

**FS5 of 2018**

## **MONTHLY FINANCE REPORT – MARCH 2018 (CFO)**

### **PURPOSE**

To submit to the Executive Management Committee the Monthly Finance Report for March 2018 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

<b>TABLE 1</b>	<b>Actual For the Month (March 2018)</b>	<b>For Year to date (2017/2018)</b>
All Grants Received	<b>157 771 000</b>	<b>561 992 000</b>
Actual Revenue Received	<b>84 613 104</b>	<b>777 041 429</b>
Actual Expenditure	<b>202 237 397</b>	<b>1 289 435 291</b>
Salaries	55 403 919	510 921 785
Water	27 467 277	186 326 926
Electricity	72 836 572	153 462 946
Other Expenditure	46 529 629	438 723 634
<b>Sub-Total</b>	<b>40 146 707</b>	<b>49 598 138</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>40 146 707</b>	<b>49 598 138</b>
MIG Payments	<b>20 062 989</b>	<b>92 415 722</b>
INEG Payments	-	<b>882 659</b>
WSIG Payments	<b>3 607 295</b>	<b>5 805 936</b>
<b>Capital Assets procured - Equitable Share</b>	<b>191 813</b>	<b>2 878 080</b>
Fleet & Equipment	-	27 300
Office convention/ Furniture	191 813	2 850 780
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>16 284 610</b>	

The finance report for March 2018 is attached on **page 1 to page 9 of the Annexures.**

The finance report for monthly and quarterly **on separate cover 1 and 2**

## FINANCIAL IMPLICATIONS

Table 1: The municipality had a surplus of R16 284 610 for the month of March after capital payments. This surplus indicates that the expenditure incurred is less than the revenue received for month. This surplus is due to grants received for the reporting period.

<b>Pay rate for March 2018 (Total Billings)</b>	<b>57%</b>
<b>Total income percentage - March 2018</b>	<b>58%</b>
<b>Total income percentage – YTD</b>	<b>60%</b>

The pay rate for March 2018 was 57%

The total income percentage March 2018 was 58%.

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.

## RECOMMENDATIONS

1. That the Finance Report for March 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for March 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

<b>TABLE 2</b>	<b>Actual For the Month (March 2018)</b>	<b>For Year to date (2017/2018)</b>
Total Billings	149 976 542	1 325 066 919
Less: Indigent Billings	3 613 283	31 279 430
Actual Billings	<b>146 363 259</b>	<b>1 293 787 489</b>
Actual Revenue Received	<b>83 311 193</b>	<b>751 134 894</b>
Consumer Revenue	72 168 453	673 982 521
Other	11 142 740	77 152 3373
Grants & Subsidies	<b>157 771 000</b>	<b>561 992 000</b>

## **FS6 of 2018 (CFO) 6/1/1/1 (2018/2019)**

### **THE 2018-2019 ANNUAL BUDGET FOR THE MATJHABENG MUNICIPALITY**

#### **PURPOSE**

To table the Annual Budget for the 2018/2019 medium term revenue and expenditure framework (MTREF) financial year.

#### **BACKGROUND**

According to section 16 (2) of the MFMA the Municipal Council must at least 90 days before the start of the budget year consider approval of the annual budget to be able to adhere to subsection 1 of section 16, which stipulates “The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

#### **DISCUSSIONS**

The consolidated Revenue Budget for the 2018/19 financial year is R 2 654 109 150, inclusive of operating and capital transfers and R 2 490 864 150 excluding capital transfers and contributions. The Expenditure Budget for the 2018/19 MTREF is R 2 413 458 369.

#### **A - Revenue**

- a) Increase of 5.3% in water tariffs for the 2018/2019 financial year. The proposed increase by Sedibeng is 9%.
- b) There will be an overall average increase of 7.32% in electricity tariffs for the 2018/2019 financial year as per NERSA guidelines
- c) Assessment rates will increase with 5.3%.
- d) There will be a 5.3% increase in Refuse and Sewerage Rates.
- e) General tariffs will increase with 5.3%

Budget Assumptions:- □ CPIX  
of approximately 5.3%

- Increase in Sedibeng Water tariffs by 9%
- Eskom Tariff increase of 6.84% and 7.32% for municipalities
- Salary increases of approximately 8%
- National Treasury (MFMA Circular No. 91)

- e) The average pay rate of **60%** has been informed by the following factors:-
  - Historic collection trends.

f) The Equitable Share allocation for the 2018/19 financial year will be **R 459 418 000**.

With this back ground in mind, we are therefore of the view that the budgeted revenue figure is realistic. However, the major challenge facing the municipality is the huge backlog in service delivery.

### **Capital Budget**

The Capital Budget for the 2018/19 financial year is R 163 245 000. The sources of funds for the capital budget are as follow:

Municipal Infrastructure Grant	R 128 420 000
Water Services Infrastructure Grant	R 26 825 000
Integrated National Electrification Programme	R 8 000 000

\*\*\*the report for annual budget is on separate cover 3 and 4

### **POLICY POSITION**

Municipal Finance Management Act  
Municipal Systems Act  
Municipal Budget Regulations

### **RECOMMENDATION**

It is recommended that the 2018/19 MTREF Budget be adopted.

## **FS7 of 2018**

**CFO 6/1/1(2016/2017)**

## **SPECIAL ADJUSTMENT FOR 2016/2017 FINANCIAL YEAR**

### **PURPOSE**

The purpose of the item is to request council to approve the special adjustment budget for 2016/2017 financial year

### **BACKGROUND**

During the 2016/2017 financial year, the Municipality incurred unauthorized expenditure as per special adjustment budget attached hereto. In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.”.

### **DISCUSSIONS**

The special adjustment budget was prepared but due to technical issues we missed the submission dates as prescribed by legislation. The process is completed and the only outstanding matter is the approval of the special adjustment budget. The council will run the risk of regressing in terms of the audit opinion as this will result in an audit qualification. The implication of the late approval will result however in a compliance matter which will not have a material impact on the audit outcome for 17/18 financial year.

### **LEGAL IMPLICATIONS**

Section 15 of the MFMA provides that a municipality may incur expenditure only in terms of an approved budget. This is confirmed by section 32(2)(a)(i) of the MFMA that provides that council may only authorise unauthorised expenditure in an adjustments budget.

Sections 28(c) and 28(g) of the MFMA, read together with regulations 23(1), 23(2), 23(4) and 23(6) of the MBRR, discusses *when* council may authorise unauthorised expenditure in an adjustments budget. This can be addressed in three different adjustments budgets as follows:

- (a) ***Adjustments budget for unforeseen and unavoidable expenditure***: An adjustments budget to allow council to provide *ex post* authorisation for unforeseen and unavoidable expenditure that was authorised by the mayor in terms of section 29 of the MFMA must be tabled in council at the “first available opportunity” or within the 60 days after the expenditure was incurred (see section 29(3) of the MFMA). Should either of these timeframes be missed, the unforeseen and unavoidable expenditure must be treated in the same manner as any other type of unauthorised expenditure and may still be authorised in one of the other adjustments budgets process described below.

- (b) **Main adjustments budget:** In terms of regulation 23(6)(a) of the MBRR, council may authorise unauthorised expenditure in the adjustments budget which may be tabled in council “at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year”. Therefore, unauthorised expenditure that occurred in the first half of the current financial year may be authorised by council in this adjustments budget. Where unauthorised expenditure from this period is not identified or investigated in time to include in this adjustments budget, it must be held over to the following adjustments budget process noted below.

© **Special adjustments budget to authorise unauthorised expenditure:** In terms of regulation 23(6)(b) of the MBRR, council may authorise unauthorised expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. This special adjustment budget “may only deal with unauthorised expenditure from the previous financial year which the council is being requested to authorise in terms of section 32(2)(a)(i) of the Act.” This special adjustment budget therefore deals with:

- ☐ unauthorised expenditure that occurred in the first half of the previous financial year that was not included in the main adjustments budget or that was included but referred back for further investigation or further information;
- ☐ unauthorised expenditure that occurred in the second half of the previous financial year, and
- ☐ any unauthorised expenditure identified by the Auditor-General during the annual audit process.

All instances of unauthorised expenditure must be recovered from the liable official or political officebearer, unless the unauthorised expenditure has been authorised by council in an adjustments budget.

## FINANCIAL IMPLICATIONS

Unauthorised expenditure as per special adjustment budget attached hereto, amounts to R965 932 246,00

EXPENDITURE TYPE	ADJUSTED BUDGET 2016/17	POST AUDIT ACTUALS	VARIANCE	SPECIAL ADJUSTMENT BUDGET
Employee related costs	620 098 550,73	654 633 722,00	(34 535 171,00)	654 633 722,00
Remuneration of councillors	28 551 594,00	28 790 999,00	(239 405,00)	28 790 990,00
Debt impairment	70 000 000,00	350 487 460,00	(280 487 460,00)	350 487 460,00
Depreciation & asset impairment	87 000 000,00	210 591 424,00	(123 591 424,00)	210 591 424,00
Finance charges	105 980 000,00	225 560 704,00	(119 580 704,00)	225 560 704,00
Bulk purchases	676 436 219,79	893 422 073,00	(216 985 853,21)	893 422 073,00
Other materials	230 690 767,00	71 864 414,00	158 826 353,00	230 690 767,00
Contracted services	80 000 000,00	167 483 479,00	(87 483 479,00)	167 483 479,00
Transfers and grants	32 850 000,00	-	32 850 000,00	-
Other expenditure	105 127 252,00	208 156 182,00	(103 028 930,00)	208 156 182,00
Loss on disposal of PPE	-	-	-	-
	<b>2 036 734 383,52</b>	<b>2 810 990 457,00</b>	<b>(965 932 426,00)</b>	<b>2 897 952 396,00</b>

Non -cash items	(404 078 884,00)
Bulk purchases and Eskom	
Interest	(336 566 557,00)
Other expenditures	(225 286 985,27)
<b>Total Unauthorised</b>	
<b>expenditure</b>	<b>(965 932 246,00)</b>

\*\*\*\*the adjustment budget report and MPAC UIF on page 10 to 21 of the annexures

## RECOMMENDATIONS

1. Council approves the special adjustment budget to authorize the 2016/2017 unauthorized expenditure incurred.