

**FS 8 OF 2018**

**MONTHLY FINANCE REPORT – APRIL 2018 (CFO) (6/1/2/2)**

**PURPOSE**

To submit to the finance section 80 Committee the Monthly Finance Report for April 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

\*\*\*\*The finance report of April 2018 is attached on the annexures.

## FINANCIAL IMPLICATIONS

<b>TABLE 1</b>	<b>Actual For the Month (April 2018)</b>	<b>For Year to date (2017/2018)</b>
All Grants Received	-	<b>561 992 000</b>
Actual Revenue Received	<b>74 182 870</b>	<b>851 224 301</b>
Actual Expenditure	<b>87 732 193</b>	<b>1 377 167 484</b>
Salaries	57 373 814	568 295 599
Water	1 000 000	187 326 926
Electricity	3 497 618	156 960 564
Other Expenditure	25 860 761	464 584 395
<b>Sub-Total</b>	<b>-13 549 323</b>	<b>36 048 817</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>-13 549 323</b>	<b>36 048 817</b>
MIG Payments	<b>1 470 710</b>	<b>93 886 432</b>
INEG Payments	-	<b>882 659</b>
WSIG Payments	-	<b>5 805 936</b>
<b>Capital Assets procured - Equitable Share</b>	<b>-</b>	<b>2 878 080</b>
Fleet & Equipment	-	27 300
Office convention/ Furniture	-	2 850 780
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>-15 020 033</b>	

Table 1: The municipality had a deficit of R15 020 033 for the month of April after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month.

<b>TABLE 2</b>	<b>Actual For the Month (April 2018)</b>	<b>For Year to date (2017/2018)</b>
Total Billings	140 257 427	1 465 324 346
Less: Indigent Billings	3 777 782	35 057 212
Actual Billings	<b>136 479 645</b>	<b>1 430 267 134</b>
Actual Revenue Received	<b>73 088 361</b>	<b>824 223 257</b>
Consumer Revenue	66 986 371	740 968 894
Other	6 101 990	83 254 363
Grants & Subsidies	-	<b>561 992 000</b>

<b>Pay rate for April 2018 (Total Billings)</b>	<b>54%</b>
<b>Total income percentage - April 2018</b>	<b>54%</b>
<b>Total income percentage – YTD</b>	<b>60%</b>

The pay rate for April 2018 was 54%

The total income percentage April 2018 was 54%.

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 April 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE NOTED.
2. That the Finance Report for April 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.

## **FS 9 OF 2018**

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

#### **PURPOSE**

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

- 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.

## DISCUSSIONS

The finance report for May 2018 is attached on the annexures.

## FINANCIAL IMPLICATIONS

<b>TABLE 1</b>	<b>Actual For the Month (May 2018)</b>	<b>For Year to date (2017/2018)</b>
All Grants Received	-	561 992 000
Actual Revenue Received	107 773 758	958 998 059
Actual Expenditure	112 437 460	1 489 604 944
Salaries	46 405 071	614 700 670
Water	2 000 000	189 326 926
Electricity	40 654 142	197 614 706
Other Expenditure	23 378 247	487 962 642
<b>Sub-Total</b>	<b>-4 663 702</b>	<b>31 385 115</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>-4 663 702</b>	<b>31 385 115</b>
MIG Payments	9 101 981	102 988 413
INEG Payments	-	882 659
WSIG Payments	-	5 805 936
<b>Capital Assets procured - Equitable Share</b>	<b>96 892</b>	<b>2 974 972</b>
Fleet & Equipment	-	27 300
Office convention/ Furniture	96 892	2 947 672
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>- 13 862 575</b>	

Table 1: The municipality had a deficit of R13 862 575 for the month of May after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month.

<b>TABLE 2</b>	<b>Actual For the Month (May 2018)</b>	<b>For Year to date (2017/2018)</b>
Total Billings	146 874 102	1 612 198 448
Less: Indigent Billings	3 840 638	38 897 850
Actual Billings	143 033 464	1 573 300 598
Actual Revenue Received	106 617 846	930 841 103
Consumer Revenue	98 977 073	839 945 967
Other	7 640 773	90 895 136
Grants & Subsidies	-	561 992 000

<b>Pay rate for May 2018 (Total Billings)</b>	<b>75%</b>
<b>Total income percentage - May 2018</b>	<b>75%</b>
<b>Total income percentage – YTD</b>	<b>61%</b>

The pay rate for May 2018 was 75%

The total income percentage May 2018 was 75%.

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**

3. That the Finance Report for May 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE NOTED.
4. That the Finance Report for May 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.

## **MONTHLY FINANCE REPORT – JUNE 2018 (CFO) (6/1/2/2)**

### **PURPOSE**

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

- 13) Actual revenue per revenue source
- 14) Actual borrowings
- 15) Actual expenditure per vote
- 16) Actual capital expenditure per vote
- 17) The amount of any allocations received
- 18) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

- 13. 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
- 14. After month end the ICT Department runs all the month end reports.
- 15. 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.
- 16. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- 17. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
- 8
- 18. The Section 71 report is then compiled with all the information received from other sections and extracted from the Solar System.

## DISCUSSIONS

The finance report for June 2018 is attached on the annexures.

## FINANCIAL IMPLICATIONS

<b>TABLE 1</b>	<b>Actual For the Month (June 2018)</b>	<b>For Year to date (2017/2018)</b>
All Grants Received	-	<b>561 992 000</b>
Actual Revenue Received	<b>78 456 368</b>	<b>1 037 454 427</b>
Actual Expenditure	<b>375 856 977</b>	<b>1 865 461 921</b>
Salaries	71 523 596	686 224 266
Water	-	189 326 926
Electricity	13 089 171	210 703 877
Other Expenditure	291 244 210	779 206 852
<b>Sub-Total</b>	<b>-297 400 609</b>	<b>-266 015 494</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>-297 400 609</b>	<b>-266 015 494</b>
MIG Payments	<b>42 815 666</b>	<b>145 804 079</b>
INEG Payments	-	<b>882 659</b>
WSIG Payments	-	<b>5 805 936</b>
<b>Capital Assets procured - Equitable Share</b>	<b>67 951</b>	<b>3 042 923</b>
Fleet & Equipment	-	27 300
Office convention/ Furniture	67 951	3 015 623
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>- 340 284 226</b>	

Table 1: The municipality had a deficit of R340 284 226 for the month of June after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month. This deficit is due to bad debts written off for the month of **R262 470 191**. Operating Expenditure incurred for the month less bad debts written off amounts to **R113 386 786**

<b>TABLE 2</b>	<b>Actual For the Month (June 2018)</b>	<b>For Year to date (2017/2018)</b>
Total Billings	115 182 824	1 727 381 272
Less: Indigent Billings	3 837 824	42 735 674
Actual Billings	<b>111 345 000</b>	<b>1 684 645 598</b>
Actual Revenue Received	<b>77 273 256</b>	<b>1 000 473 586</b>
Consumer Revenue	70 140 604	910 086 571
Other	7 132 652	90 387 015
Grants & Subsidies	-	<b>561 992 000</b>

<b>Pay rate for June 2018 (Total Billings)</b>	<b>69%</b>
<b>Total income percentage - June 2018</b>	<b>70%</b>



<b>Total income percentage – YTD</b>	<b>62%</b>
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The pay rate for June 2018 was 69%

The total income percentage June 2018 was 70%.

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**

5. That the Finance Report for June 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE NOTED.
6. That the Finance Report for June 2018 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.

**FS/11/2018**

**APPROVAL OF THE BANKING FACILITIES AND OVERDRAFT OFFERED BY ABSA BANK LIMITED FOR THE 2018/19 FINANCIAL YEAR (CFO)6/3/1/2)**

**PURPOSE**

To request approval for the banking facilities and overdraft offered by ABSA Bank Limited for the 2018/19 financial year.

**BACKGROUND**

In terms of Section 7 of the Municipal Finance Management Act 56 of 2003, must every municipality open and maintain at least one bank account in the name of the municipality. All the money received by the municipality must be paid into its bank account or accounts, and this must be done promptly and in accordance with Chapter 3 of the aforementioned act and any requirements that may be prescribed. Section 8 of the Municipal Finance Management Act 56 of 2003 indicates all the moneys that must be paid into a municipality's primary bank account.

The volume of the banking transactions that the municipality performs daily is a great number which result in too excessive banking costs, the municipality should therefore manage and reduce the banking cost by implementing a banking facility that will assist and perform the aforementioned.

Every year the Council of the municipality is responsible for approving the banking facilities offered. ABSA Bank Limited has approved banking facilities in favour of the municipality.

Council resolved previously that:

1. The client opens/operates bank accounts with ABSA Bank Limited ("the bank") from time to time.
2. The client negotiates and accepts banking facilities and/or other banking services/products, including but not limited to electronic banking products and foreign exchange products, with the bank.
3. The municipality be entitled to:

Request the Bank to open new or close existing bank accounts;

Negotiate and settle the terms and conditions of the banking facilities/services/products on behalf of the client;

Sign all documentation relating to 3.1 and 3.2 including but not limited to application forms, agreements, facilities letters, security documents including but not limited to indemnities, surety ships, cessions, undertakings and mortgages;

Authorize individuals to give instructions to the bank, whether verbal, written, faxed or electronic, that may be necessary for the utilization of the banking facilities/services/products;

For purpose of electronic banking services, appoint system managers who will be responsible for registration of operations; registration of modules and authorizations per operator; linking accounts to operators; changing operator detail;

Authorize individuals to sign cheques, bills of exchange, promissory notes, other negotiable instruments, documentation relating to deposit and withdrawal of funds in any bank account;

4. The Mayor be authorized to supply the bank with the names and specimen signatures of the persons authorized pursuant to 3 above.

## **DISCUSSIONS**

None

## **POLICY POSITION**

Liability, Investment and Cash Management Policy.

## **LEGAL IMPLICATIONS**

Municipal Finance Management Act 56 of 2003 Section 7.

## **FINANCIAL IMPLICATOINS**

ABSA Bank Limited will assist Council in reducing and effectively managing Council's banking cost.

Overdraft facility of R 20 000 000

## **RECOMMENDATION**

It is recommended that the Council approves the banking facilities and overdraft facilities of **R20 000 000** for the 2018/19 financial year.