

MATJHABENG MUNICIPALITY

MINUTES

of

SECTION 80: FINANCE COMMITTEE MEETING

held on

TUESDAY , 20 FEBRUARY 2018

at

10:00

ROOM 104, 1st FLOOR , MAINBUILDING

WELKOM

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MINUTES OF SECTION 80 FINANCE COMMITTEE MEETING HELD ON TUESDAY, 20 FEBRUARY 2018 AT 10:00 IN ROOM 104, 1st FLOOR, MAIN BUILDING CIVIC CENTRE, WELKOM

PRESENT

COUNCILLORS

Cllr S Manese	:Chairperson
Cllr H Mokhomo	: Member
Cllr M Ntsebeng	: Member
Cllr A. Styger	: Member
Cllr M. Moipatle	: Member
Cllr Badernhorst	: Member
Cllr Macingoane	:Member

OFFICIALS PRESENT

Mr T Panyani	: CFO
Me L. Williams	: Manager Budget
Mr N. Mokhonoane	: Manager: Credit Control
Mr S Sejake	: Manager Revenue
Mr T Goralotsi	: Acting Supply Chain Manager
Mr Segalo M	: Manager Market
LB De Bruin	: Senior Manager Budget
Me Musapelo	: Council Admin

1. OPENING

The meeting was officially opened by the Chairperson Councilor S Manese who welcomed everyone.

2. APPLICATION FOR LEAVE OF ABSENCE

Cllr M Moipatle
Cllr X Masina

3. OFFICIAL ANNOUNCEMENTS

None

II

4. MOTIONS OF SYMPATHY AND CONGRATULATIONS

CONGRATULATIONS

Chairperson have notified the members about the passing of Cllr Malerato Tsupa.

5. DISCLOSURE OF INTEREST

None

6. MINUTES OF THE PREVIOUS MEETING: 18 JULY 2018

Finance Section 80 Committee adopted the previous minutes as a true reflection of the meeting that was held on the 18 July 2017.

7. MATTERS ARISING FROM THE MINUTES

The outstanding report of Reahola, The Reahola matter was discussed as the entire Property to be transferred to Council.

IT WAS RESOLVED ON THE 20 FEBRUARY 2018

1. That in the next meeting the relevant department should provide the status quo with regards to the Reahola matter.

8. MATTERS FOR DISCUSSION

FS1/2018 – FS4/2018

9. CLOSURE

The Chairperson thanked everybody present for their inputs and ended the meeting at **12:30**. He alluded the committee will improve the time frame for the meetings.

.....
CHAIRPERSON

.....
DATE

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FS1 OF 2018

MONTHLY FINANCE REPORT – JANUARY 2018 (CFO) (6/12/2/1)

PURPOSE

To submit to the finance section 80 Committee the Monthly Finance Report for January 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003.

The CFO Mr Panyani Presented the Item to Committee Members.

MONTHLY REPORT JANUARY 2018

Subsequent expenditures were reported and presented by the Chief Financial Officer.

- The Grants received
- Actual revenue received
- Actual expenditure
- The salaries
- Water and Electricity
- Other expenditures were presented in the Committee
- MIG Payments that was done for the month of January
- INEG Payments that was done and the EEDG presented
- WSIG payments
- Equitable shares of fleet and equipment
- Indigent billings
- Actual billings
- Consumer revenue and others

8. DUSCUSSIONS

The pay rate for January 2018 was reported 56% and the Municipality should be financially sustainable the pay rate should be increased to 80% monthly on the consumer service.

The committee took note of the main challenge of the flat rate as the January month was very hard month in terms of collection.

It was discussed that the challenge of collecting be embarked on the revenue enhancement

Cllr Macingoane was concerned about the way the indigent process flows more especially in Virginia.

He identified the school owed municipality more than a million in Virginia and something must be done in that regard.

The committee took note that most public members complained about the billing system that seemed to be abnormal pertaining to the incorrect billing.

The meter leakages was also a problem that discouraged the public to pay their services thus have the consumption that they were billed from the running water due to leakages.

The CLLRS have congratulated the finance department for the 56% intervention they have done in terms of collection.

On the issue of Eskom CFO:Mr T Panyani alluded that they have managed to pay Sedibeng water 15 million however the amount should be paid to Sedibeng was estimated to 74%.

IT WAS RESOLVED ON THE 20 FEBRUARY 2018

1. That the committee **MUST ENGAGE** with the Councilors to encourage the community to pay their services to enhance the revenue.
2. That there should be **PROGRESS** in terms of installing new meters.
3. That the department of Finance **WILL MEET** to deal with the working progress document in terms of the resolutions implementation.

FS2 OF 2018

FINANCIAL RECOVERY PLAN-2018(6/1/1/1)

PURPOSE

To submit to the Finance Section 80 the Financial Recovery Plan (FRP)

THE CFO PRESENTED THE ITEM TO THE COMMITTEE

The committee took note that the annual financial statements of the municipality for the 2016/17 financial year was prepared on the basis of a going concern with an accumulated surplus of R2 163 694 575 and assets exceeding liabilities with R2 163 694 575.

However the ability to continue as a going concern is dependent on a number of factors.

The Municipality reported a deficit of R870 730 391 at 30 June 2017 and the closing balance for cash and cash equivalents was (R4 875 486) for the same period.

From the above it is evident that the municipality is not financially viable and without sufficient cash flow it will not survive.

The municipality is currently experiencing cash flow challenges resulting in insufficient cash to support its current service delivery obligations.

BELOW THE FACTORS CONTRIBUTING TO THE NEGATIVE CASH FLOW POSITION WERE PRESENTED

- ✓ Lack of a fully cash backed budget
- ✓ Escalation of outstanding debtors across all customer group
- ✓ Actions and spending that give rise to unplanned cash outflows
- ✓ Limitation in revenue generation
- ✓ Inadequate cash flow management

It was reported that in terms of the lack of cash backed budget, the budget pay rate for the 2017/2018 was projected at 85%, the total income pay rate as at 31 December was 61% which was 24% below the set target.

4

DISCUSSION

Above all that the committee have noted, subsequent the challenges municipality facing.

The Municipality collects below 85% due to collection rate.

In terms of the water and electricity accounts referred from presentation, the creditors were not paid within 30 days.

Root causes of the cash flow situation were identified

The revenue collection on the other revenue is not being prioritized.

The pay rate of customers for services on the billing was 61%.

The committee have further noted that 27 out of the 36 wards have a payment rate of below 50% and that was a serious problem discovered and

Not all the indigents were registered, abuse of indigent scheme.

Unaccounted for water and electricity consumption.

Incorrect billing.

Non market related general tariffs.

The CFO made the committee aware that Eskom informed Municipality that they will be commencing with the PAJA process

The committee have noted that the conditions form of Eskom was 15% upfront payment and 20% annual towards areas.

The meeting have further discussed the strategy and methods to make a profit in the market department.

There was a serious concern of the huge overtimes reflected from report especially in political offices.

Cllr Badenhorst and Cllr Styger raised the issue of farmers who were not paying their services due to the confusion of calculations from their accounts, thus they are willing to make settlements with Municipality.

IT WAS RESOLVED THAT ON THE 20 FEBRUARY 2018

1. That technology for meter systems **BE IMPROVED** /progress in terms of meters installing.
2. That accurate billing system be **EFFECTIVE**
3. That Municipality must find a way to **REWARD** the paying customers and to deal with the non-payers accordingly.
4. That finance must **CAPACITATE** indigent scheme in terms of collection for financial recovery plan
5. That Cllrs be reminded to **INTENSIFY** the indigent registers per ward.
6. That the committee **SHOULD** intensify the recommendation from fresh Potato proposal in terms of investment to the Market department.
7. That Finance department will **ESTABLISH** working progress document to review and to implement the resolutions taken in the meeting.
8. That finance department to **HAVE** a long term strategy to **ENHANCE** the revenue
9. That legal department should **PROVIDE** the committee about the legal services breakdown.
10. That Pre approvals of overtime be **IMPLEMENTED**, the rules be set for each department not to exceed their departmental budget to avoid Unauthorized Expenditure.
11. That finance to **ENSURE** that farmers will pay in terms of Revenue Enhancement.

FS3 OF 2018

DRAFT MUNICIPAL ADJUSTMENT BUDGET-

PURPOSE

To submit to the Finance section 80 the draft Municipal adjustment budget for the 2017/2018 financial year in terms of section 28 of the Municipal Finance Management Act no 56 of 2003 and the Municipal budget and reporting regulations.

BACKGROUND

Council approved annual budget for the 2017/2018 financial of R2 480 389 358 as well the budget related policies of which the budget related policy formed part of on 1 July 2017 all municipalities were expected to comply with MSCOA regulations.

The proposed pay rate was based at 85%, which was informed by past collection trends and debt collection initiatives.

The pay rate from the consumer services for the first 6 months of the financial year was 58%.

The total income percentage for the first quarter was also at 61%.

The meeting took note that the Municipality is currently implementing stringent debt collection efforts and credit control measures to ensure that the pay rate of 85% is reached during the remainder of the financial year.

DISCUSSION

The committee have discussed the issue of adjustment budget and have seen the importance to approve the realistic budget due to the challenges faced by the Municipality.

It was discussed that the Municipality should rely on budget related policy document in terms of adjustment budget.

THE FINANCE SECTION 80 COMMITTEE RESOLVED (20 FEBRUARY 2018)

1. That the Annual Budget report be taken Further to Council to approve.

SF4 OF 2018

UNAUTHORISED EXPENDITURE 2016/2017

1. The Committee have noted elements that caused Unauthorized Expenditure in the Municipality
2. Cllr Styger advised finance to authorize the Unauthorized Expenditure and to deal with it in advance.

IT WAS RESOLVED ON THE 20 FEBRUARY 2018

1. That the item was send for **CONSIDERATION**.

9. CLOSURE. The meeting adjourned ad 12:30

