

FS/12/2019

THREE MONTHS FINANCE REPORT – APRIL - JUNE 2019 (CFO) (6/1/2/2)

PURPOSE

To submit to the Section 80 Finance Committee three Months Finance Report for April - June 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

*** The finance reports for April - June 2019 are **attached under Separate Cover (1)**.

FINANCIAL IMPLICATIONS

TABLE 1	Budget for three months	Actual for three months (2018/2019)
Actual Revenue Received	507 261 538	284 954 914
All Grants Received	156 164 500	-
Total Income	663 426 038	284 954 914
Actual Expenditure	603 859 074	468 530 515
Salaries	190 866 021	188 784 119
Water	119 743 369	-2 448 004
Electricity	110 063 332	-20 320 070
Other Expenditure	183 186 352	302 514 470
Net Surplus/(Deficit) before Capital payments	59 566 964	(183 575 601)

MIG Payments	43 709 530
INEG Payments	8 176 704
WSIG Payments	6 534 296

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

Net Surplus/(Deficit) after Capital payments	-241 996 131
---	---------------------

Table 1: The municipality had a deficit of R 241 996 131 for the quarter after capital payments, this indicates that the expenditure incurred is less than the revenue received for quarter. This deficit is due to grants received for the reporting period

TABLE 2	Actual for three months (2018/2019)
Total Billings	464 405 763
Less: Indigent Billings	9 717 541
Actual Billings	454 688 222
Actual Revenue Received	281 549 576
Consumer Revenue	218 805 248
Other	62 744 328
Grants & Subsidies	-

Pay rate - Fourth quarter (Total Billings)	62%
Total income percentage - Fourth quarter	63%
Total income percentage – YTD	59%

The pay rate for the fourth quarter was 62%

The total income percentage for the fourth quarter was 63%.

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.

RECOMMENDATIONS

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

FS13/2019

MONTHLY FINANCE REPORT – JUNE 2019 (CFO) (6/1/2/2)

PURPOSE

To submit to the Section 80 Finance Committee the Monthly Finance Report for June 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:

- 7) Actual revenue per revenue source
- 8) Actual borrowings
- 9) Actual expenditure per vote
- 10) Actual capital expenditure per vote
- 11) The amount of any allocations received
- 12) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

- 7. 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
- 8. After month end the ICT Department runs all the month end reports.
- 9. 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.
- 10. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- 11. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
- 12. The Section 71 report is then compiled with all the information received from other sections and extracted from the Solar System.

***** See the monthly finance report - June 2019 (CFO) on the Separate cover (2)**

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (June 2019)	For Year to date (2018/2019)
All Grants Received	-	601 353 000
Actual Revenue Received	82 947 554	1 094 961 151
Actual Expenditure	207 763 542	1 606 780 736
Salaries	67 004 254	720 151 001
Water	-12 238 298	27 588 166
Electricity	-36 446 794	163 021 953
Other Expenditure	189 444 380	696 019 616
Sub-Total	-124 815 988	89 533 415
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	-124 815 988	89 533 415
MIG Payments	15 915 448	116 581 000
INEG Payments	7 098 100	9 560 298
WSIG Payments	3 122 915	25 241 488
Capital Assets procured - Equitable Share	-	-
Fleet & Equipment	-	-
Office convention/ Furniture	-	-
Net Surplus/(Deficit) after Capital payments	-150 952 451	

Table 1: The municipality had a deficit of R150 952 451 for the month of June after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month.

TABLE 2	Actual For the Month (June 2019)	For Year to date (2018/2019)
Total Billings	163 597 738	1 877 746 892
Less: Indigent Billings	3 253 942	31 278 822
Actual Billings	160 343 796	1 846 468 070
Actual Revenue Received	81 957 513	1 080 283 267
Consumer Revenue	68 053 994	908 940 916
Other	13 903 519	171 342 351
Grants & Subsidies	-	601 353 000

Pay rate for June 2019 (Total Billings)	51%
Total income percentage - June 2019	52%

Total income percentage – YTD	59%
--------------------------------------	------------

The pay rate for June 2019 was 51%

The total income percentage June 2019 was 52%.

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

FS/14/2019

MATJHABENG LOCAL MUNICIPALITY DRAFT COST CONTAINMENT POLICY (CFO) (6/1/2/2)

PURPOSE

To submit the:

1. Local Government: Municipal Cost Containment Regulations, 2019
2. National Treasury MFMA Circular 97
3. Matjhabeng Local Municipality Cost Containment Policy (Draft)

BACKGROUND

The President announced the cost-containment measures in the State of the Nation address, and it was re-emphasised by the Minister of Finance during the Budget Speech. It must further be noted that MFMA Circular 58, 66, 70, 72, 74 and 75 on cost containment measures are still applicable with regard to curbing of non-priority spending. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved as per the financial recovery plan.

The municipality has already embarked on the process of the implementation of cost containment measures. On 24 April 2015, Council resolved that a Financial Recovery Plan should be developed, and that Cost Containment Measures should form part of the plan. On 20 May 2015 the Financial Recovery Plan containing the cost containment measures was tabled in Council and reviewed during the 2017/18 financial year. The cost containment measures involved the following cutting of cost and or elimination of cost on the following items:

1. Catering for all meetings
2. Office groceries
3. Training of officials
4. Transportation
5. Overtime
6. Advertising fees – limited to notices and adverts
7. Internet usage – be limited to government websites
8. Printing cost – centralization of printing and limit colour printing
9. Matjhabeng News
10. No new appointments
11. Procurement of furniture
12. Telephone usage (both landlines and cell phones)

The National Treasury first published the draft Municipal Cost Containment Regulations (MCCR) for public comment on 16 February 2018, with the closing date being 31 March 2018. Comments were received, from the Department of Cooperative Governance and Traditional Affairs, SALGA, municipalities and other stakeholders. After extensive consultation and consideration of all comments received, the MCCR were finalised and promulgated on 7 June 2019 in the Government Gazette, with the effective date being 1 July 2019.

DISCUSSIONS

The MCCR were promulgated on 7 June 2019 and came into effect on 1 July 2019. Regulation 4(1) of the MCCR requires municipalities to either develop or review their cost containment policies. The MCCR require municipalities to adopt the cost containment policies as part of their budget related policies. Cognisance has been taken to the fact that the 2019/20 financial year budget process has been completed and therefore new or revised cost containment policies must be adopted by 30 September 2019, as part of its updated budget related policies.

MFMA circular 97 states that the MCCR do not apply retrospectively, therefore will not impact on contract concluded before 1 July 2019. If municipalities decide to extend current contracts, such must be aligned with the principles outlined in the MCCR and SCM regulations. National Treasury developed MFMA Circular 97 to confirm and clarify the process followed to promulgate the MCCR, to provide more information to municipalities and to assist with the implementation. It must be noted that MFMA circular 97 replaces MFMA circular 82.

Accounting Officers are requested to share the MCCR and its own policy with all officials and councillors. The progress and completion of this process, including tabling of the cost containment policy are to be finalised by 30 September 2019.

The Matjhabeng Local Municipality is developed in line with the MCCR and guided by MFMA circular 97.

See attached supporting documentation under Separate Cover (3).

Local Government: Municipal Cost Containment Regulations, 2019

National Treasury MFMA Circular 97

Matjhabeng Local Municipality Cost Containment Policy (Draft)

POLICY POSITION

Municipal Finance Management Act, 2003

Local Government: Municipal Cost Containment Regulations, 2019

RECOMMENDATION

1. That the Matjhabeng Local Municipality Cost Containment Policy be recommended for adoption by the Council.