

EM01/2018

MONTHLY FINANCE REPORT – DECEMBER 2017 (CFO) (6/12/2/10 (5/3/2/12)

PURPOSE

To submit to the Executive Management Committee the Monthly Finance Report for December 2017 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 December 2017 is attached as *INFORMATION 1* on.

FINANCIAL IMPLICATIONS

TABLE 1	Actual For the Month (December 2017)	For Year to date (2017/2018)
All Grants Received	162 746 000	404 221 000
Actual Revenue Received	82 779 656	527 773 130
Actual Expenditure	217 886 217	896 249 590
Salaries	55 926 284	338 544 090
Water	55 000 000	143 859 640
Electricity	38 652 415	76 588 100
Other Expenditure	68 307 518	337 257 740
Sub-Total	27 639 439	35 744 540
Loan Redemptions	-	-
Net Surplus/(Deficit) before Capital payments	27 639 439	35 744 540
MIG Payments	3 725 823	67 819 540
INEG Payments	-	882 650
WSIG Payments	-	2 198 640
Capital Assets procured - Equitable Share	263 731	2 598 120
Fleet & Equipment	-	27 300
Office convention/ Furniture	263 731	2 570 820
Net Surplus/(Deficit) after Capital payments	23 649 886	

Table 1 : The municipality had a surplus of R23 649 886 for the month of December after capital payments, This surplus indicates that the expenditure incurred is less than the revenue received for month. This surplus due to grants received for reporting period.

TABLE 2	Actual For the Month (December 2017)	For Year to date (2017/2018)
Total Billings	136 739 739	891 724 484
Less: Indigent Billings	3 383 641	20 770 194
Actual Billings	133 356 098	870 954 290
Actual Revenue Received	81 097 167	505 488 426
Consumer Revenue	71 374 350	456 031 337
Other	9 722 816	49 457 088
Grants & Subsidies	-	404 221 000

Pay rate for December 2017 (Total Billings)	61%
Total income percentage - December 2017	62%
Total income percentage – YTD	61%

The pay rate for December 2017 was 61%

The total income percentage December 2017 was 62%.

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 December 2017 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE NOTED.
2. That the Finance Report for December 2017 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.

EM02/2018

MID-YEAR BUDGET AND PERFORMANCE REPORT - 1 JULY 2017 - 31 DECEMBER 2017 (ED: SSS) (CFO) (6/1/21)

PURPOSE

To present to Council a report on the Mid- year Budget and Performance Report of the Municipality for the period 1 July 2017 to 31 December 2017 as required by Section 72 of the Municipal Finance Management Act No 56 of 2003 .

BACKGROUND

In accordance with Section 72 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), hereafter referred to as the “MFMA”, the Accounting Officer of a municipality must by 25 January of each year-

1. Assess the performance of a Municipality during the first half of the financial year, taking into account-
 - a) The monthly statements submitted for the first half of the financial year in accordance with Section 71 of the MFMA;
 - b) The Municipality’s service delivery targets and performance indicators set in the service delivery and budget implementation plan (SDBIP);
 - c) The past year’s annual report, and progress in resolving problems identified in the annual report; and
 - d) The performance of every Municipal entity under the sole or shared control of the Municipality, taking into account reports in terms of section 88 of the MFMA from any such entities.

Section 72 further 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 the six month period from July 2016 – December 2016:

- Actual revenue per revenue source
- Actual borrowings
- Actual expenditure per vote
- Actual capital expenditure per vote
- The amount of any allocations received
- Actual expenditure on allocations received

The compilation of Section 72 report is as follows:

- After the billing cycle the Income Department compile the income reports debtors' age analysis and the top 20 outstanding debtors.
- After month end the Information Communication Technology Department runs all the month end reports.
- 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.
- The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
- The Costing Section provides the Budget Department with the employee related reports and the overtime per department
- The Section 72 report is then compiled with all the information received from other sections and extracted from the Solar System

See attached under *INFORMATION 2* is the Mid-Year Budget and Performance Report- 1 July 2017 - 31 December 2017.

DISCUSSIONS

The finance reports for July - December 2017

FINANCIAL IMPLICATIONS

TABLE 1		Budget for Six months	Actual for Six months (2017/2018)
Revenue		958 698 680	527 773 133
Grants & Subsidies		281 496 000	404 221 000
Total Income		1 240 194 680	931 994 133
Total Expenditure		1 018 367 192	896 249 593
Salaries		353 455 647	338 544 095
Water		145 855 229	143 859 649
Electricity		192 362 881	76 588 109
Other/Stationery, Telephone		326 693 436	337 257 740
Sub-Total		221 827 488	35 744 540
Loan Redemptions		-	-
Net Surplus/(Deficit) before Capital Payments		221 827 488	35 744 540

MIG Payments		67 819 544
INEG Payments		882 659
WSIG Payments		2 198 641
Capital Assets procured – Equitable Share		2 598 120
Fleet & Equipment		27 300
Office convention / Furniture		2 570 820
Net Surplus/(Deficit) after Capital Payments		-37 754 424

Table 1: The Municipality had a deficit of R37 754 424 for the period after Capital Payments, this means that the amount received is below the amount paid.

TABLE 2		Actual for Six months (2017/2018)
Total Billings		891 724 483
Less: Indigent Billing		20 770 194
Actual Billings		870 954 290
Actual Revenue Received		505 488 426
Consumer Revenue		456 031 337
Other		49 457 089
Grants & Subsidies		404 221 000

Pay rate – (July - December 2017) Billing	58%
Total income percentage – (July - December 2017)	61%

The pay rate on consumer services for January – December 2017 was 58% and the total income percentage for January – December 2017 was 61%. In order for the Municipality to be financially sustainable the pay rate will have to be increased to 80% on the consumer services.

LEGAL IMPLICATIONS

Both the financial and non-financial reports are submitted in terms of Section 72. (1), Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (Chapter 6 and Sections 16 and 26 of Chapters 4 and 5, respectively), as read with the Local Government: Municipal Systems Amendment Act, 2003 (Act 44 of 2003).

FINANCIAL IMPLICATIONS

The municipality has currently a pay rate of **58%** and a total income percentage of **61%** as at 31 December 2017 which below budgeted percentage of **80%**.

RECOMMENDATIONS

1. That the financial and non-financial Reports for period of Six Months (July - December 2017) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That both the Financial and non-financial Reports for period of Six Months (July - December 2017) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, be submitted to provincial and national treasury.

EM03/2017

THREE MONTHS FINANCE REPORT – OCTOBER - DECEMBER 2017 (CFO)
(5/6/2/2)

PURPOSE

To submit to the Executive Management Committee three Months Finance Report for October – December 2017 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:

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

After month end the Information Communication Technology Department runs all the month end reports.

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.

The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.

The Costing Section provides the Budget Department with the employee related reports and the overtime per department. 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 October – December 2017 are attached as *INFORMATION 3*

FINANCIAL IMPLICATIONS

TABLE 1	Budget for three months	Actual for three months (2017/2018)
Actual Revenue Received	479 349 340	265 603 840
All Grants Received	140 748 000	2173 496 000
Total Income	620 097 340	439 099 840
Actual Expenditure	580 705 415	431 222 971
Salaries	176 727 823	169 372 564
Water	109 856 301	70 000 000
Electricity	103 016 971	40 778 776
Other Expenditure	191 104 320	151 071 631
Net Surplus/(Deficit) before Capital payments	39 391 925	7 876 870

MIG Payments	33 969 534
INEG Payments	-
WSIG Payments	-
Capital Assets procured - Equitable Share	1 717 992
Fleet & Equipment	27 300
Office convention/ Furniture	1 690 692
Net Surplus/(Deficit) after Capital payments	-27 810 656

Table 1: The municipality had a deficit of R27 810 656 for the quarter after capital payments, this indicates that the expenditure incurred is more than the revenue received for quarter.

TABLE 2	Actual for three months (2017/2018)
Total Billings	417 390 651
Less: Indigent Billings	9 807 472
Actual Billings	407 583 180
Actual Revenue Received	260 873 743
Consumer Revenue	238 355 746
Other	22 517 997

Grants & Subsidies	173 496 000
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Pay rate for second quarter (Total Billings)	64%
Total income percentage - second quarter	65%
Total income percentage – YTD	61%

The pay rate for the second quarter 2015 was 64%

The total income percentage for the second quarter was 65%.

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.

RECOMMENDATION

1. That the Finance Report for the Quarter (October - December 2017) 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 (October - December 2017) in terms of Section 52(d) of the Municipal Finance Management Act, number 56 of 2003, BE SUBMITTED TO PROVINCIAL AND NATIONAL TREASURY.

EM04/2018

DRAFT AUDITED ANNUAL REPORT 2016/2017: MATJHABENG MUNICIPALITY
(EDSSS) (12/1/1)

PURPOSE

The purpose of the item is to table the draft Annual Report of the financial year 2016/2017 to EXCO for consideration.

BACKGROUND

After the end of each financial year, the law requires Municipalities to develop draft annual reports for submission to Office of the Auditor General by the end of August which is the first two months of the succeeding financial year. The purpose of drafting an annual report is to provide evidence of planned tasks and the actual achievements for work that was planned and achievements realized during the financial year has past. In other words, the Municipality makes public a record of performance for the past financial year and in the report we indicate areas that were challenges and how we anticipate solving such challenges going forward.

According to the MFMA, the Annual Report should include:

- The Annual Financial Statements of the Municipality, and consolidated Annual Financial statements as submitted to the Auditor-General for auditing in terms of section 126(1) of the MFMA
- The Auditor General's Audit Report in terms of Section 126(3) of the MFMA on the financial statements in (a) above;
- The Annual performance report of the Municipality as prepared by the Matjhabeng Local Municipality in terms of Section 46 of the Local Government: Municipal Systems Act 32 of 2000 (MSA)
- An assessment of the Municipality's performance against the measurable objectives referred to in Section 17 (3)(b) of the MFMA for revenue collection from each revenue source and for each vote in the Municipality's approved budget for the financial year 2013/2014

The Municipality submitted the draft annual report to the Office of the Auditor General which was audited during the months of August until November 2017. The draft annual performance was also submitted to council of the 30th August 2017 and the following were the recommendations from the council meeting:

A118 of 2017

**DRAFT UNAUDITED ANNUAL PERFORMANCE REPORT 2016/2017:
MATJHABENG LOCAL MUNICIPALITY (EXECUTIVE MAYOR) (5/6/2/7)**

COUNCIL RESOLVED: (30 AUGUST 2017)

1. That Council **TAKES NOTE** of the draft unaudited annual performance report for the Financial Year 2016/17.
2. That the draft unaudited annual performance report **BE SUBMITTED** to Office of the Auditor General on or before the 31st of August 2017, for audit purposes.

There were audit steering committee meetings scheduled for Thursdays throughout the four months from August until end November 2017. In the last audit steering committee meeting, office of the Auditor General presented the final audit report which indicated that the municipality received an unqualified audit opinion. The report forms part of the audited draft annual report as presented.

LEGAL IMPLICATIONS

Local Government: Municipal Finance Management Act 2003(Act No. 56 of 2003)

Section 121(1) states as follows: ... “The council of a Municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control in accordance with section 129”.

Local Government: Municipal Systems Act 2000 (Act No 32 of 2000):

Section 46 (1) “A municipality must prepare for each financial year a performance report reflecting-

- (a) *The performance of the municipality and of each external service providers during the financial year;*

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(2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.”

FINANCIAL IMPLICATIONS

There were no financial implications for the drafting of draft annual performance report as it was compiled internally.

RECOMMENDATIONS

It is recommended that:

1. EXCO considers the Draft audited Annual Report for the Financial Year 2016/17.
2. That the draft annual report be submitted to section 80 committee, MAYCO and ultimately to Council for adoption as a draft so that public participation process can take place before final approval.

EM05/2018

PROPOSED ORGANISATIONAL STRUCTURE: (MARCH 2017) (EDCSS) (2/1)

To present and request approval of the newly reviewed Organizational Structure by Council.

BACKGROUND AND DISCUSSION

Matjhabeng Local Government Organizational Structure has not been reviewed since 2009.

In terms of Section 66 (1) (a) of the Municipal System Act of 2000 as amended; the staff establishment must be submitted to municipal council for approval.

The Organizational Structure was thus reviewed and the Final Draft is submitted herewith for approval.

DISCUSSION

During previous submissions of the Draft Organizational Structure, council Resolved as follows:-

1. That a Task Job Evaluation System be undertaken in the Structure
2. That the TASK Job Evaluation System must be applied to ensure that salaries are correlating with the job that are performed, within a period of 30 days.
3. That only critical positions must be filled
4. That the organogram must be re-submitted at the next Ordinary Council meeting.

The TASK Job Evaluation System was duly undertaken by SALGA together with Deloitte on 21-25 August 2017. Further Evaluation was undertaken at Matjhabeng from 13-14 November 2017. This TASK Job Evaluation is still continuing for Matjhabeng Municipality and other municipality in Lejweleputswa District.

It was proposed that two (2) new Directorates be established namely, Directorate Human Settlement and Directorate of Safety and Security.

PERSONNEL IMPLICATIONS

The current Draft Proposed Organisational Structure (March 2017) **attached as SEPARATE COVER 1** is a product, devised from the Draft Proposed Organisational Structure (February 2017) with amendments from different Directorates as per the abovementioned Mayoral Committee Resolutions.

The table below is a summary of staff complement of the current Draft Organisational Structure (**March 2017**) compared to the “**Current Approved**” and the Proposed (**February 2017**) Organisational Structures:-

	TOTAL STAFF COMPLEMENT		
	Approved	Proposed February 2017	Proposed March 2017
TOTAL COMPLEMENT:	3727	4 648	4 233
PERCENTAGE UTILISATION	100	125	114
TOTAL MANAGEMENT POSTS	79	90	75
Savings: "February 2017" - "March 2017." (Posts)			415
Savings: "February 2017" - "March 2017." (%)			8.93

FINANCIAL IMPLICATIONS

*** The financial implications **are attached as SEPARATE COVER 2.**

The table below is a summary of "Separate Cover 3":

Total Staff Complement	Total Costs	Percentage
Approved	3 727	872 465 257
Filled	2 306	497 600 088
Critical Posts	412	173 583 817

POLICY STATEMENT

Local Government Municipal Systems Amendment Act, 2011.
 Local Government Structure Act
 Municipal Financial Management Act.
 Approved Organisational Structure
 Basic Conditions of Employment Act

RECOMMENDATIONS

1. That the Draft Organisational Structure be approved by Council.
2. That only critical – and scarce skills posts should be addressed in the current financial year.