Surplus/(Deficit) before Capital Payments	(201 399 064)	307 098 554

MIG Payments	40 731 442
INEG Payments	12 101 899
WSIG Payments	7 660 329

Capital Assets procured – Equitable Share	504 348
Fleet & Equipment	504 348
Office convention / Furniture	-

Net Surplus/(Deficit) after Capital Payments	246 100 536
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Table 1: The Municipality had a surplus of R246 100 536 for the period after Capital Payments, this means that the amount received is above the amount paid.

TABLE 2	Actual for Six months (2019/2020)
Total Billings	1 075 914 315
<u>Less: Indigent Billing</u>	28 816 793
Actual Billings	1 047 097 523
Actual Revenue Received	609 559 273
Consumer Revenue	564 395 696
Other	45 163 577
Grants & Subsidies	434 535 000

Pay rate – (July - December 2019) Billing	58%
Total income percentage – (July - December 2019)	59%

The pay rate on consumer services for January – December 2019 was 58% and the total income percentage for January – December 2019 was 59%. In order for the Municipality to be financially sustainable the pay rate will have to be increased to 80% on the consumer services.

LEGAL IMPLICATIONS

Both the financial and non-financial reports are submitted in terms of Section 72. (1), Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6 and Sections 16 and 26 of Chapters 4 and 5, respectively), as read with the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).

FINANCIAL IMPLICATIONS

The municipality has currently a pay rate of **58%** and a total income percentage of **59%** as at 31 December 2019 which is not in line with the budgeted percentage of **60%**.

RECOMMENDATIONS

1. That the financial and non-financial Reports for period of Six Months (July - December 2019) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That both the Financial and non-financial Reports for period of Six Months (July - December 2019) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be submitted to provincial and national treasury.

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THREE MONTHS FINANCE REPORT – OCTOBER - DECEMBER 2019 (CFO)
(6/1/2/2)

PURPOSE

To submit to the Mayoral Committee three Months Finance Report for October - December 2019 in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003.

BACKGROUND

Section 52(d) of the Municipal Finance Management Act no 56 of 2003 states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality's budget reflecting the following particulars for that quarter and for the financial year up to the end of that quarter:

- 1) Actual revenue per revenue source
- 2) Actual borrowings
- 3) Actual expenditure per vote
- 4) Actual capital expenditure per vote
- 5) The amount of any allocations received
- 6) Actual expenditure on allocations received

The compilation of the Section 52 report is as follows:

1. After the billing cycle the Income Department compile the income reports which consist of the following and submit to the Budget Department:
 - Billing and Income per month
 - Top Outstanding debtors for the month
 - Income per ward
 - Debtors age analysis per service
2. After month end the Information Communication Technology Department runs all the month end reports.
3. The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
4. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
5. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
6. The Section 52(d) report is then compiled with all the information received from other sections and extracted from the Solar System.

DISCUSSIONS

*** attached under Separate Cover 2 is the finance reports for October - December 2019.

FINANCIAL IMPLICATIONS

TABLE 1	Budget for three months	Actual for three months (2019/2020)
Actual Revenue Received	539 867 596	305 276 219
All Grants Received	170 987 000	195 875 000
Total Income	710 854 596	501 151 219
Actual Expenditure	811 554 128	440 001 265
Salaries	204 697 424	190 878 324
Water	129 322 839	19 279 676
Electricity	127 838 000	7 463 252
Other Expenditure	349 695 866	222 380 012
Net Surplus/(Deficit) before Capital payments	(100 699 532)	61 149 954

MIG Payments	22 056 025
INEG Payments	12 101 899
WSIG Payments	3 508 045

Capital Assets procured - Equitable Share	504 348
Fleet & Equipment	504 348
Office convention/ Furniture	-

Net Surplus/(Deficit) after Capital payments	22 979 637
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Table 1: The municipality had a surplus of R22 979 637 for the quarter after capital payments, this indicates that the actual amount received is above the amount paid for the quarter. The Municipality incurred less expenditure than amount received for three months period ending December 2019.

TABLE 2	Actual for three months (2019/2020)
Total Billings	526 812 284
Less: Indigent Billings	19 659 618
Actual Billings	507 152 666
Actual Revenue Received	301 322 611
Consumer Revenue	271 415 852
Other	29 906 759
Grants & Subsidies	195 875 000

Pay rate for Second quarter (Total Billings)	59%
Total income percentage - Second quarter	60%
Total income percentage – YTD	59%

The pay rate for the quarter was 59%

The total income percentage for the quarter was 60%.

In order for the municipality to be financially sustainable the pay rate will have to be increased to 80% monthly on the consumer services.

LEGAL IMPLICATIONS

The budget report is submitted in compliance with Section 52(d) of the MFMA no 56 of 2003. Section 52(d) stipulates that the mayor of the Municipality must, within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial state of the Municipality.

RECOMMENDATION

1. That the Finance Report for the Quarter (October - December 2019) in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for the Quarter (October - December 2019) in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

MONTHLY FINANCE REPORT – DECEMBER 2019 (CFO) (6/4/1)

PURPOSE

To submit to the Executive Management Committee the Monthly Finance Report for December 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003.

BACKGROUND

Section 71 of the Municipal Finance Management Act no 56 of 2003 states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- 1) Actual revenue per revenue source
- 2) Actual borrowings
- 3) Actual expenditure per vote
- 4) Actual capital expenditure per vote
- 5) The amount of any allocations received
- 6) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

1. After the billing cycle the Income Department compile the income reports which consist of the following and submit to the Budget Department:
 - Billing and Income per month
 - Top Outstanding debtors for the month
 - Income per ward
 - Debtors age analysis per service
2. After month end the ICT Department runs all the month end reports.
3. The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
4. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
5. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
6. The Section 71 report is then compiled with all the information received from other sections and extracted from the Solar System.

DISCUSSIONS

***** Attached under SEPARATE COVER 3 is the Financial Report for December 2019.**

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (December 2019)	For Year to date (2019/2020)
All Grants Received	155 112 000	434 535 000
Actual Revenue Received	97 836 434	617 222 315
Actual Expenditure	194 122 191	744 658 763
Salaries	64 176 667	383 586 924
Water	9 678 953	24 497 067
Electricity	5 248 388	22 110 748
Other Expenditure	115 018 183	314 464 024
Sub-Total	58 826 243	307 098 552
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	58 826 243	307 098 552
MIG Payments	2 691 559	40 731 442
INEG Payments	-866 690	12 101 899
WSIG Payments	1 729 246	7 660 329
Capital Assets procured - Equitable Share	-	504 348
Fleet & Equipment	-	504 348
Office convention/ Furniture	-	-
Net Surplus/(Deficit) after Capital payments	55 272 128	

Table 1: The Municipality had a surplus of R55 272 128 for the month of December after capital payments this means that the amount received is above the amounts paid. This surplus is due to grants received for the reporting period.

TABLE 2	Actual For the Month (December 2019)	For Year to date (2019/2020)
Total Billings	173 229 316	1 075 914 316
Less: Indigent Billings	6 520 046	28 816 792
Actual Billings	166 709 270	1 047 097 524
Actual Revenue Received	96 835 259	609 559 274
Consumer Revenue	73 280 307	564 395 696
Other	23 554 951	45 163 577
Grants & Subsidies	155 112 000	434 535 000
Pay rate for December 2019 (Total Billings)	58%	
Total income percentage - December 2019	59%	
Total income percentage – YTD	59%	

The pay rate for December 2019 was 58%

The total income percentage December 2019 was 59%.

In order for the municipality to be financially sustainable the pay rate will have to be increased to 80% monthly on the consumer services.

LEGAL IMPLICATIONS

The Finance Report is submitted in compliance with Section 71 of the MFMA no 56 of 2003.

RECOMMENDATION

1. That the Finance Report for December 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE NOTED.
2. That the Finance Report for December 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.