



## provincial treasury

Department:  
Provincial Treasury  
North West Provincial Government  
Republic of South Africa

Second Floor, Garona Building, Mmabatho  
Private Bag X2060  
MMABATHO 2735  
[www.treasury.nwpg.gov.za](http://www.treasury.nwpg.gov.za)

Enquiries: M J Nengovhela

Tel: 018 388 2142

Fax:

Email: [iramathhape@nwpg.gov.za](mailto:iramathhape@nwpg.gov.za)

### OFFICE OF THE HOD

Mr. TSR Nkhumise  
Municipal Manager  
City of Matlosana  
P.O Box 99  
KLERKSDORP  
2570

Dear Mr.Nkhumise

#### **2020-2021 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET ASSESSMENT REPORT FOR CITY OF MATLOSANA LOCAL MUNICIPALITY.**

##### **1. PURPOSE**

To provide feedback on the outcomes of 2020-2021 Medium Term Revenue and Expenditure Framework (MTREF) budget assessment for City of Matlosana Local Municipality.

##### **2. BACKGROUND**

Section 16(2) of the Municipal Finance Management Act (MFMA) prescribes that the Executive Mayor of the Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year. The requirements of Section 22(b)(i) of the MFMA are that, immediately after an annual budget is tabled in a Municipal Council, the Accounting Officer of the municipality must submit the annual budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury.

When preparing the annual budget, the Executive Mayor of a municipality must consult the relevant Provincial Treasury in terms of Section 21(2)(d)(iii) of the MFMA, the Provincial Treasury must conduct an assessment of the tabled annual budget and, in compliance to Section 23 of the MFMA, the Municipal Council must consider any views of the Provincial Treasury and the Municipal Council must give the Executive Mayor an opportunity to respond to the submissions and if necessary, to revise the budget and table amendments for consideration by the Municipal Council.



## **2020-2021 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET ASSESSMENT REPORT FOR CITY OF MATLOSANA LOCAL MUNICIPALITY.**

### **3. OBSERVATIONS**

Following are the key matters identified from assessment of the 2020/2021 Medium Term Revenue and Expenditure Framework budget of City of Matlosana Local Municipality;

- The municipality anticipated collection rate has been revised to 60% in order to account to for anticipated low revenue collections stemming from impact of COVID-19
- The revised collection rate indicates that the Municipality will experience an over-trading of R244 million. The over-trading coupled with the anticipated negative opening balance of R10.8 million results in a net closing deficit of R255 million
- Creditors balance as per 2018/19 Annual Financial Statements have been reduced by R460 million that the municipality provided to pay towards creditors in 2019/20, a further reduction of R230 million for 2020/21 has been considered and that resulted in creditors closing balance of R611 million
- Other Provisions has been anticipated at R21 million based on the audited outcomes.
- The Municipality anticipates a Cash and Investments of a deficit R255 million with financial commitments and obligations of R258 million. This indicates that the Municipality will be having a shortfall of R513 million in the 2020/21 budget year.

### **4. CONCLUSION**

The 2020-2021 Medium Term Revenue and Expenditure Framework (MTREF) budget is **UNFUNDED** and **UNSUSTAINABLE** as indicated above. The Municipality is therefore directed as follows in order to address the Unfunded position.

- The Municipality must implement expenditure cuts to ensure that the current year Cash Flow Statement reflects a surplus
- Creditors exceed available cash and an investment, meaning the Municipality is unable to service the financial obligations as they are due and payable. The Municipality is therefore directed to develop and implement a Financial Plan which will address the unfunded position.
- The budget of the Municipality must clearly demonstrate how the impact and pressures of COVID-19 will be addressed.
- The Municipality must implement strict Cost Containment processes in order to ensure cash flow and expenditure management.

### **5. RECOMMENDATIONS**

- Revenue items must be revised to ensure that only revenue that is realistically anticipated to be collected is included in the budget.
- Anticipated expenditure must be less than or to the maximum of revenue that is realistically anticipated to be collected, to ensure that at least the Cash Flow budget is funded
- Municipal Council must develop and implement a credible Financial Plan that will ensure that all creditors are eliminated in the long-term and the budget is eventually funded.
- Municipal Council is encouraged to develop and implement Business Continuity measures to ensure that there is sufficient response to impact of COVID-19 and other unforeseen future disasters
- Budget Steering Committee, led by the Executive Executive Mayor, must exercise oversight over the entire budget preparation, implementation and management process.
- The Executive Mayor of City of Matlosana Local Municipality, assisted and supported by the Municipal Manager must ensure that all matters raised in this assessment report are


**2020-2021 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET ASSESSMENT REPORT FOR CITY OF MATLOSANA LOCAL MUNICIPALITY.**

sufficiently and adequately addressed and responded to prior to presentation of the final budget to Municipal Council for approval.

- The Executive Mayor of City of Matlosana Local Municipality must ensure that a response together with all the supporting information addressing all the matters raised in this assessment report reaches the Provincial Treasury on or before **Wednesday, 24 June 2020**.
- The above response must be accompanied by the final budget that the Executive Mayor will be presenting to Municipal Council for approval.

North West Provincial Treasury remains committed to supporting and capacitating Municipalities in executing their financial management processes.

Sincerely yours,



**Mr NI Kunene**  
**Head of Department**

DATE: 27/04/2020