

STRICTLY CONFIDENTIAL

EXECUTIVE SUMMARY

SUBMISSION TO : Section 80/Mayoral/Council

DIVISION REQUESTING THE SUBMISSION : Finance

TITLE OF THE SUBMISSION

MFMA Section 52(d) Report – Quarter 1 (2021-22)

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the first quarter ending 30 September 2021.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Makes rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

3. LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

To inform the mayoral committee of the financial performance and position as required by Section 52(d) of the MFMA.

4. BACKGROUND

In terms of the section 52(d) of the Municipal Finance Management Act (Act No.58 of 2003) (MFMA), the mayor of a municipality must within 30 days of the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

Furthermore in terms of section 11(4) (a) of the MFMA, the accounting officer must within 30 days after the end of each quarter table in the municipal council a consolidated report of all withdrawals made in terms of subsection 1(b) to (j) during that quarter.

Financial reports are the primary means of communicating financial information to relevant stakeholders. These reports are made accessible to the Executive Managers for decision making and for them to take relevant actions if the report indicates poor spending or possible over expenditure on some votes. The report also gives the executive mayor and other political leaders information on the state of the municipality's finances in order to allow them to provide oversight.

The 1st Quarter report as at 30 SEPTEMBER 2021 is indicated in the different schedules as listed below.

5. ATTACHMENTS:

Annex A – Quarterly finance report (sec 52d)

Annex B – Salaries report

Annex C – Bank reconciliation

Annex D – Debtors age analysis

Annex E – Creditors age analysis

Annex F- Financial Performance

Annex G – Capital Expenditure

Annex H- Withdrawals report

6. RECOMMENDATION

That the Quarter 1 finance report for 2021/22 be noted.

Annexure A

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual 1 st Quarter ending September 2021	Actual figures at 30 June 2021 2021	Trend Analysis
<i>Current Assets</i>			
Debtors balance	R1,223,381,221	R1,179,071,423	The debt book increased by a margin of R44,309,798. Ntiyiso debt collection services are on the ground and have collected a total amount of R60m since January 2021. The implementation of the credit control policy is ongoing in order to reduce the debt book of the municipality.
Cash & cash equivalents:			
Current account balance ABSA	R 11,210,038	R3,062,804	Payments are made as and when required for operational needs. we require to keep operations going. The operational expenditure withdrawals are due to cash flow constraints that we have been experiencing as a municipality over R80m was withdrawn during the quarter in order to cater for the August and September ESKOM bill. Call accounts have also decreased due to payments related to grants as last financial year-end payments were made in the 1 st quarter
Current account FNB	R7,710,530		
ABSA (call account balance)	R 9,101,971	R 29,581,447	
INVESTEC (Call account balance)	R 7,545,491	R21,545,491	
<i>Current Liabilities</i>			
Creditors	R 7,125,767	R 8,648,758	All creditors including the bulk payments for ESKOM, Rand Water and ERWAT are all paid within 30 days.
<i>Actual Revenue and Expenditure</i>			
Operating Revenue	R 286,164,000		The operating revenue figures were 9% ahead of budget by a margin of R22.8m due to good performance from the following line items electricity revenue at

Item of Financial Position/ Performance	Actual 1 st Quarter ending September 2021	Actual figures at 30 June 2021 2021	Trend Analysis
			11% ahead of budget interest earned at 39% and grant income.
Operating Expenditure	R 240,871,000		Operating expenditure is 8% behind budget due to cost containment measures that are implemented.
Capital Expenditure	R 10,436,277		Grant funding capex is 10% spent while own funding capital expenses is at less than 1% spent at the 1 st quarter, SCM processes are currently underway for MIG and WSIG projects and expenditure is expected to improve in the 2 nd quarter.
Collection rate	83%		.The collection rate is 12% ahead of budget (74%) it seems as if the municipality is doing well interns of collection however this collection is not enough to cater for our monthly expenditure the collection rate must be increased and arrear debt recovered for the municipality to be financially viable and sustainable.

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow, as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

a) Current Assets

Debtors Management and Credit Control Status for the quarter ending 30 September 2021.

At 30 September, the debtor's book balance of the municipality as attached in annexure D is R 1,017,825,000.

Months	Collection %
June	
July	79%

August	88%
September	82%
Total excl. June.	83%

As indicated above, credit control is continuously being implemented and the services of an accredited debt collection company has been acquired to assist in stabilizing the ever-increasing debt book. It is expected that these measures will assist in reducing the municipal debt book.

Debtors summary at the quarter ending 30 September 2021:

Debtors Amounts owing 0-30 days	Debtors Amounts owing 31-60	Debtors Amounts owing 61-90	Debtors Amounts owing 91-120	Debtors Amounts owing 121-150	Debtors Amounts owing 151-180	Debtors Amounts owing 181-1 Yr	Debtors Amounts owing Over 1 Yr	Total Debtors amount
72,299,000	32,544,000	29,133,000	25,648,000	23,751,000	24,003,000	131,595,000	884,000	1,223,381,000

b) Cash and cash Equivalents

Annexure " C" indicate the bank reconciliations prepared for the month of September 2020 with the detail on the bank and cash book balances.

The Council has the following bank accounts:

- FNB Primary bank account
- ABSA bank account Current Bank account
- ABSA short term deposits account
- Investec short term deposits account

After allocation of payments by consumers, transfer is made from FNB account to ABSA account where the reconciliations are performed to the cash book which gives rise to the bank reconciliation report.

The current bank account shows a favorable balance of R7,710,530 and R11,210,038 as at 30 September 2021.

Total cash of the municipality in the current and short-term deposits accounts is made up as follows:

Total grant funds - R37,661,891

Total own funds

Current Account (FNB) - R7,710,530

Current Account (Absa)- R11,210,038

Own Funds Invested - R -

Retention - R6,031,106

SETA - R 585,630

R5,883,362

c) Current Liabilities

Creditor's Age Analysis

Annexure “E” represents the creditors’ age analysis which indicates that at 1st quarter 30 September the municipality had a total of R7,125,767 payable to the Trade creditor.

The municipality has maintained its “current” status for all bulk purchases such as ESKOM, Rand Water and ERWART.

Below is the summary of the Creditors Age Analysis for the 1st quarter ending 30 September 2021

Creditors owed for 0-30 days	Creditors owed for 31-60	Creditors owed for 61-90 days	Creditors owed for 91-120 days	Creditors owed for 121-150 days	Creditors owed for 151-180 days	Creditors owed for 181days - 1 Yr	Creditors owed for Over 1 Yr	Total
7,096,787	0	0	0	0	0	0	0	7,096,787

6.2 Financial Performance

Annexure F shows detailed financial performance.

Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and non cash items such as depreciation and debt impairment.

The total year to date actual revenue at the 1st quarter amounted to R286,164,483,000 and the total actual expenditure amounted to R240,870,000 the following are the main revenue and expenditure items at the:

a) Main Operating Revenue at the 1st quarter

- Electricity Revenue R113,538,000
- Water Revenue R37,421,000
- Property rates revenue R36,712,000
- Refuse revenue. R9,248,000

b) Main Operating Expenditure at the 1st quarter

- Employee costs R50,853,000
- Repairs and maintenance R6,454,000
- Contracted services R19,795,000
- Debt impairment R44,661,000
- Depreciation R9,754,000

6.2 Capital Expenditure at the end of the 1st quarter ending 30 September 2021

CAPITAL PROJECTS 2020/21 EXPENDITURE FOR 30 SEPTEMBER 2021									
GRANT FUNDED PROJECTS									
Description	Department	Budget	Curr Mth Exp	Commitment	YTD Movement	Unspend Bud	Perc		
COMPUTER SOFTWARE	Libraries	792 789,00	-	-	-	792 789,00	-		
FURNITURE	Libraries	275 000,00	-	-	-	275 000,00	-		
MAINTENANCE DEVON	Libraries	122 758,00	122 757,40	-	122 757,40	0,60	99,99		
COMPUTER HARDWARE	Libraries	496 000,00	-	-	-	496 000,00	-		
ROADS CONSTR RENSBURG LIB	Libraries	3 000 000,00	-	-	-	3 000 000,00	-		
UPGRADING RENSBURG & VISCHKUIL LIBRARY	Libraries	200 000,00	-	-	-	200 000,00	-		
NEW BOOKS	Libraries	1 877 242,00	-	-	-	1 877 242,00	-		
CAR PORT IN RATANDA	Libraries	100 000,00	-	-	-	100 000,00	-		
RESCUE VEHICLES	Fire Fighting and Protection	2 000 000,00	-	-	-	2 000 000,00	-		
SEDANS	MHS	900 000,00	-	-	-	900 000,00	-		
BUSH CUTTERS; CHAINSAWS; BLOWERS	Biodiversity and Landscape	177 071,00	-	-	-	177 071,00	-		
INSTALLATION OF GRAND STAND PAVILLION IN HED EXT 23 & 26 SPORTS COMPLEX	Sport and Recreation	2 100 000,00	-	-	-	2 100 000,00	-		
COMPUTER HARDWARE (FMG)	Finance	300 000,00	-	115 850,00	-	300 000,00	-		
SWITCHING STATION _RATANDA	Electricity	9 500 000,00	-	-	-	9 500 000,00	-		
SWITCHING STATION _IMPUMELELO	Electricity	5 264 000,00	-	-	-	5 264 000,00	-		
ELECTRIFICATION- OBED NKOSI	Electricity	13 736 000,00	3 493 087,65	-	6 753 539,33	6 982 460,67	49,16		
ELECTRIFICATION- IMPUMELELO - MV	Electricity	11 900 000,00	-	-	-	11 900 000,00	-		
IMPUMELELO BULK	Electricity	-	238 614,36	-	238 614,36	238 614,36	-		
CONST ROADS & S/W RATANDA 1;3;6 & OBED N	Roads and Stormwater	9 216 000,00	-	-	1 011 798,04	8 204 201,96	10,97		
CONSTR ROADS & STORMWATER JAMESON PARK	Roads and Stormwater	6 899 361,00	-	-	-	6 899 361,00	-		
CONSTR ROADS & STORMWATER EXT 23	Roads and Stormwater	4 761 523,00	-	-	453 440,89	4 308 082,11	9,52		
CONSTR ROADS & STORMWATER KWANZENZELE P1	Roads and Stormwater	1 889 116,00	-	-	746 349,55	1 142 766,45	39,50		
DRY SANITATION TOILET UNITS (RURAL AREA)	Waste Water Management	2 850 000,00	-	-	-	2 850 000,00	-		
UPGR SEWER PIPELINE THOKOLOHONG AGRI VIL	Waste Water Management	6 000 000,00	-	-	-	6 000 000,00	-		
UPGR SEWER PIPELINE RATANDA EXT 2	Waste Water Management	5 000 000,00	229 882,50	-	229 882,50	4 770 117,50	4,59		
REFUSE COLLECTION TRUCK	Solid Waste Management	4 000 000,00	-	-	-	4 000 000,00	-		
REPLACEMENT OF ASBESTOS PIPES LESEDI P4	Water Management	8 000 000,00	522 732,60	-	829 345,38	7 170 654,62	10,36		
BACKUP POWER SUPPLY EMMAS & HED	Water Management	-	-	-	-	-	-		
		101 356 860,00	4 607 074,51	115 850,00	10 385 727,45	90 971 132,55	10,25		
INTERNAL FUNDED PROJECTS									
Description	Department	Budget	Curr Mth Exp	Commitment	YTD Movement	Unspend Bud	Perc		
TLB	Cemteries	400 000,00	-	-	-	400 000,00	-		
TRACTORS (GRASS CUTTING)	Biodiversity and Landscape	600 000,00	-	-	-	600 000,00	-		
SEDANS	Social Development	900 000,00	-	-	-	900 000,00	-		
UPGRADE OF SHELTER	Social Development	500 000,00	-	-	-	500 000,00	-		
COMPUTER HARDWARE	ICT	1 500 000,00	28 750,00	448 200,00	50 550,00	1 449 450,00	3,37		
UPGRADE OF MUNICIPAL BUILDING	Facilities	500 000,00	-	-	-	500 000,00	-		
TOOLS & EQUIPMENT	Electricity	400 000,00	-	-	-	400 000,00	-		
COMBINATION UNIT AND RODS TRAILER	Waste Water Management	850 000,00	-	-	-	850 000,00	-		
LDV	Solid Waste Management	1 400 000,00	-	-	-	1 400 000,00	-		
TOOLS & EQUIPMENT	Water Management	300 000,00	-	-	-	300 000,00	-		
WATER TANKER AND PLUMBER TRUCKS	Water Management	2 400 000,00	-	-	-	2 400 000,00	-		
		9 750 000,00	28 750,00	448 200,00	50 550,00	9 699 450,00	0,52		
		111 106 860,00	4 635 824,51	564 050,00	10 436 277,45	100 670 582,55	9,39		

At 30 September the capital expenditure incurred amounted to R10,436,277 which is 9% of the total capex budget. The procurement of 3 MIG and 1 WSIG projects are at an advanced procurement stage and it is expected that the capital expenditure will increase by the end of quarter 2 and will meet the national treasury benchmark for MIG and other capital grants of 40%.

The INEP grant electrification project is also currently under way and Library grant projects are currently at the procurement stage and expenditure is expected before the end of quarter 2.