

FS/9/2019

**APPROVAL OF THE BANKING FACILITIES AND OVERDRAFT OFFERED BY ABSA BANK LIMITED FOR THE 2019/20 FINANCIAL YEAR (CFO)**

**PURPOSE**

To request approval for the banking facilities and overdraft offered by ABSA Bank Limited for the 2019/20 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 10 000 000

## **RECOMMENDATION**

It is recommended that the Council approves the banking facilities and overdraft facilities of **R10 000 000** for the 2019/20 financial year.

FS 10/2019

## **THE 2019-2020 MTREF BUDGET FOR THE MATJHABENG MUNICIPALITY (CFO)**

### **PURPOSE**

To adopt the Annual Budget for the 2019/2020 medium term revenue and expenditure framework (MTREF).

### **BACKGROUND**

The Matjhabeng Local Municipality Annual Budget for the 2019/20 MTREF is compiled in accordance with the prescripts of the Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations and National Treasury's MFMA Circulars.

Section 16 (2) of the Municipal Finance Management Act states that 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. Section 24(1) of the same act further stipulates that a municipal council must at least 30 days before the start of the new financial year, consider approval of the annual budget.

### **DISCUSSIONS**

The Matjhabeng Municipality's Annual Budget includes an Operational Budget that provides for the annual expenditure and revenue estimates for 2019/20 MTREF, as well as a Capital Budget that provides for the on-going investment in infrastructure necessary to provide services to the community.

The consolidated Revenue Budget for the 2019/20 financial year is R 2 843 418 385, inclusive of operating and capital transfers and R 2 672 803 385 excluding capital transfers and contributions. The Expenditure Budget for the 2019/20 MTREF is R 3 246 216 513. The Annual Budget for 2019/2020 MTREF financial year is attached under **(SEPARATE COVER 1 and 4)**

The Annual Budget for the 2019/20 MTREF is based on the following assumptions:

Budget Assumptions: -

- CPIX of approximately 6% (*Source: Reserve Bank and National Treasury*)
- Increase in Sedibeng Water tariffs by 8%
- Eskom Tariff increase of 15.63%. (*Consultation Paper – Municipal Tariff Guideline, Benchmark and Proposed Timelines for FY 2019/20*).
- Salary increases of approximately 7.1%

- National Treasury MFMA Budget Circular No. 93 and 94 (*Guideline from National Treasury*)

The average pay rate of **60%** has been informed by the following factors: -

- Historic collection trends.
- 

## **Proposed Tariff increases for 2019/20 MTREF**

- The water tariff is increasing with 6% because of the unit price of water and the present difficult economic situation. The bulk service provider, Sedibeng Water is increasing its tariffs with 8% for the 2019/20 financial year.
- The overall electricity tariff is increasing with 13.07% and Eskom, the bulk electricity supplier is increasing with 15.63%.
- The refuse tariff is increasing with 6%, this increase will assist with the repair and maintenance of the municipality's infrastructure.
- The sewerage tariff is increasing with 6%.
- Tariff for other revenue to increase with 6%

The Tariff list for 2019/2020 MTREF financial year is attached under **SEPARATE COVER 2**

## **A - Revenue**

### **Property Rates**

Property Rates increases to R311 695 687 in the 2019/20 financial year and represents 11% of the revenue budget. The property rates tariffs will increase with 6% in the 2019/20 financial year, this increase is guided by MFMA Circular 93 and is in line with the CPIX. The collection rate on property rates is set at 70%.

### **Service charges**

The service charges for the 2019/20 budget is R1 364 070 544, 48% of the revenue is from service charges. Service charges consist of revenue derived from electricity, water, sanitation and refuse. Electricity revenue increases with an overall average of 13.07% which is in line with the Nersa Consultation Paper. The budgeted amount for electricity is R761 499 379. Water revenue increases to R 359 182 759 in the 2019/20 financial year, this increase results in an average increase of 6%. Sanitation and Refuse service charges increase with 6%, this increase is in line with the CPIX as prescribed in MFMA Circular 94. The budgeted amount for Sanitation services is R 153 036 786 and R 90 351 622 for Refuse.

### **Operational Transfers and Grant receipts**

Transfers recognized as operational receipts is the second largest revenue source totaling which is 18% of the revenue and amount to R513 333 000 for the 2019/20 financial year as per the draft

Division of Revenue (DoRA) Bill 2019. The Equitable share allocation is a grant which supplement the municipality's own revenue for the provision of the necessary basic level of services to each poor household within their jurisdiction.

### **Other Revenue Sources**

Other revenue sources consist of rental of facilities and equipment, interest earned, fines, gains on disposal of assets and other revenue.

- Gains on disposal of PPE  
The municipality intends to dispose of assets during the 2019/20 financial year and has already started with the process. The projected revenue from the disposal of assets is R53 000 000. This projected revenue will be utilized as a source of funding for capital projects.
- Other Revenue  
The budgeted amount for other revenue is R238 192 789.

## **B – Expenditure**

### **Employee Related Cost & Councillor Remuneration**

The salary figure is 24%, R785 036 022 of the total expenditure. However not all vacancies have been filled. This has an adverse impact on service delivery. Councillor Remuneration represents 1%, R33 753 672 of the total expenditure budget. Provision is made for a 7, 1% increase in salaries as informed by the Collective Agreement.

### **Bulk Service**

Supply of bulk services making up 32%, R1 028 643 354 of total expenditure budget. The total budget for electricity and water is R511 351 999 and R517 291 355. Eskom is increasing its electricity with 15.63% and Sedibeng is increasing with 8%.

### **Other Materials**

Other Materials which relates to inventory used for repaired and maintenance is R132 679 093, this is 4% of the total expenditure budget.

### **Contracted Services**

Contracted services consist out of outsourced services, consultants and professions; and contractors. The line item for contractors represents the repair and maintenance. The total budget for contracted services is R 215 869 319 which is 7% of total expenditure budget.

### **Other Expenditure**

Other General Expenditure relate to operational costs and are therefore inevitable. This makes up 4%, R 139 215 860 of total expenditure.

### **Depreciation and Debt Impairment**

The total amount budgeted for debt impairment and depreciation amounts to R768 193 421 which is 24% of the total expenditure budget. These items represent non-cash items however they have formed the biggest portion of the unauthorized expenditure in prior financial year. To ensure a decrease in the unauthorized expenditure it is imperative that we have a realistic budget for the non-cash items.

The Municipality therefore has a great challenge of providing basic services to its population with limited resources.

### **Capital Budget**

The Capital Budget for the 2019/20 financial year is R 170 615 000 and is entirely funded by grants. The sources of funds for the capital budget are as follow:

Municipal Infrastructure Grant	R 119 070 000
Water Services Infrastructure Grant	R 36 000 000
Integrated National Electrification Programme	R 15 545 000

The importance of tabling funded budgets is highlighted in previous circulars however there are cases that may warrant a plan a this is not achievable over one year. As a result, the municipality must, together with their 2019/20 MTREF budget, table a plan in council to show they will move from an unfunded position to a funded position.

### **Budget Funding Plan**

The importance of tabling funded budgets is highlighted in previous circulars however there are cases that may warrant a plan a this is not achievable over one year. As a result, the municipality must, together with their 2019/20 MTREF budget, table a plan in council to show they will move from an unfunded position to a funded position.

Implementation of the Revenue Enhancement Strategy by increasing the revenue base of the municipality.

Revenue Enhancement Committee (REC)

Installation of new meters in unmetered areas and replacement of faulty meters.

Implementation and installation of Automated meter reading (AMR) meters.

Review of municipal by-laws

Review of budget related policies

Implementation of the Supplementary Valuation Roll

Bulk Service management

Expenditure Management

By implementing the above initiatives the budget will be moving to a funded position in 2020/21.

**\*\*\*\* POLICIES ATTACHED ON SEPARATE COVER 3**

**Budget Related Policies**

Supply Chain Management Policy  
Municipal Property Rates Policy  
Credit Control Policy  
Indigent Policy  
Petty Cash Policy  
Subsistence and Travelling Policy  
Tariff Policy  
Unallocated Deposits Policy  
Budget Policy  
Deposits Policy  
Liability, Investment and Cash Management policy  
Asset Management policy

### **POLICY POSITION**

Municipal Finance Management Act  
Municipal Systems Act  
Municipal Budget Regulations

### **RECOMMENDATION**

It is therefore recommended that the Annual Budget 2019/20 MTREF be adopted by Council.

**FS/11/2019**

**MONTHLY FINANCE REPORT – APRIL 2019 (CFO)**

**PURPOSE**

To submit to the Executive Management Committee the Monthly Finance Report for April 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

\*\*\*\*The finance report for April 2019 is attached on separate cover 5

## FINANCIAL IMPLICATIONS

<b>TABLE 1</b>	<b>Actual For the Month (April 2019)</b>	<b>For Year to date (2018/2019)</b>
<b>All Grants Received</b>	-	<b>601 353 000</b>
<b>Actual Revenue Received</b>	<b>103 017 929</b>	<b>913 024 166</b>
<b>Actual Expenditure</b>	<b>152 321 834</b>	<b>1 290 572 055</b>
Salaries	61 471 672	592 838 554
Water	5 442 468	35 478 638
Electricity	14 979 097	198 321 120
Other Expenditure	70 428 597	463 933 743
<b>Sub-Total</b>	<b>-49 303 905</b>	<b>223 805 111</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>-49 303 905</b>	<b>223 805 111</b>
MIG Payments	<b>10 530 338</b>	<b>83 401 808</b>
INEG Payments	<b>999 448</b>	<b>2 383 042</b>
WSIG Payments	-	<b>18 707 192</b>
<b>Capital Assets procured - Equitable Share</b>	-	-
Fleet & Equipment	-	-
Office convention/ Furniture	-	-
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>-60 833 691</b>	

Table 1: The municipality had a deficit of R60 833 691 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 2019)</b>	<b>For Year to date (2018/2019)</b>
Total Billings	137 135 716	1 550 476 845
Less: Indigent Billings	3 213 225	24 774 506
<b>Actual Billings</b>	<b>133 922 491</b>	<b>1 525 702 339</b>
<b>Actual Revenue Received</b>	<b>101 823 411</b>	<b>900 557 102</b>
Consumer Revenue	71 756 488	761 892 156

Other	30 066 923	138 664 946
<b>Grants &amp; Subsidies</b>	<b>-</b>	<b>601 353 000</b>

<b>Pay rate for April 2019 (Total Billings)</b>	<b>76%</b>
<b>Total income percentage - April 2019</b>	<b>77%</b>
<b>Total income percentage – YTD</b>	<b>60%</b>

The pay rate for April 2019 was 76%

The total income percentage April 2019 was 77%.

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

