

15. MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END APRIL 2024

(9/1/3/6)

Cluster : Finance
Portfolio : Financial Management

This is a report of the Section 80 Portfolio Committee: Finance, emanating from its meeting held on the 24 June 2024

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of APRIL

2. OBJECTIVE

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

- a) Make 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.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

4. BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the APRIL 2024 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and

therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at end of APRIL 2024 is indicated in the different schedules as listed below.

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual MARCH 2024	Actual APRIL 2024	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 3 416	R 19 917	Increase due to an advanced taken by an employee.
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 45 647 584	R 16 263 685	Decrease due to operational activities
Cashbook balance (bank reconciliation) Licensing	R 26 780 641	R 26 289 026	
Current Liabilities			
(Table SC4) Creditors	R 179 494 545	R 176 029 486	Decrease due income received from licensing centers.
Cash Flow			
(Table C7) Receipts	R 104 817 756	R 26 330 577	Increase due to last tranche of equitable share received March.
Payments	R 59 346 117	R 56 184 928	
Cash flow closing balance	R 76 697 604	R 46 812 820	
Cost Coverage indicator	2.1	1.2	Decrease due to operational activities
(Table C2) Operating Revenue for Month	R 83 780 336	R 8 086 660	Received to date 92.85% (benchmark 83.33%).
Operating Expenditure for Month	R 37 240 687	R 34 230 790	Spent to date 75.58% (bench mark 83.33%).
(Table C5) Capital Expenditure	R 130 427	R 30 433	Total Capex budget spent to date is 33% (benchmark 83.33%) for the Month.
(Table C6) Total Assets	R 158 862 837	R 128 474 848	Municipality has liquidity problems whereby the current liabilities exceed

Item of Financial Position/ Performance	Actual MARCH 2024	Actual APRIL 2024	Trend Analysis
Total Liabilities	R 204 851 691	R 200 607 832	current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Net Liabilities	R (45 993 060)	R (72 132 984)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarterly Reports		MFMA 11 MFMA sec 52	Quarterly Withdrawals Statement

5.1 Table C4 Monthly budget statements April

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M10 April

Description	Ref	2022/23		Budget Year 2023/24						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	Year TD actual	Year TD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	0	0	0	0	0	0	0	0	0	0
Revenue	0	0	0	0	0	0	0	0	0	0
Exchange Revenue	0	-	-	-	-	-	-	-	0%	-
Service charges - Electricity	0	-	-	-	-	-	-	-	-	-
Service charges - Water	0	-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management	0	-	-	-	-	-	-	-	-	-
Service charges - Waste management	0	-	-	-	-	-	-	-	-	-
Sale of Goods and Rendering of Services	0	192	235	224	16	162	189	(27)	-14%	224
Agency services	0	74 002	75 239	76 836	6 154	58 514	63 657	(5 143)	-8%	76 836
Interest	0	-	-	-	-	-	-	-	-	-
Interest earned from Receivables	0	-	-	-	-	-	-	-	-	-
Interest from Current and Non Current Assets	0	3 932	2 325	3 561	466	4 288	2 679	1 608	60%	3 561
Dividends	0	-	-	-	-	-	-	-	-	-
Rent on Land	0	-	-	-	-	-	-	-	-	-
Rental from Fixed Assets	0	549	480	530	5	396	430	(34)	-8%	530
Licence and permits	0	-	-	-	-	-	-	-	-	-
Operational Revenue	0	5 241	4 765	4 830	21	2 423	4 010	(1 587)	-40%	4 830
Non-Exchange Revenue	0	-	-	-	-	-	-	-	-	-
Property rates	0	-	-	-	-	-	-	-	-	-
Surcharges and Taxes	0	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	0	-	-	-	-	-	-	-	-	-
Licence and permits	0	212	1 680	1 680	-	165	1 400	(1 235)	-88%	1 680
Transfers and subsidies - Operational	0	311 014	323 574	322 553	1 425	314 927	269 032	45 895	17%	322 553
Interest	0	-	-	-	-	-	-	-	-	-
Fuel Levy	0	-	-	-	-	-	-	-	-	-
Operational Revenue	0	-	-	-	-	-	-	-	-	-
Gains on disposal of Assets	0	12	40	40	-	30	33	(3)	-9%	40
Other Gains	0	-	-	-	-	-	-	-	-	-
Discontinued Operations	0	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	0	395 154	408 337	410 254	8 087	380 906	341 431	39 475	12%	410 254
Expenditure By Type	0	-	-	-	-	-	-	-	0%	-
Employee related costs	0	290 100	306 391	306 037	24 746	253 283	255 114	(1 832)	-1%	306 037
Remuneration of councillors	0	14 519	14 738	14 270	1 278	11 961	12 001	(40)	0%	14 270
Bulk purchases - electricity	0	-	-	-	-	-	-	-	-	-
Inventory consumed	0	3 598	4 054	4 823	125	3 993	3 893	100	0	4 823
Debt impairment	0	53	-	-	-	-	-	-	-	-
Depreciation and amortisation	0	8 787	9 026	8 504	-	6 374	7 209	(835)	(0)	8 504
Interest	0	-	-	-	-	-	-	-	-	-
Contracted services	0	36 600	42 700	42 770	5 006	26 186	35 523	(9 337)	(0)	42 770
Transfers and subsidies	0	8 089	12 390	12 390	1 127	8 557	10 325	(1 768)	(0)	12 390
Irrecoverable debts written off	0	1 138	-	-	-	-	-	-	-	-
Operational costs	0	36 240	33 733	36 072	1 949	29 974	29 564	411	0	36 072
		141	40	40	-	-	33			40
Losses on Disposal of Assets	0	-	-	-	-	-	-	(33)	(0)	-
Other Losses	0	-	-	-	-	-	-	-	-	-
Total Expenditure	0	399 265	423 072	424 905	34 231	340 327	353 662	(13 335)	(0)	424 905

Cash flow Analysis for the Month of April

Cash Flow Statement - July 2023 to June 2024													
	ACTUAL						PROJECTED						Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	16 337 745	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	52 099 793	16 337 745
Cash Inflow	199 254 848	69 862 908	70 698 989	56 319 440	42 453 294	192 492 687	51 380 442	55 262 861	114 622 265	51 731 558	68 116 671	72 581 160	1 044 777 123
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	593 677	1 231 923	998 556	1 175 999	4 299 236	1 251 724	699 320	1 003 572	571 239	1 547 504	2 316 899	3 499 709	19 189 358
Licensing	72 000 000	65 000 000	62 000 000	55 000 000	38 000 000	85 000 000	50 000 000	53 000 000	38 000 000	50 000 000	65 000 000	66 000 000	699 000 000
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	151 314	129 985	159 633	143 441	154 058	129 763	196 122	150 289	128 003	184 054	167 972	154 451	1 849 085
Subsidies and Grants	126 509 857	3 501 000	7 540 800	-	-	106 111 200	485 000	1 109 000	75 923 023	-	631 800	2 927 000	324 738 680
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(150 416 592)	(104 645 991)	(93 094 578)	(59 744 486)	(37 181 296)	(157 144 401)	(73 820 784)	(67 653 160)	(79 361 555)	(81 100 193)	(32 270 879)	(63 351 402)	(999 785 317)
Salaries	(49 217 772)	(28 055 359)	(29 961 280)	(28 306 398)	(28 835 909)	(27 696 217)	(27 251 583)	(29 608 835)	(27 610 635)	(27 243 100)	(26 046 575)	(25 814 101)	(355 647 764)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(39 467 440)	(34 098 372)	(26 113 604)	(24 707 963)	-	(46 295 081)	(15 555 812)	(21 332 845)	(20 916 605)	(20 213 872)	-	(20 527 453)	(269 229 047)
Other Creditors	(61 731 380)	(42 492 260)	(37 019 694)	(6 730 125)	(8 345 387)	(83 153 103)	(31 013 389)	(16 711 480)	(30 834 315)	(33 643 221)	(6 224 304)	(17 009 848)	(374 908 506)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	52 099 793	61 329 551	61 329 551

5.2 Table SC6, 7(1) and 7(2) Grants received and spent for April

Description	Original Budget	Adjustment Budget	Grants tranche received for	Total Grants Received July to	Total Grants Spent July to	Actual March 2024	Actual April 2024	Balance	%	Comment
RAMS	2 616 000.00	2 616 000.00	0.00	2 616 000.00	1 707 084.14	196 588.61	42 330.00	908 915.86	65.26%	Interns Stipend
FMG	1 400 000.00	1 400 000.00	0.00	1 400 000.00	807 592.91	25 247.55	118 533.95	592 407.09	57.69%	Interns Stipend
EPWP	1 079 000.00	1 079 000.00	0.00	1 079 000.00	785 545.61	94 919.80	106 994.00	293 454.39	72.80%	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	12 568 000.00	12 568 000.00	0.00	12 568 000.00	7 771 671.59	847 454.66	1 019 765.75	4 796 328.41	61.84%	Payment of salaries
DSRACH	0.00	1 540 527.00	0.00	1 540 527.00	587 573.00	80 346.89	28 691.00	952 954.00	38%	Expenditure incurred for YDP managed by community services.
Total	17 663 000.00	19 203 527.00	0.00	19 203 527.00	11 659 467.25	1 244 557.51	1 316 314.70	7 544 059.75	60.72%	

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending April

The debtor’s book balance of the municipality as attached in annexure A is R 2 095 625 less bad debts impairment R 2 092 154 resulting to R 19 916.89

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
19 916.89	-	-	-	-	-	-	2 092 154.00	2 112 070.89

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of April 2024 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 42 552 711 as at end of April.

The remaining cash balance must meet operational requirements till end of June 2024, until receipt of the next equitable Share tranche due in July 2024.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 176 029 486 payable to the creditors in April 2024. An amount of R 124 557 502 is due payable to the licensing authority.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
29 302 080	-	-	-	-	-	-	146 727 406	176 029 486

c) Net Assets

Reserves

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are “ring-fenced” as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as “revenue” (non-cash) on the statement of financial performance. This “revenue” recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves is to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures “B,” C1- 4,” E”

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure “E” is Council’s cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount to R 26 330 578 outgoing payments were made to the amount of R 56 184 928. Taking into account the opening cashbook balance, this left a favorable closing balance of R 46 812 820 as end of April 2024 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

$$\text{The cost coverage formula} = \frac{\text{(All available cash at the end of the period in the cashbook) + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

$$\begin{aligned} \text{The cost coverage formula} &= \frac{R(42\,552\,712 + R0)}{R\,35\,252\,888} \\ &= \underline{1.2 \text{ TIMES}} \end{aligned}$$

The cost coverage of the municipality indicates 1.2 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of June 2024 as the next equitable share allocation is in July 2024. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2021/2022 as well as 2022/23.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share

First tranche of Equitable Share for 2023/24 amounting to R 126 391 000 was received in month of July second tranche in December amounting to R 101 084 000 and last tranche in March R 75 834 000.

Financial Management Grant (FMG):

An amount of R 1 400 000 received in month of August 2023, Expenditure incurred of R 118 534 in April, FMG Interns were involved in the following activities during the month as part of their training rotation plan:

Three interns in Supply Chain Management

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

An amount of R2 616 000 gazetted 2023-24, first tranche of R1 831 000 in August second tranche of R 785 000 in February, Expenditure incurred of R 42 330 in April.

HIV/Aids

An amount of R12 568 000 gazette for 2023-24, an amount of R 7 540 800 was received in September and R 5 027 200 in December. Expenditure incurred for the month of April an amount to R 1 019 766

Extended Public Works Projects

An amount of R 1 079 000 is gazette, first tranche of 270 000 was received in August. Second tranche of R 485 000 received in January and last tranche of R 324 000 was received in February 2024, expenditure incurred for month of April is R 106 994.

YOUTH CENTRES (National Youth Development Agency)

An amount of R1 540 527.00 was approved for roll over on unspent fund for 2022-23 financial year, Expenditure incurred amount to R 80 347 for April.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of April.

6.2 Financial Performance

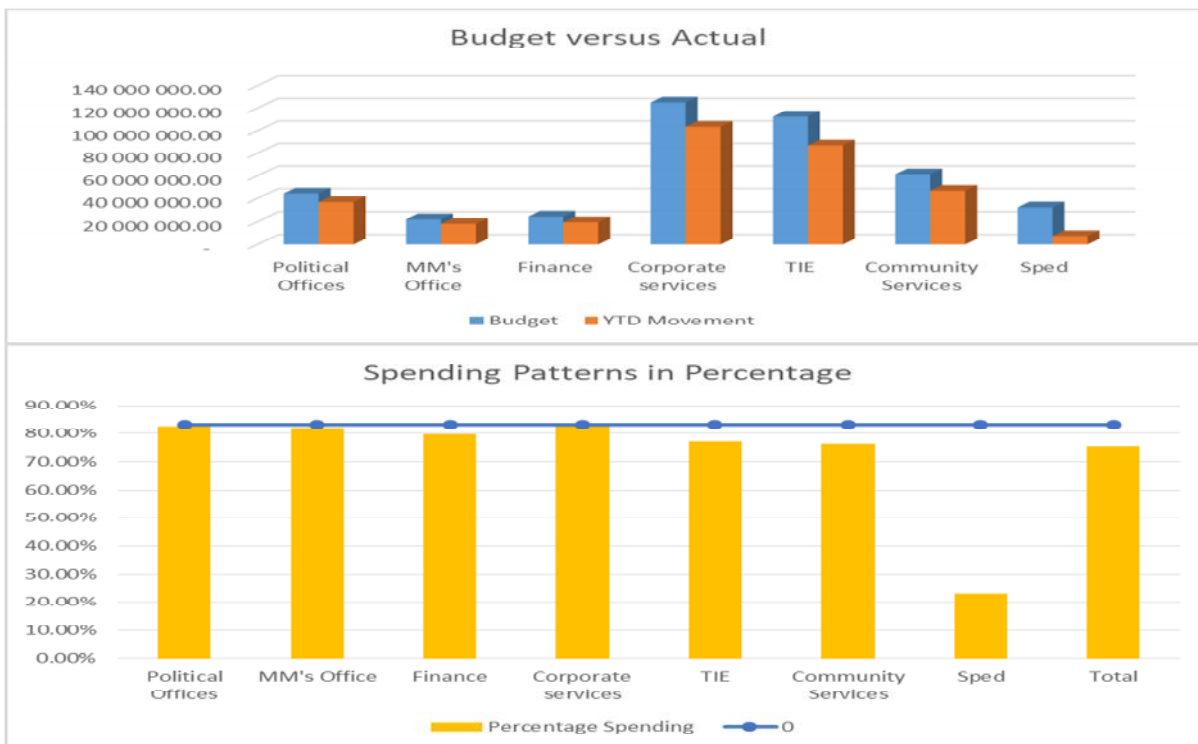
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 contributions to provisions.

“See Annexures G, H & I”

Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 8 086 660 was generated in revenue R 34 230 789 in expenditure.



a) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of April 2024 signals the 1st month of the fourth quarter 2023/24 financial year, spending trends ought to be around 83.33%. “Other Income” consists of income items such as, profit on sale of assets; skills levy income, tender income and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 75.58% and revenue is at 92.85% of the pro rata budget.

Intervention, measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

b) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

“Annexure H” represents the Capital expenditure and Revenue sources. Expenditure incurred for the month of April is R 30 433.

An amount of R 1 503 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and vehicles, and R 487 000 was funded from the two grant Financial Management Grant and Rural Roads Assets Management Grant for the procurement of office machinery and vehicle.

(Annexure I) The spending analysis on own fixed assets as at end of April 2024 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and Equipment	400 000	400 000	0	0	101 986	298 014	25.50%
Computer Equipment and Networks	100 000	100 000	0	0	39 879	60 121	39.88%
New Ict Equipment	800 000	1 300 000	30 433	16 521	519 083	764 396	64.89%
Machinery and Equipment	500 000	0	0	0	0	0	0.00%
Capital Expenditure On New Ict Equipment Finance	120 000	120 000	0	0	0	120 000	0.00%
RRAMS ICT Equipment	122 000	122 000	0.00	0	121 297	30 703	99.42%
RRAMS Vehicles	245 000	245 000	0	0	1 350	213 650	0.55%
Total	2 287 000	2 287 000	30 433	16 521	783 595	1 503 405	34.26%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock takes place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2023 to June 2024, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programed based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

- "A" – Debtors Age Analysis
- "B" – Investment Schedule
- "C" – Bank Reconciliations
- "D" – Creditors Age Analysis
- "E" – Cash Flow Statement
- "F" – Grants Allocation and Expenditure
- "G" – Operating Revenue and Expenditure
- "H" – Capital Expenditure and Revenue Source
- "I" – Capital Projects Progress
- "J" – MFMA Compliance

RECOMMENDED:

THAT the financial management report as at the end April 2024 as per attach as annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.

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(9/1/3/6)

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Portfolio : Financial Management

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4. BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the MAY 2024 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at end of MAY 2024 is indicated in the different schedules as listed below.

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual APRIL 2024	Actual MAY 2024	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 19 917	R 11 607	Decrease due to staff recoveries
Cash & cash equivalents:			
Cashbook balance (bank reconciliation) Primary	R 16 263 685	R 19 956 102	Decrease due to operational activities
Cashbook balance (bank reconciliation) Licensing	R 26 289 026	R 17 317 938	
Current Liabilities			
(Table SC4) Creditors	R 176 029 486	R 190 401 988	Increase due to income received from licensing centers.
Cash Flow			
(Table C7) Receipts	R 26 330 577	R 26 476 723	Decrease due to operational activities
Payments	R 56 184 928	R 36 529 182	
Cash flow closing balance	R 46 812 820	R 36 568 029	
Cost Coverage indicator	1.2	0.97	Decrease due to operational activities
(Table C2) Operating Revenue for Month	R 8 086 660	R 8 857 186	Received to date 95% (benchmark 91.67%).
Operating Expenditure for Month	R 34 230 790	R 32 482 547	Spent to date 86% (bench mark 91.67%).
(Table C5) Capital Expenditure	R 30 433	R 192 332	Total Capex budget spent to date is 48% (benchmark 91.67%) for the Month.
(Table C6) Total Assets	R 128 474 848	R 119 561 281	Municipality has liquidity problems whereby the current liabilities exceed

Item of Financial Position/ Performance	Actual APRIL 2024	Actual MAY 2024	Trend Analysis
Total Liabilities	R 200 607 832	R 215 228 325	current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Net Liabilities	R (72 132 984)	R (95 667 045)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarterly Reports		MFMA 11 MFMA sec 52	Quarterly Withdrawals Statement

5.1 Table C4 Monthly budget statements May

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M11 May

Description	Ref	Budget Year 2023/24								
		2022/23 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue										
Service charges - Electricity								-		
Service charges - Water								-		
Service charges - Waste Water Management								-		
Service charges - Waste management								-		
Sale of Goods and Rendering of Services		192	235	224	16	178	207	(29)	-14%	224
Agency services		74 002	75 239	76 836	5 927	64 442	70 247	(5 805)	-8%	76 836
Interest										
Interest earned from Receivables		-	-	-	-	-	-	-		-
Interest from Current and Non Current Assets		3 932	2 325	3 561	416	4 704	3 120	1 584	51%	3 561
Dividends										
Rent on Land										
Rental from Fixed Assets		549	480	530	23	419	480	(61)	-13%	530
Licence and permits		-	-	-	-	-	-	-		-
Operational Revenue		5 241	4 765	4 830	213	2 636	4 420	(1 784)	-40%	4 830
Non-Exchange Revenue										
Property rates										
Surcharges and Taxes										
Fines, penalties and forfeits										
Licence and permits		212	1 680	1 680	25	190	1 540	(1 350)	-88%	1 680
Transfers and subsidies - Operational		311 014	323 574	322 553	2 236	317 163	295 792	21 371	7%	322 553
Interest										
Fuel Levy										
Operational Revenue										
Gains on disposal of Assets		12	40	40	-	30	37	(6)	-17%	40
Other Gains		-	-	-	-	-	-	-		-
Discontinued Operations										
Total Revenue (excluding capital transfers and contributions)		395 154	408 337	410 254	8 857	389 763	375 843	13 920	4%	410 254
Expenditure By Type										
Employee related costs		290 100	306 391	306 037	25 304	278 587	280 576	(1 989)	-1%	306 037
Remuneration of councillors		14 519	14 738	14 270	1 187	13 148	13 135	13	0%	14 270
Bulk purchases - electricity										
Inventory consumed		3 598	4 054	4 835	329	4 322	4 364	(42)	-1%	4 835
Debt impairment		53	-	-	-	-	-	-		-
Depreciation and amortisation		8 787	9 026	8 504	1 405	7 779	7 857	(78)	-1%	8 504
Interest										
Contracted services		36 600	42 700	42 561	1 665	27 850	39 042	(11 192)	-29%	42 561
Transfers and subsidies		8 089	12 390	12 390	1 191	9 749	11 358	(1 609)	-14%	12 390
Irrecoverable debts written off		1 138	-	-	-	-	-	-		-
Operational costs		36 240	33 733	36 268	1 401	31 375	32 916	(1 541)	-5%	36 268
Losses on Disposal of Assets		141	40	40	-	-	37	(37)	-100%	40
Other Losses		-	-	-	-	-	-	-		-
Total Expenditure		399 265	423 072	424 905	32 483	372 810	389 285	(16 475)	-4%	424 905
Surplus/(Deficit)		(4 111)	(14 735)	(14 651)	(23 625)	16 953	(13 442)	30 395	(0)	(14 651)
Transfers and subsidies - capital (monetary allocations)										
		-	367	367	91	133	336	(204)	(0)	367
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions		(4 111)	(14 368)	(14 284)	(23 534)	17 086	(13 106)	30 191	(0)	(14 284)
Income Tax										
Surplus/(Deficit) after income tax		(4 111)	(14 368)	(14 284)	(23 534)	17 086	(13 106)			(14 284)
Share of Surplus/Deficit attributable to Joint Venture										
Share of Surplus/Deficit attributable to Minorities										
Surplus/(Deficit) attributable to municipality		(4 111)	(14 368)	(14 284)	(23 534)	17 086	(13 106)			(14 284)
Share of Surplus/Deficit attributable to Associate										
Intercompany/Parent subsidiary transactions										
Surplus/ (Deficit) for the year		(4 111)	(14 368)	(14 284)	(23 534)	17 086	(13 106)			(14 284)

Cash flow Analysis for the Month of May

Cash Flow Statement - July 2023 to June 2024													
	ACTUAL						PROJECTED						
	July	August	September	October	November	December	January	February	March	April	May	June	Total
Opening Balance	16 337 745	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	17 306 737	16 337 745
Cash Inflow	199 254 848	69 862 908	70 698 989	56 319 440	42 453 294	192 492 687	51 380 442	55 262 861	114 622 265	51 731 558	35 733 616	72 581 160	1 012 394 068
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	593 677	1 231 923	998 556	1 175 999	4 299 236	1 251 724	699 320	1 003 572	571 239	1 547 504	570 835	3 499 709	17 443 294
Licensing	72 000 000	65 000 000	62 000 000	55 000 000	38 000 000	85 000 000	50 000 000	53 000 000	38 000 000	50 000 000	35 000 000	66 000 000	669 000 000
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	151 314	129 985	159 633	143 441	154 058	129 763	196 122	150 289	128 003	184 054	162 781	154 451	1 843 894
Subsidies and Grants	126 509 857	3 501 000	7 540 800	-	-	106 111 200	485 000	1 109 000	75 923 023	-	-	2 927 000	324 106 880
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(150 416 592)	(104 645 991)	(93 094 578)	(59 744 486)	(37 181 296)	(157 144 401)	(73 820 784)	(67 653 160)	(79 361 555)	(81 100 193)	(34 680 880)	(63 351 402)	(1 002 195 318)
Salaries	(49 217 772)	(28 055 359)	(29 961 280)	(28 306 398)	(28 835 909)	(27 696 217)	(27 251 583)	(29 608 835)	(27 610 635)	(27 243 100)	(28 259 498)	(25 814 101)	(357 860 687)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(39 467 440)	(34 098 372)	(26 113 604)	(24 707 963)	-	(46 295 081)	(15 555 812)	(21 332 845)	(20 916 605)	(20 213 872)	-	(20 527 453)	(269 229 047)
Other Creditors	(61 731 380)	(42 492 260)	(37 019 694)	(6 730 125)	(8 345 387)	(83 153 103)	(31 013 389)	(16 711 480)	(30 834 315)	(33 643 221)	(6 421 382)	(17 009 848)	(375 105 584)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	17 306 737	26 536 495	26 536 495

5.2 Table SC6, 7(1) and 7(2) Grants received and spent for May

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual April 2024	Actual May 2024	Balance	%	Comment
RAMS	2 616 000.00	2 616 000.00	0.00	2 616 000.00	1 775 694.87	42 330.00	91 300.01	840 305.13	67.88%	Interns Stipend
FMG	1 400 000.00	1 400 000.00	0.00	1 400 000.00	1 269 494.46	118 533.95	461 901.55	130 505.54	90.68%	Interns Stipend
EPWP	1 079 000.00	1 079 000.00	0.00	1 079 000.00	889 772.81	106 994.00	104 227.20	189 227.19	82.46%	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	12 568 000.00	12 568 000.00	0.00	12 568 000.00	8 858 764.07	1 019 765.75	1 087 092.48	3 709 235.93	70.49%	Payment of salaries
DSRACH	0.00	1 540 527.00	0.00	1 540 527.00	1 164 292.29	28 691.00	0.00	376 234.71	76%	Expenditure incurred for YDP managed by community services.
Total	17 663 000.00	19 203 527.00	0.00	19 203 527.00	13 958 018.50	1 316 314.70	1 744 521.24	5 245 508.50	72.68%	

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending May

The debtor’s book balance of the municipality as attached in annexure A is R 2 106 761 less bad debts impairment R 2 092 154 resulting to R 11 607.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
11 607	0	0	0	0	0	0	2 092 154	2 103 761

Bank reconciliation

Annexure “C1 – 4” indicate the bank reconciliations prepared for the month of May 2024 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 34 274 040 as at end of May

The remaining cash balance must meet operational requirements till end of June 2024, until receipt of the next equitable Share tranche due in July 2024.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 190 401 988 payable to the creditors in May 2024. An amount of R 124 557 502 is due payable to the licensing authority.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
21 878 639	21 795 943	0	0	0	0	0	146 727 406	190 401 988

c) Net Assets

Reserves

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are “ring-fenced” as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as “revenue” (non-cash) on the statement of financial performance. This “revenue” recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves is to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures “B,” C1- 4,” E”

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure “E” is Council’s cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount to R 26 476 723 outgoing payments were made to the amount of R 36 529 182. Taking into account the opening cashbook balance, this left a favorable closing balance of R 36 568 029 as end of May 2024 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

$$\text{The cost coverage formula} = \frac{(\text{All available cash at the end of the period in the cashbook}) + (\text{investments at hand less Provisions})}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = R(34\,274\,040 + R0)$$

= 0.97 TIMES

The cost coverage of the municipality indicates 0.97 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of June 2024 as the next equitable share allocation is in July 2024. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2021/2022 as well as 2022/23.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share

First tranche of Equitable Share for 2023/24 amounting to R 126 391 000 was received in month of July second tranche in December amounting to R 101 084 000 and last tranche in March R 75 834 000.

Financial Management Grant (FMG):

An amount of R 1 400 000 received in month of August 2023, Expenditure incurred of R 461 902 in May, FMG Interns were involved in the following activities during the month as part of their training rotation plan:

Three interns in Supply Chain Management

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

An amount of R2 616 000 gazetted 2023-24, first tranche of R1 831 000 in August second tranche of R 785 000 in February, Expenditure incurred of R 91 300 in May.

HIV/Aids

An amount of R12 568 000 gazette for 2023-24, an amount of R 7 540 800 was received in September and R 5 027 200 in December. Expenditure incurred for the month of May an amount to R 1 087 092.

Extended Public Works Projects

An amount of R 1 079 000 is gazette, first tranche of 270 000 was received in August. Second tranche of R 485 000 received in January and last tranche of R 324 000 was received in February 2024, expenditure incurred for month of May is R 104 227.

YOUTH CENTRES (National Youth Development Agency)

An amount of R1 540 527.00 was approved for roll over on unspent fund for 2022-23 financial year, Expenditure incurred amount to R 0 for May.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of May.

6.2 Financial Performance

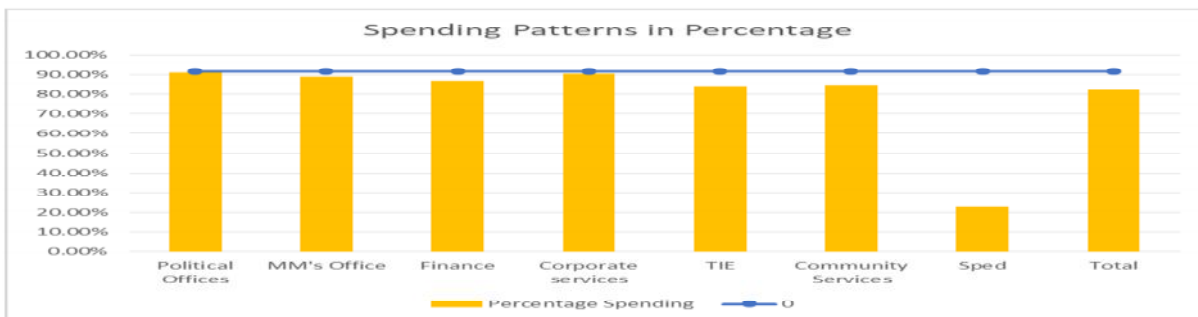
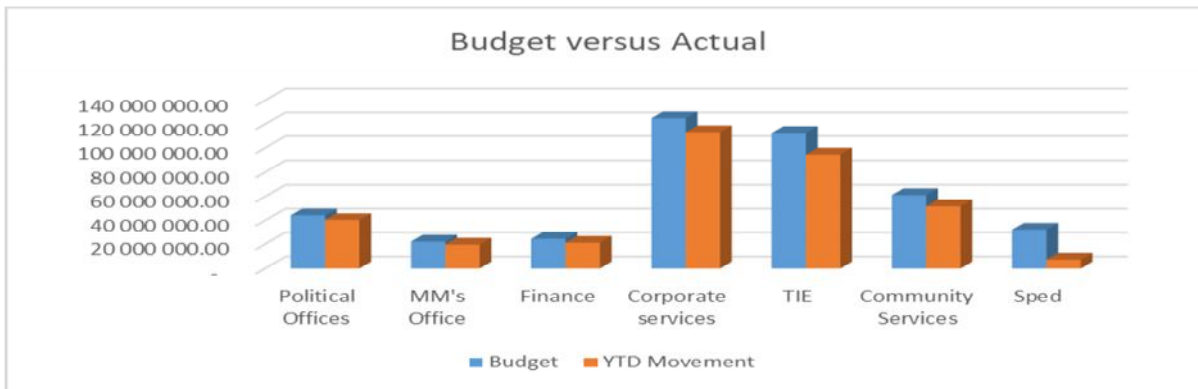
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 contributions to provisions.

“See Annexures G, H & I”

Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 8 857 186 was generated in revenue R 32 482 547 in expenditure.



a) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of May 2024 signals the 2nd month of the fourth quarter 2023/24 financial year, spending trends ought to be around 91.67 “Other Income” consists of income items such as, profit on sale of assets; skills levy income, tender income and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 85.55% and revenue is at 95% of the pro rata budget.

Intervention, measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

b) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

“Annexure H” represents the Capital expenditure and Revenue sources. Expenditure incurred for the month of May is R 192 332.

An amount of R 1 503 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and vehicles, and R 487 000 was funded from the two grant Financial Management Grant and Rural Roads Assets Management Grant for the procurement of office machinery and vehicle.

(Annexure I) The spending analysis on own fixed assets as at end of May 2024 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and Equipment	400 000	400 000	0	4 200	101 986	293 814	25.50%
Computer Equipment and Networks	100 000	100 000	0	55 037	39 879	5 084	39.88%
New Ict Equipment	800 000	1 300 000	77 384	17 993	596 468	685 539	74.56%
Machinery and Equipment	500 000	0	0	0	0	0	0.00%
Capital Expenditure On New Ict Equipment Finance	120 000	120 000	104994	0	104 994	15 006	87.50%
RRAMS ICT Equipment	122 000	152 000	11 303.00	0	132 600	19 400	87.24%
RRAMS Vehicles	245 000	215 000	0	0	0	213 650	0.00%
Total	2 287 000	2 287 000	193 681	77 230	975 927	1 233 843	48.00%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock takes place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2023 to June 2024, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programed based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

"A"	–	Debtors Age Analysis
"B"	–	Investment Schedule
"C"	–	Bank Reconciliations
"D"	–	Creditors Age Analysis
"E"	–	Cash Flow Statement
"F"	–	Grants Allocation and Expenditure
"G"	–	Operating Revenue and Expenditure
"H"	–	Capital Expenditure and Revenue Source
"I"	–	Capital Projects Progress
"J"	–	MFMA Compliance

RECOMMENDED:

THAT the financial management report as at the end May 2024 as per attach as annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.

15. MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JUNE 2024

(9/1/3/6)

Cluster : Finance
Portfolio : Finance

This report emanates from the finance portfolio committee meeting that was held on 7 August 2024

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of JUNE

2. OBJECTIVE

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

- a) Make 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.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

4. BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the JUNE 2024 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at end of JUNE 2024 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual MAY 2024	Actual JUNE 2024	Trend Analysis
Current Assets			
(Table SC3) Debtors	R 11 607	R 182 766	Increase due to staff recoveries
<u>Cash & cash equivalents:</u>			
Cashbook balance (bank reconciliation) Primary	R 19 956 102	R 6 063 014	Decrease due to operational activities
Cashbook balance (bank reconciliation) Licensing	R 17 317 938	R 19 858 020	
Current Liabilities			
(Table SC4) Creditors	R 190 401 988	R 203 986 968	Increase due to income received from licensing centers.
Cash Flow			
(Table C7) Receipts	R 26 476 723	R 30 194 605	Increase due to income received from licensing centers.
Payments	R 36 529 182	R 38 463 457	
Cash flow closing balance	R 36 568 029	R 28 221 947	
Cost Coverage indicator	0.97	0.73	Decrease due to operational activities
(Table C2) Operating Revenue for Month	R 8 857 186	R 17 326 322	Received to date 99.26% (benchmark 100%).
Operating Expenditure for Month	R 32 482 547	R 39 598 184	Spent to date 91.20% (bench mark 100%).
(Table C5) Capital Expenditure	R 192 332	R 77 230	Total Capex budget spent to date is 47% (benchmark 100%) for the Month.
(Table C6) Total Assets	R 119 561 281	R 110 715 789	Municipality has liquidity problems whereby the current liabilities exceed current assets. The municipality is grants dependent and the only source of revenue is minor tariffs charges after equitable share.
Total Liabilities	R 215 228 325	R 228 654 695	

Item of Financial Position/ Performance	Actual MAY 2024	Actual JUNE 2024	Trend Analysis
Total Net Liabilities	R ((95 667 045))	R (117 937 040)	
MFMA Compliance			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarterly Reports		MFMA 11 MFMA sec 52	Quarterly Withdrawals Statement

DC42 Sedibeng - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June

Description	Ref	Budget Year 2023/24								
		2022/23 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue										
Service charges - Electricity							-			
Service charges - Water							-			
Service charges - Waste Water Management							-			
Service charges - Waste management							-			
Sale of Goods and Rendering of Services		192	235	224	16	195	224	(30)	-13%	224
Agency services		74 002	75 239	76 836	11 818	76 259	76 836	(577)	-1%	76 836
Interest								-		
Interest earned from Receivables		-	-	-	-	-	-	-		-
Interest from Current and Non Current Assets		3 932	2 325	3 561	305	5 009	3 561	1 447	41%	3 561
Dividends								-		
Rent on Land								-		
Rental from Fixed Assets		549	480	530	14	434	530	(96)	-18%	530
Licence and permits		-	-	-	-	-	-	-		-
Operational Revenue		5 241	4 765	4 830	274	2 910	4 830	(1 920)	-40%	4 830
Non-Exchange Revenue										
Property rates								-		
Surcharges and Taxes								-		
Fines, penalties and forfeits								-		
Licence and permits		212	1 680	1 680	30	220	1 680	(1 460)	-87%	1 680
Transfers and subsidies - Operational		311 014	323 574	322 553	4 868	322 032	322 553	(521)	0%	322 553
Interest								-		
Fuel Levy								-		
Operational Revenue								-		
Gains on disposal of Assets		12	40	40	-	30	40	(10)	-24%	40
Other Gains		-	-	-	-	-	-	-		-
Discontinued Operations								-		
Total Revenue (excluding capital transfers and contributions)		395 154	408 337	410 254	17 326	407 089	410 254	(3 165)	-1%	410 254
Expenditure By Type										
Employee related costs		290 100	306 391	306 037	26 375	304 962	306 037	(1 075)	0%	306 037
Remuneration of councillors		14 519	14 738	14 270	1 128	14 276	14 270	7	0%	14 270
Bulk purchases - electricity								-		
Inventory consumed		3 598	4 054	4 856	350	4 672	4 856	(184)	-4%	4 856
Debt impairment		53	-	-	-	-	-	-		-
Depreciation and amortisation		8 787	9 026	8 504	742	8 520	8 504	17	0%	8 504
Interest								-		
Contracted services		36 600	42 700	42 922	5 156	33 007	42 922	(9 915)	-23%	42 922
Transfers and subsidies		8 089	12 390	12 390	2 365	12 113	12 390	(277)	-2%	12 390
Irrecoverable debts written off		1 138	-	-	-	-	-	-		-
Operational costs		36 240	33 733	35 886	3 482	34 857	35 886	(1 029)	-3%	35 886
Losses on Disposal of Assets		141	40	40	-	-	40	(40)	-100%	40
Other Losses		-	-	-	-	-	-	-		-
Total Expenditure		399 265	423 072	424 905	39 598	412 408	424 905	(12 497)	-3%	424 905
Surplus/(Deficit)		(4 111)	(14 735)	(14 651)	(22 272)	(5 319)	(14 651)	9 332	(0)	(14 651)
Transfers and subsidies - capital (monetary allocations)										
		-	367	367	-	133	367	(234)	(0)	367
Transfers and subsidies - capital (in-kind)										
		-	-	-	-	-	-	-		-
Surplus/(Deficit) after capital transfers & contributions		(4 111)	(14 368)	(14 284)	(22 272)	(5 186)	(14 284)	9 097	(0)	(14 284)
Income Tax										
Surplus/(Deficit) after income tax		(4 111)	(14 368)	(14 284)	(22 272)	(5 186)	(14 284)			(14 284)
Share of Surplus/Deficit attributable to Joint Venture										
Share of Surplus/Deficit attributable to Minorities										
Surplus/(Deficit) attributable to municipality		(4 111)	(14 368)	(14 284)	(22 272)	(5 186)	(14 284)			(14 284)
Share of Surplus/Deficit attributable to Associate										
Intercompany/Parent subsidiary transactions										
Surplus/ (Deficit) for the year		(4 111)	(14 368)	(14 284)	(22 272)	(5 186)	(14 284)			(14 284)

	ACTUAL						PROJECTED						Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	16 337 745	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	17 306 737	16 337 745
Cash Inflow	199 254 848	69 862 908	70 698 989	56 319 440	42 453 294	192 492 687	51 380 442	55 262 861	114 622 265	51 731 558	35 733 616	39 171 199	978 984 107
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	593 677	1 231 923	998 556	1 175 999	4 299 236	1 251 724	699 320	1 003 572	571 239	1 547 504	570 835	4 009 248	17 952 833
Licensing	72 000 000	65 000 000	62 000 000	55 000 000	38 000 000	85 000 000	50 000 000	53 000 000	38 000 000	50 000 000	35 000 000	35 000 000	638 000 000
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	151 314	129 985	159 633	143 441	154 058	129 763	196 122	150 289	128 003	184 054	162 781	161 951	1 851 394
Subsidies and Grants	126 509 857	3 501 000	7 540 800	-	-	106 111 200	485 000	1 109 000	75 923 023	-	-	-	321 179 880
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(150 416 592)	(104 645 991)	(93 094 578)	(59 744 486)	(37 181 296)	(157 144 401)	(73 820 784)	(67 653 160)	(79 361 555)	(81 100 193)	(34 680 880)	(50 417 240)	(989 261 156)
Salaries	(49 217 772)	(28 055 359)	(29 961 280)	(28 306 398)	(28 835 909)	(27 696 217)	(27 251 583)	(29 608 835)	(27 610 635)	(27 243 100)	(28 259 498)	(27 950 770)	(359 997 356)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(39 467 440)	(34 098 372)	(26 113 604)	(24 707 963)	-	(46 295 081)	(15 555 812)	(21 332 845)	(20 916 605)	(20 213 872)	-	-	(248 701 594)
Other Creditors	(61 731 380)	(42 492 260)	(37 019 694)	(6 730 125)	(8 345 387)	(83 153 103)	(31 013 389)	(16 711 480)	(30 834 315)	(33 643 221)	(6 421 382)	(22 466 470)	(380 562 206)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	65 176 001	30 392 918	7 997 329	4 572 283	9 844 281	45 192 567	22 752 225	10 361 926	45 622 636	16 254 001	17 306 737	6 060 696	6 060 696

5.2 Table SC6, 7(1) and 7(2) Grants received and spent for June

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual May 2024	Actual June 2024	Balance	%	Comment
RAMS	2 616 000.00	2 616 000.00	0.00	2 616 000.00	2 221 283.95	91 300.01	445 589.08	394 716.05	84.91%	Interns Stipend
FMG	1 400 000.00	1 400 000.00	0.00	1 400 000.00	1 346 593.09	461 901.55	77 098.63	53 406.91	96.19%	Interns Stipend
EPWP	1 079 000.00	1 079 000.00	0.00	1 079 000.00	1 036 764.26	104 227.20	146 991.45	42 235.74	96.09%	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	12 568 000.00	12 568 000.00	0.00	12 568 000.00	12 303 000.00	1 087 092.48	3 444 235.93	265 000.00	97.89%	Payment of salaries
DSRACH	0.00	1 540 527.00	0.00	1 540 527.00	1 918 766.51	0.00	754 474.22	-378 239.51	125%	Expenditure incurred for YDP managed by community services.
Total	17 663 000.00	19 203 527.00	0.00	19 203 527.00	18 826 407.81	1 744 521.24	4 868 389.31	377 119.19	98.04%	

5. 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.

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending June

The debtor’s book balance of the municipality as attached in annexure A is R 2 274 920 less bad debts impairment R 2 092 154 resulting to R 182 766.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
172 762	10 004	0	0	0	0	0	2 092 154	2 274 920

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of June 2024 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 25 921 034 as at end of June.

The remaining cash balance must meet operational requirements till end of June 2024, until receipt of the next equitable Share tranche due in July 2024.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 203 986 968 payable to the creditors in June 2024. An amount of R 124 557 502 is due payable to the licensing authority.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
27 138 044	15 297 994	14 823 524	0	0	0	0	146 727 406	203 986 968

c) Net Assets

Reserves

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.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are “ring-fenced” as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as “revenue” (non-cash) on the statement of financial performance. This “revenue” recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves is to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures “B,” “C1- 4,” “E”

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure “E” is Council’s cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount to R 30 194 605 outgoing payments were made to the amount of R 38 463 457. Taking into account the opening cashbook balance, this left a favorable closing balance of R 28 221 947 as end of June 2024 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator.

$$\text{The cost coverage formula} = \frac{\text{(All available cash at the end of the period in the cashbook) + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = R (25\,921\,034 + R0)$$

R 35 252 888

= 0.73 TIMES

The cost coverage of the municipality indicates 0.97 monthly fixed operating expenditure and shows that the cash flow of the municipality is favorable. Our cash formula on hand must cover at least until end of June 2024 as the next equitable share allocation is in July 2024. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2021/2022 as well as 2022/23.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share

First tranche of Equitable Share for 2023/24 amounting to R 126 391 000 was received in month of July second tranche in December amounting to R 101 084 000 and last tranche in March R 75 834 000.

Financial Management Grant (FMG):

An amount of R 1 400 000 received in month of August 2023, Expenditure incurred of R 77 099 in June, FMG Interns were involved in the following activities during the month as part of their training rotation plan:

Three interns in Supply Chain Management

The interns have attended CPMD training as part of the internship agreement with National Treasury.

Rural Roads Assets Management Grant

An amount of R2 616 000 gazetted 2023-24, first tranche of R1 831 000 in August second tranche of R 785 000 in February, Expenditure incurred of R 445 589 in June.

HIV/Aids

An amount of R12 568 000 gazette for 2023-24, an amount of R 7 540 800 was received in September and R 5 027 200 in December. Expenditure incurred for the month of June amount to R 3 444 236.

Extended Public Works Projects

An amount of R 1 079 000 is gazette, first tranche of 270 000 was received in August. Second tranche of R 485 000 received in January and last tranche of R 324 000 was received in February 2024, expenditure incurred for month of June is R 146 991.

YOUTH CENTRES (National Youth Development Agency)

An amount of R1 540 527.00 was approved for roll over on unspent fund for 2022-23 financial year, Expenditure incurred amount to R 754 474 for June.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of June.

Financial Performance

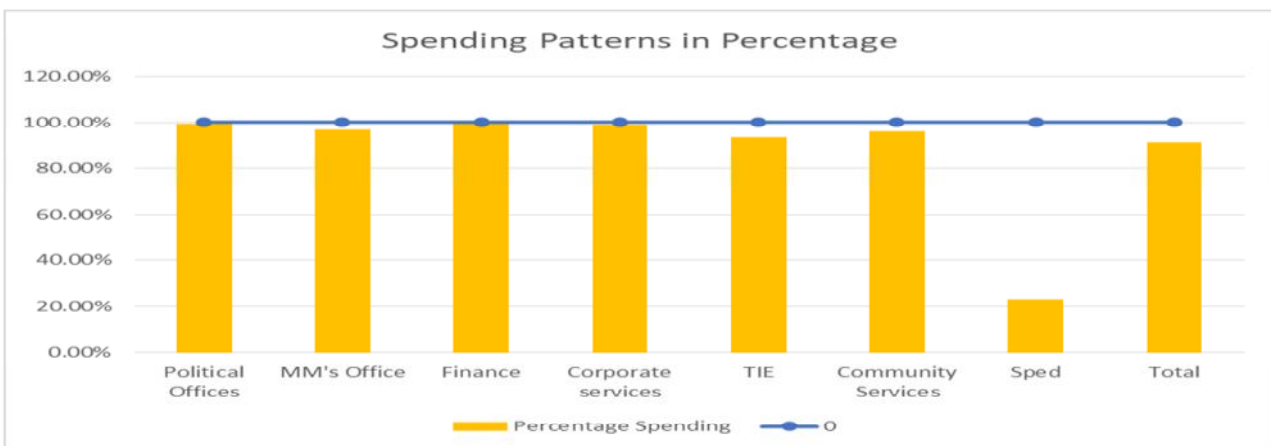
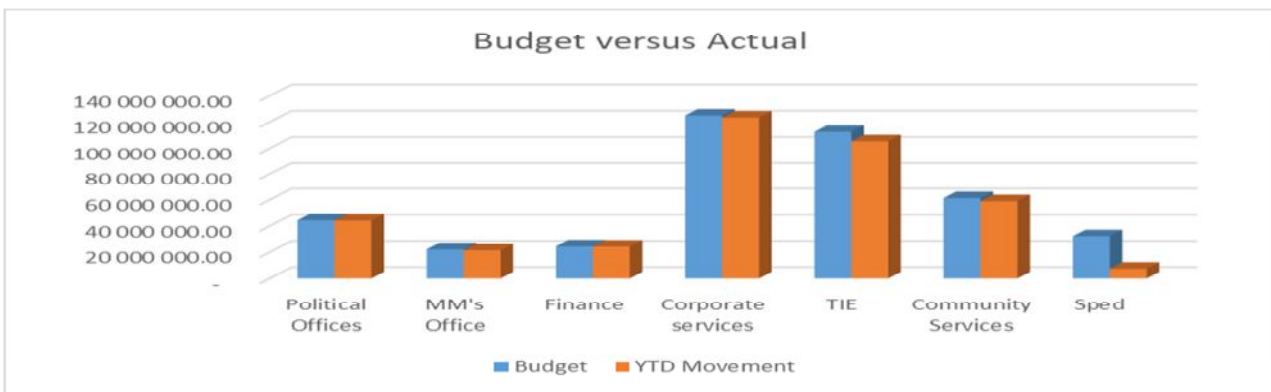
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 contributions to provisions.

“See Annexures G, H & I”

Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 17 326 322 was generated in revenue R 39 598 184 in expenditure.



a) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of June 2024 signals the 3rd month of the fourth quarter 2023/24 financial year, spending trends ought to be around 100% “Other Income” consists of income items such as, profit on sale of assets; skills levy income, tender income and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 91.20% and revenue is at 99.26% of the pro rata budget.

Intervention, measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

b) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

“Annexure H” represents the Capital expenditure and Revenue sources. Expenditure incurred for the month of June is R 77 230.

An amount of R 1 503 000 was funded internally for various moveable assets such as furniture & equipment, computers & printers and vehicles, and R 487 000 was funded from the two grant Financial Management Grant and Rural Roads Assets Management Grant for the procurement of office machinery and vehicle.

(Annexure I) The spending analysis on own fixed assets as at end of June 2024 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and Equipment	400 000	400 000	4 200	0	106 186	293 814	26.55%
Computer Equipment and Networks	100 000	100 000	55 037	0	94 916	5 084	94.92%
New Ict Equipment	800 000	1 300 000	17 993	0	614 461	685 539	76.81%
Machinery and Equipment	500 000	0	0	0	0	0	0.00%
Capital Expenditure On New Ict Equipment							
Finance	120 000	120 000	0	0	104 994	15 006	87.50%
RRAMS ICT Equipment	122 000	152 000	0.00	0	132 600	19 400	87.24%
RRAMS Vehicles	245 000	215 000	0	168 893	0	46 107	78.55%
Total	2 287 000	2 287 000	77 230	168 893	1 053 157	1 064 950	47%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock takes place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2023 to June 2024, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programed based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

"A"	–	Debtors Age Analysis
"B"	–	Investment Schedule
"C"	–	Bank Reconciliations
"D"	–	Creditors Age Analysis
"E"	–	Cash Flow Statement
"F"	–	Grants Allocation and Expenditure
"G"	–	Operating Revenue and Expenditure
"H"	–	Capital Expenditure and Revenue Source
"I"	–	Capital Projects Progress
"J"	–	MFMA Compliance

RECOMMENDATION

THAT the financial management report as at the end June 2024 as per attach as annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.