

CITY OF MASVINGO

MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE FINANCE AND GENERAL PURPOSES COMMITTEE HELD IN THE COMMITTEE ROOM, MUNICIPAL OFFICES ON WEDNESDAY, 19 APRIL 2023 AT 5.10 P.M.

PRESENT: Councillor B. Beta (Chairman)
His Worship the Mayor (Councillor C. Maboke)
Alderman S. Maridza
Councillor A. Chiteme

IN ATTENDANCE: Mr. M. Mabharani – Local Governance Student

OFFICIALS: Town Clerk
Chamber Secretary
Acting Director of Housing and Social Services
Acting Chief Environmental Health Officer
Chief Internal Auditor
Senior Accountant
Committee Officer

153. CONFIRMATION OF MINUTES

RESOLVED

THAT the minutes of the meeting held on 21 March 2023 be taken as read, confirmed as correct records and signed.

*Moved by Alderman S. Maridza
Seconded by Councillor A. Chiteme*

154. REPORT OF THE FINANCE DIRECTOR

A. FINANCIAL PERFORMANCE

Consideration was given to the report of the Finance Director on the financial performance of Council. The report covered bills raised for the month of March 2023, revenue category and collected amounts and the percentage of billed amount to collections made, strategies for enhancing revenue collection, expenditure incurred including recurrent and capital expenditure.

i) Revenue

It was reported that the total cumulative revenue for the first quarter up to 31 March 2023 amounted to ZWL\$ 2,910,322,860.56 which represents 73% and 39% of amounts billed and budgeted respectively. The total revenue realized constituted 54% of the budgeted revenue for the month amounting to ZWL\$7,370,129,469.59 adjusted for exchange rate movements as per the approved budget.

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The Finance Director highlighted that the total cumulative revenue collected for the two months to 28 February 2023 amounted to ZWL\$1,709,288,275 which represents 63.4% and 56% of amounts billed and budgeted respectively. The sources of revenue for the month being 32% from services rendered, sales and tariffs 38%, fees, penalties and licenses constituting 25%.

ii) Measures to improve revenue collection efficiency

On measures to improve revenue collection efficiency to finance service delivery, the Finance Director reported that a smart meter reading solution was being acquired which would enhance billing efficiency. It was further highlighted that out of 2,998 metered properties in the central business district and low density residential areas, 1044 properties had non-functional meters which translates to 34.8%. In Mucheke Suburb 34.3% of 3,115 water meters were non-functional. In Chesvingo Suburb out of 8,722 metered properties, 1888 (21%) of water meters were non-functional. In Rujeko Suburb out of 3,602 properties, 1468 meters were not operating (40.8%) bringing the total non-functional water meters in to 29% for the 18,437 properties.

The Finance Director reported that Council was engaging Residents Associations prior to launch of the water meter replacement campaign/programme. It was highlighted that Central Government was being engaged to settle government debts. It was noted highlighted that preparations were at an advanced stage to compile all the potential revenue to be realised from the recently crafted by laws for consolidation and coming up with databases for each revenue source to facilitate collection. The report was noted.

iii) Expenditure

The Finance Director reported that the total expenditure for the first quarter up to end March 2023 was ZWL\$ 2,770,254,448.44 representing 38% of budgeted expenditure. The Committee noted the distribution of expenditure for the period under review with employment costs and general expenses taking the bigger chunk respectively. The Finance Director highlighted the need to reduce expenditure relating to travel and subsistence. It was reported that the net salaries bill increased by 6.2% from the previous month. The total overtime payments for the month and need to reduce overtime claims was deliberated. On statutory deductions, the Finance Director reported that payment plans were negotiated with creditors for amounts outstanding as follows;

ITEM	AMOUNT (ZWL\$)
ZIMRA (PAYE & AIDS LEVY)	163,755,949.41
NSSA	30,910,062.58
LAPF (Pension contributions)	147,571,563.14
ZIMDEF (Manpower Development Levy)	29,562,437.80
Standards Development Levy	17,039,815.94
TOTAL	379,039,815.94

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iv) Cashbook and cashflow projections

The report of the Finance Director on the cashbook balances and cashbook projections was noted.

v) Capital expenditure

The report of the Finance Director on capital expenditure for the month under review was noted. Total capital expenditure for the month amounted to ZWL 28,051,488.65 with cumulative capital expenditure up to 31 March 2023 amounting to \$ 73,946,298.04.

On prepaid parking activities it was reported that ZWL\$28,371,542.00 was realised from the sale of 26 735 discs and penalties amounting to ZWL\$1,175,900. It was reported that the Prepaid Parking Section was understaffed operating with 19 Marshalls and two substantive Supervisors. The report was noted.

vi) Devolution

The Committee noted the projects being implemented under devolution funding.

vii) Debtors and debt collection (receivables and Management

The Committee considered the report of the Finance Director on debtors and debt collections (receivables and management) for the month of March 2023. Debtors balances as at 31 March 2023 amounted to ZWL\$3,979,544,447.45 and increase of 15% from the February 2023 balance.

A total of ZW\$ 1,056,450,005.77 was collected against a total billing of ZWL\$1,275,283,349.36 translating to a collection efficiency of 84.03% as compared to 54.06% realised on February 2023. The increase in collections was attributed to payments from various government departments and enforcement of licensing and water disconnections at defaulting premises. Government debt amounted to 28% of all debtors.

viii) Stores and Asset Management

The Committee noted the report of the Finance Director on stores and stores management covering the stock levels of critical items such as fuels, water treatment chemicals and oils.

ix) Payables (creditors) Management

The report of the Finance Director on creditors as at 31 March 2023 was considered.

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It was noted that the Zimbabwe Electricity Distribution Company (ZETDC) had taken the City of Masvingo to the Commercial Court over non-payment of electricity bills. It was reported that Council lawyers had been engaged and instructed to submit a payment plan that is linked to payment of Government debts to ensure continued provision of services.

x) Asset Management and Insurance

It was reported that the tenders for the provision of insurance services had been submitted to the Procurement Regulatory Authority of Zimbabwe (PRAZ) for review and in the meantime an extension of contract was effected for a quarter with Zimbabwe Insurance Brokers (ZIB) to provide services pending finalisation of the tenders for provision of insurance cover.

xi) Taxation and statutory Insurance

The report of the Finance Director on taxation and statutory insurance covering balances and payments for Pay as you Earn (PAYE), Value Added tax (VAT), Presumptive Tax and Withholding tax up to 31 March 2023 was noted. It was reported that the total outstanding debt as at 31 March 2023 was ZWL \$ 79 293 436.76 and USD 14,616.96. The Finance Director reported that the Ministry of Finance was being pursued for a set off arrangement. A daily stop order facility had also been agreed with the Local Authorities Pension Fund (LAPF).

B. LITIGATION BY THE ZIMBABWE ELECTRICITY TRANSMISSION AND DISTRIBUTION COMPANY (ZETDC) OVER NON-PAYMENT OF ELECTRICITY BILLS.

The Committee gave consideration to the detailed report of the Director of Finance on the litigation initiated by the Zimbabwe Electricity and Distribution Company (ZETDC) at the Commercial Court over non-payment of electricity bill by the City of Masvingo amounting to ZWL \$ 205 million as at 27 February 2023.

It was reported that the Court had ordered in a pre-trial conference that the two parties sit down and agree on the way forward thus submit which matters should be taken up for trial. It was reported that the first meeting had been held on 4 April 2023 in Harare where Council indicated that it could afford to pay ZWL \$ 15 million per week and increase the payment at a point if it received any funds from Central Government for Government Debts.

ZETDC on the other hand insisted that the City of Masvingo should settle in full the amount owed of ZWL \$ 205,000,000 with immediate effect and honour all current bills. ZETDC alternatively proposed that that the outstanding bill be converted to the USD equivalent at the auction rate and the payment be effected at the prevailing auction rate at the time of payment.

It was noted that appeals had been sent to various government departments to pay off their obligations such that Council could settle its debts. The Finance Director provided an analysis of the various options available to Council to settle the matter as follows;

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Option 1: Settle the Debt at all costs

In order for Council to meet this condition demanded by ZETDC that Council should immediately settle its debt Council would have to forego all expenditure and focus solely to the payment of the debt though at the expense of service delivery. This option would only be feasible if Government debts are settled.

Option 2: Convert the Debt to USD and negotiate for a longer payment method.

It was reported that option 2 was feasible on condition that Government Departments would be settling their bills as they become due. The disadvantage of the proposal to rebase the debt in foreign currency was that the debt would continue to rise whilst Council revenue remained static as Council could not equally convert its debtors to USD denomination thus Council was likely to default on such a payment plan.

Option 3: Negotiation with ZETDC for a longer payment period.

Given the two scenarios above, the Committee noted that the only feasible solution was for Council to negotiate with ZETDC for a longer payment period whilst pushing Government to settle its debts. In light of the above, Council in its wisdom recommended that deliberate action plans be put in place to reduce expenditure and focus resources on critical service delivery mandates.

The Committee also recommended that Council legal representatives and officials be instructed to negotiate with ZETDC for longer payment periods to settle the debt in anticipation of increased inflows from Treasury. The need to maintain infrastructure and focus on critical service delivery projects was highlighted.

RESOLVED TO RECOMMEND

1. THAT the Finance Director be instructed to reduce expenditure to focus on critical service delivery mandates and maintenance of key infrastructure.
2. THAT Council authorises its legal representatives and officials to negotiate for flexible payment terms with ZETDC over the settlement of the electricity debt amounting to ZWL 205 million as at 27 February 2023 whilst making representations to Treasury to settle Government Departments' debts to Council.

C. Adoption of Report

RESOLVED TO RECOMMEND

THAT the report of the Finance Director be approved and adopted subject to the resolutions passed in relation thereto.

155. REPORT OF THE ACTING DIRECTOR OF HOUSING AND SOCIAL SERVICES

A. LIQUOR SECTION REPORT

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The report of the Acting Director of Housing and Social Services on the Liquor Section for the month of March 2023 for the three outlets covering sales by brand, profit and appropriations was noted. It was reported that the outlets reported a net profit of ZWL 1,392,604.97.

B. Adoption of Report

RESOLVED TO RECOMMEND

THAT the report of the Acting Director of Housing and Social Services be approved and adopted subject to the resolution passed in relation thereto.

[The Committee agreed to consider the report of the Town Clerk which had not been included on the original Agenda.]

156. REPORT OF THE TOWN CLERK

A. FIXING OF TRAVEL AND SUBSISTENCE ALLOWANCE FOR THE 2023 TRADE FAIR

Consideration was given to the report of the Town Clerk on the fixing of travel and subsistence allowance for the attendance of the 2023 Zimbabwe International Trade Fair to be held in Bulawayo to be held from 24-29 April 2023.

It was reported that the following allowances were adopted in the 2022 Trade Fair;

	Amount (USD at Interbank Rate)
Breakfast	120
Lunch	120
Dinner	120
Accommodation	350
Travel and Subsistence	15

The report of the Town Clerk provided the financial implications of adopting the 2022 travel and subsistence rates.

The Town Clerk reported that the total cost for a delegation consisting of nine Councillors, 5 exhibitors and three Senior Officers was ZWL 44,631,250.18 excluding costs for the Town Clerk and Mayor. Councillors and three Officials would attend the fair for only one day as a cost cutting measure.

The Town Clerk reported that the above costs were too high in light of the current financial obligations given that Council was in default of PAYE, VAT, NSSA and other critical consumables. It was reported that Council was also on the verge of failing to pay for salaries owing to the economic challenges and low revenue collection trend.

The Town Clerk had recommended that Councillors share transport as a cost cutting measure excluding the Deputy Mayor and that the proposed budget of ZWL 44,631,250.18 be adopted. The Committee adopted the report of the Town Clerk

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subject to Councillors being paid 50% Mileage claims on Automobile Association of Zimbabwe (AA) Rates for use of own vehicles to attend the fair for one day and the balance of the mileage paid in due course.

RESOLVED TO RECOMMEND

1. THAT Council adopts the budget for the attendance of the 2023 Zimbabwe International Trade Fair (ZITF) Exhibitions to be held in Bulawayo for the period 24-29 April 2022 at a total cost of ZWL 44,631,250.18 being travel and subsistence for eight officials and nine Councillors excluding the Town Clerk and Mayor, it being noted that as a cost cutting measure, Councillors would attend the fair for one day.

2. THAT Council adopts the 2022 travel and subsistence rates for the 2023 Zimbabwe International Trade Fair (ZITF) Exhibitions as follows it being noted that the allowances will be paid at the prevailing interbank rate;

	(USD)
• Breakfast	120
• Lunch	120
• Dinner	120
• Accommodation	350
• Travel and Subsistence	15

3. THAT Councillors attending the 2023 Zimbabwe International Trade Fair (ZITF) Exhibitions be paid 50% Mileage claims based on Automobile Association of Zimbabwe (AA) Rates for use of own transport to attend the fair for one day and the balance of the mileage paid in due course.

B. Adoption of Report

RESOLVED TO RECOMMEND

THAT the report of the Town Clerk be approved and adopted subject to the resolution passed in relation thereto.

The meeting ended at 6.00 p.m

CONFIRMED THIS

DAY OF

2023

CHAIRMAN

TOWN CLERK

