

# **Kannaland Municipality**



## **Section 52 Report Quarter October- December 2019**

**In-Year Report of the Municipality. Prepared in terms of the Local Government: Municipal Finance Management Act (56/2003):  
Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 July 2009.**

# Contents

Glossary iii

1	Legislative Framework .....	1
2	Mayor’s Report .....	4
3	Budget Summary.....	5
3.1	Operating Revenue and Expenditure.....	7
3.1.1	Operating Revenue .....	8
3.1.2	Operating Expenditure.....	8
4	Statement of Financial Position .....	10
5	Cash Receipts and Payments .....	12
6	Debtor Age Analysis .....	14
6.1	Chart of aged debtors age analysis – Current year actuals vs. prior year audited outcome..	15
7	Creditors Age Analysis.....	17
7.1	Chart of creditors expressed proportionately to the total amount owed.....	18
8	Conditional Grants Transferred and Expenditure.....	19
9	Capital Revenue & Expenditure .....	21
10	Expenditure on Salaries .....	22
11	Long-term borrowing.....	24
12	ANNEXURE A .....	26
12.1	Implementation of the Supply Chain Management policy .....	26
13	ANNEXURE B: Service Delivery performance analysis .....	27
13.1	Implementation of the Performance Management .....	27

13.2 Monitoring the Performance ..... 27

13.3 Report on municipal performance..... 28

## Glossary

**Adjustments budget** - Prescribed in section 28 of the MFMA. The formal means by which a municipality September revise its annual budget during the year.

**Allocations** - Money received from Provincial or National Government or other municipalities.

**Equitable share** - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Budget** - The financial plan of the Municipality.

**Budget related policy** - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy, credit control and debt collection policy.

**Capital expenditure** - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

**Cash flow statement** - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

**DORA** - Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

**Equitable share** - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

**Fruitless and wasteful expenditure** - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

**GFS** - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

**GRAP** - Generally Recognised Accounting Practice. The new standard for municipal accounting.

**IDP** - Integrated Development Plan. The main strategic planning document of the Municipality

**MBRR** - Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

**MFMA** - Local Government: Municipal Finance Management Act (56/2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act.

**MTREF** - Medium Term Revenue and Expenditure Framework. A medium-term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

**Operating expenditure** - Spending on the day to day expenses of the Municipality such as salaries and wages.

**Rates** - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

**SDBIP** - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and Quarterly budget estimates.

**Strategic objectives** - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

**Unauthorised expenditure** - Generally, is spending without, or in excess of, an approved budget.

**Virement** - A transfer of budget.

**Virement policy** - The policy that sets out the rules for budget transfers. Virement are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

**Vote** - One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality and which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

## 1 Legislative Framework

This report has been prepared in terms of the following enabling legislation.

### **The Municipal Finance Management Act 56 of 2003**

Section 71: Quarterly budget statements

*71. (1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:*

- (a) Actual revenue, per revenue source;
- (b) actual borrowings;
- (c) actual expenditure, per vote;
- (d) actual capital expenditure, per vote;
- (e) the amount of any allocations received;
- (f) actual expenditure on those allocations, excluding expenditure on—
  - (i) its share of the local government equitable share; and
  - (ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
- (g) when necessary, an explanation of—
  - (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;

- (ii) any material variances from the service delivery and budget implementation plan; and
  - (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.
- (2) The statement must include—
- (a) a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and
  - (b) the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87 (10).
- (3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved budget.
- (4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.
- (5) The accounting officer of a municipality which has received an allocation referred to in subsection (1) (e) during any particular month must, by no later than 10 working days after the end of that month, submit that part of the statement reflecting the particulars referred to in subsection (1) (e) and (f) to the national or provincial organ of state or municipality which transferred the allocation.
- (6) The provincial treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.
- (7) The provincial treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.

#### Section 66: Expenditure on staff benefits

*66. The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure, namely—*

- (a) salaries and wages;



- (b) contributions for pensions and medical aid;
- (c) travel, motor car, accommodation, subsistence and other allowances;
- (d) housing benefits and allowances;
- (e) overtime payments;
- (f) loans and advances; and
- (g) any other type of benefit or allowance related to staff.

**Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 July 2009.**

## 2 Mayor's Report

The purpose of this report is to inform the mayor and provincial treasury of the Quarterly financial performance against the budget of the municipality for the **Second Quarter of 2019/20 financial year**. The mayor will consider all deviations and take the necessary corrective actions if needed. It should be noted that the Quarterly budget has been set at a straight-line approach (simply dividing the annual budget by twelve), which is not practical as the flow of revenue and expenditure incurred are not only cyclical but can be subject to procurement processes and other predictable factors that can cause delays or timing issues, especially during the start-up phase of capital projects.

### *Financial problems and risks facing the municipality*

Cash flow has and will for the foreseeable future be a problem, but in the short-term Kannaland Municipality has done well to meet the most pressing commitments. The municipality still experiences cash flow challenges due to constrained resources. A financial Recovery Plan is in place to mitigate this risk. The withholding of funds by the Provincial Executive has a direct impact on the municipality's ability to implement certain objectives as set out on the FRP which requires grant funding.

The municipality has submitted two business plans regarding a much needed "larger server" to address the capacity (space) shortage which carries a huge risk should the system crash in the immediate future. From an audit perspective the municipality will find itself in a very unpleasant position to say the least. Council must however take a serious stand to bring the state of affairs under the Provincial Executive's attention before potential risks will materialise

### *Other information considered relevant*

The municipality has further strengthened its workforce by making appointment of the Manager Budget and Treasury with the Accountant for MFMA reporting and reconciliation on the 1<sup>st</sup> of October 2019. These appointments have been welcomed by the Western Cape Provincial Treasury and noted by the office of the AG impact in the current audit. The Annual Financial Statement was submitted to office of the Auditor General (AG) on the **10<sup>th</sup> of OCTOBER 2019** as per council resolution. We have now official started with the audit process where in we require full support from all departments. The municipality is currently in the Audit phase from the office of the Auditor General. The AG has noted improvement in terms of outstanding Request for Information and Comaf register.

### 3 Budget Summary

WC041 Kannaland - Table C1 Monthly Budget Statement Summary - Q2 Second Quarter

Description	2018/19	Budget Year 2019/20								
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	15 549	17 117	17 117	998	10 544	8 558	1 986	23%	17 117	
Service charges	69 672	88 958	88 958	5 864	41 073	44 479	(3 406)	-8%	88 958	
Investment revenue	669	526	526	—	418	263	155	59%	526	
Transfers and subsidies	33 803	37 147	37 875	8 157	22 904	23 721	(818)	-3%	37 875	
Other own revenue	17 519	18 336	18 336	564	3 950	9 168	(5 218)	-57%	18 336	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>137 213</b>	<b>162 083</b>	<b>162 812</b>	<b>15 584</b>	<b>78 888</b>	<b>86 189</b>	<b>(7 302)</b>	<b>-8%</b>	<b>162 812</b>	
Employee costs	55 504	59 406	59 344	5 882	31 747	28 784	2 963	10%	59 344	
Remuneration of Councillors	3 323	3 277	3 277	251	1 301	1 638	(337)	-21%	3 277	
Depreciation & asset impairment	15 710	11 192	11 270	—	—	5 635	(5 635)	-100%	11 270	
Finance charges	2 921	722	722	—	202	361	(159)	-44%	722	
Materials and bulk purchases	36 457	44 282	43 967	8 062	22 105	21 983	121	1%	43 967	
Transfers and subsidies	1 899	558	558	27	27	279	(252)	-90%	558	
Other expenditure	42 266	43 518	43 286	956	5 957	21 643	(15 686)	-72%	43 286	
<b>Total Expenditure</b>	<b>158 080</b>	<b>162 954</b>	<b>162 423</b>	<b>15 178</b>	<b>61 339</b>	<b>80 323</b>	<b>(18 984)</b>	<b>-24%</b>	<b>162 423</b>	
<b>Surplus/(Deficit)</b>	<b>(20 867)</b>	<b>(871)</b>	<b>389</b>	<b>406</b>	<b>17 548</b>	<b>5 866</b>	<b>11 682</b>	<b>199%</b>	<b>389</b>	
Transfers and subsidies - capital (monetary allocations)	10 820	52 236	54 838	430	820	932	29 444	(28 512)	-97%	54 838
Contributions & Contributed assets	382	—	—	—	—	—	—	—	—	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>	<b>(16 830)</b>	<b>-48%</b>	<b>55 227</b>	
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—	
<b>Surplus/ (Deficit) for the year</b>	<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>	<b>(16 830)</b>	<b>-48%</b>	<b>55 227</b>	
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>11 618</b>	<b>52 626</b>	<b>55 972</b>	<b>1 257</b>	<b>6 976</b>	<b>26 433</b>	<b>(19 457)</b>	<b>-74%</b>	<b>55 972</b>	
Capital transfers recognised	7 016	52 236	55 482	1 257	7 016	26 188	(19 173)	-73%	55 482	
Public contributions & donations	—	—	—	—	—	—	—	—	—	
Borrowing	—	—	—	—	—	—	—	—	—	
Internally generated funds	64	390	490	—	64	245	(181)	-74%	490	
<b>Total sources of capital funds</b>	<b>7 080</b>	<b>52 626</b>	<b>55 972</b>	<b>1 257</b>	<b>7 080</b>	<b>26 433</b>	<b>(19 354)</b>	<b>-73%</b>	<b>55 972</b>	
<b>Financial position</b>										
Total current assets	(15 205)	(96 715)	(204 480)	—	114 926	—	—	—	(204 480)	
Total non current assets	(7 507)	52 626	67 164	—	7 080	—	—	—	67 164	
Total current liabilities	(5 271)	(134 040)	(262 649)	—	32 833	—	—	—	(262 649)	
Total non current liabilities	2 567	(1 157)	(2 657)	—	—	—	—	—	(2 657)	
<b>Community wealth/Equity</b>	<b>(645)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>24</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Cash flows</b>										
Net cash from (used) operating	(38 095)	15 325	20 270	888	28 983	20 272	(8 711)	-43%	20 270	
Net cash from (used) investing	(743)	(52 626)	(55 972)	—	—	(26 433)	(26 433)	100%	(55 972)	
Net cash from (used) financing	11	(720)	(720)	7	58	(360)	(418)	116%	(720)	
<b>Cash/cash equivalents at the month/year end</b>	<b>(38 829)</b>	<b>(38 022)</b>	<b>(36 422)</b>	<b>—</b>	<b>29 041</b>	<b>(6 521)</b>	<b>(35 562)</b>	<b>545%</b>	<b>(36 422)</b>	
<b>Debtors &amp; creditors analysis</b>										
	<b>0-30 Days</b>	<b>31-60 Days</b>	<b>61-90 Days</b>	<b>91-120 Days</b>	<b>121-150 Dys</b>	<b>151-180 Dys</b>	<b>181 Dys-1 Yr</b>	<b>Over 1Yr</b>	<b>Total</b>	
<b>Debtors Age Analysis</b>										
Total By Income Source	3 617	1 661	1 635	3 365	1 410	1 199	6 786	53 251	72 923	
<b>Creditors Age Analysis</b>										
Total Creditors	4 663	4 059	2 115	2 767	4 507	14 456	—	—	32 568	

## **Operating surplus /deficit**

The municipality has recorded **R835 thousand** surplus this quarter. This can be attributed to the annual property rates good performance in the second quarter.

## **Financial Performance**

### *Operating Revenue***76 percent or R33.9 million**

The municipality has generated of the budgeted revenue for the quarter which is underperformance from the first quarter of 93 percent. It has been challenging to implement our Debt Collection policies where Eskom supplies electricity which negatively affects the revenue projections.

During the second quarter, the municipality has received both operating and capital subsidies an amount of R 16 873 million from both Provincial and National Government.

### *Operating expenditure*

We have spent **95 percent or R 37 630 million** of the second quarter actuals against the second quarter year to date budget of **R 39 679 million**. We have made a big progress on expenditure on the second quarter compared to 58percent reported on first quarter.

### *Capital expenditure*

The capital expenditure to date is **R3.5 million** excluding Vat or **27 percent** of the total year to date budget for the second quarter. The second quarter has not shown much improvement from the first quarter.

### 3.1 Operating Revenue and Expenditure

WC041 Kannaland - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q2 Second Quarter

Description	Ref	Budget Year 2019/20								
		2018/19 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Revenue By Source</b>										
Property rates		15 549	17 117	17 117	998	10 544	8 558	1 986	23%	17 117
Service charges - electricity revenue		44 924	59 573	59 573	3 236	26 204	29 786	(3 583)	-12%	59 573
Service charges - water revenue		12 773	16 920	16 920	1 489	7 863	8 460	(597)	-7%	16 920
Service charges - sanitation revenue		6 174	6 271	6 271	581	3 573	3 136	437	14%	6 271
Service charges - refuse revenue		5 801	6 193	6 193	558	3 433	3 097	337	11%	6 193
Service charges - other		—	—	—	—	—	—	—	—	—
Rental of facilities and equipment		533	956	956	41	269	478	(209)	-44%	956
Interest earned - external investments		669	526	526	—	418	263	155	59%	526
Interest earned - outstanding debtors		49	5 622	5 622	2	9	2 811	(2 802)	-100%	5 622
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		15 314	8 928	8 928	417	2 345	4 464	(2 119)	-47%	8 928
Licences and permits		173	160	160	11	102	80	22	28%	160
Agency services		828	1 010	1 010	—	420	505	(85)	-17%	1 010
Transfers and subsidies		33 803	37 147	37 875	8 157	22 904	23 721	(818)	-3%	37 875
Other revenue		622	1 660	1 660	93	805	830	(25)	-3%	1 660
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>137 213</b>	<b>162 083</b>	<b>162 812</b>	<b>15 584</b>	<b>78 888</b>	<b>86 189</b>	<b>(7 302)</b>	<b>-8%</b>	<b>162 812</b>
<b>Expenditure By Type</b>										
Employee related costs		55 504	59 406	59 344	5 882	31 747	28 784	2 963	10%	59 344
Remuneration of councillors		3 323	3 277	3 277	251	1 301	1 638	(337)	-21%	3 277
Debt impairment		25 922	14 077	14 077	3	73	7 038	(6 965)	-99%	14 077
Depreciation & asset impairment		15 710	11 192	11 270	—	—	5 635	(5 635)	-100%	11 270
Finance charges		2 921	722	722	—	202	361	(159)	-44%	722
Bulk purchases		35 483	40 200	40 200	7 934	21 345	20 100	1 245	6%	40 200
Other materials		974	4 082	3 767	128	760	1 883	(1 123)	-60%	3 767
Contracted services		7 849	15 531	16 956	477	2 702	8 478	(5 777)	-68%	16 956
Transfers and subsidies		1 899	558	558	27	27	279	(252)	-90%	558
Other expenditure		8 200	13 911	12 253	476	3 182	6 126	(2 944)	-48%	12 253
Loss on disposal of PPE		295	—	—	—	—	—	—	—	—
<b>Total Expenditure</b>		<b>158 080</b>	<b>162 954</b>	<b>162 423</b>	<b>15 178</b>	<b>61 339</b>	<b>80 323</b>	<b>(18 984)</b>	<b>-24%</b>	<b>162 423</b>
<b>Surplus/(Deficit)</b>		<b>(20 867)</b>	<b>(871)</b>	<b>389</b>	<b>406</b>	<b>17 548</b>	<b>5 866</b>	<b>11 682</b>	<b>0</b>	<b>389</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		10 820	52 236	54 838	430	932	29 444	(28 512)	(0)	54 838
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (in-kind - all)		382	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>			<b>55 227</b>
Taxation		—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) after taxation</b>		<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>			<b>55 227</b>
Attributable to minorities		—	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>			<b>55 227</b>
Share of surplus/ (deficit) of associate		—	—	—	—	—	—	—	—	—
<b>Surplus/ (Deficit) for the year</b>		<b>(9 665)</b>	<b>51 366</b>	<b>55 227</b>	<b>835</b>	<b>18 481</b>	<b>35 310</b>			<b>55 227</b>

### 3.1.1 Operating Revenue

The detailed Operating Revenue items are as follows:

#### **Electricity**

The Kannaland municipality supplies the following locations with electricity, Ladismith and Calitzdorp and we have generated about **78 percent or R 11 549 million** collection where we provide services which is below from the **98 percent** collection in the first quarter. However, areas that are serviced by ESKOM such Zoar and Van Wyks Dorp continue to be a challenge in terms of implementing our debt collection policy strategies and the council need to consider alternative ways of managing this problem.

#### **Water**

We have a revenue collection of **97 percent or R7 863 million** in water services in the second quarter ending December 2019 showing an improvement from the 88percent reported on first quarter. The inability to effectively implement our Debt Collection policies again is the main reason the municipality does not generate revenue optimally.

#### **Sewerage**

We have collected **125 percent R1 748 million** during the second quarter more than the **116 percent** reported in the first quarter.

#### **Refuse Removal**

The municipality collected refuse and managed to generate **105 percent or R 1 672 million** less than the first quarter performance of 114 percent collection.

### 3.1.2 Operating Expenditure

#### **Employee Related Costs**

We have spent **R16 748 million or 120 percent** on staff salaries this quarter which is slightly higher than the budget including bonuses. This is a result of the straight-line budgeting on the expenditure that divided expenditure by 12 months.

### **Remuneration of Councillors**

We have spent R 864 thousand or 105 percent of the quarterly budget on Remuneration of Councillors and this item over the budget as part of the re-allocation of expenditure.

### **Bulk Purchase**

Bulk purchase spending amounts to **R11 295 million or 110 percent** this quarter and an improvement from the first quarter of 58 percent only.

### **Contracted services**

We have spent **R1 8 million or 43 percent** on Contracted Services this quarter an improvement from the 20 percent in the first quarter, this is probably due to cash flow challenges which resulted in some of the services required to be rescheduled to later stage for contracted services.

## 4 Statement of Financial Position

WC041 Kannaland - Table C6 Monthly Budget Statement - Financial Position - Q2 Second Quarter

Description	Ref	2018/19	Budget Year 2019/20			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		1 732	–	(3 852)	11 391	(3 852)
Call investment deposits		8 289	–	–	11 600	–
Consumer debtors		(101)	(96 784)	(199 443)	72 923	(199 443)
Other debtors		(26 043)	(3 326)	(7 661)	18 778	(7 661)
Current portion of long-term receivables		(5)	–	–	–	–
Inventory		924	3 395	6 476	233	6 476
<b>Total current assets</b>		<b>(15 205)</b>	<b>(96 715)</b>	<b>(204 480)</b>	<b>114 926</b>	<b>(204 480)</b>
<b>Non current assets</b>						
Long-term receivables		–	–	–	–	–
Investments		(36)	–	–	–	–
Investment property		(211)	–	–	–	–
Investments in Associate		–	–	–	–	–
Property, plant and equipment		(7 208)	52 626	67 134	7 080	67 134
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		(52)	–	29	–	29
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		<b>(7 507)</b>	<b>52 626</b>	<b>67 164</b>	<b>7 080</b>	<b>67 164</b>
<b>TOTAL ASSETS</b>		<b>(22 712)</b>	<b>(44 088)</b>	<b>(137 316)</b>	<b>122 006</b>	<b>(137 316)</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		(566)	(437)	(873)	205	(873)
Consumer deposits		11	–	–	60	–
Trade and other payables		(4 359)	(133 603)	(261 776)	32 568	(261 776)
Provisions		(357)	–	–	–	–
<b>Total current liabilities</b>		<b>(5 271)</b>	<b>(134 040)</b>	<b>(262 649)</b>	<b>32 833</b>	<b>(262 649)</b>
<b>Non current liabilities</b>						
Borrowing		116	(1 157)	(1 157)	–	(1 157)
Provisions		2 452	–	(1 500)	–	(1 500)
<b>Total non current liabilities</b>		<b>2 567</b>	<b>(1 157)</b>	<b>(2 657)</b>	<b>–</b>	<b>(2 657)</b>
<b>TOTAL LIABILITIES</b>		<b>(2 704)</b>	<b>(135 197)</b>	<b>(265 306)</b>	<b>32 833</b>	<b>(265 306)</b>
<b>NET ASSETS</b>	2	<b>(20 008)</b>	<b>91 108</b>	<b>127 990</b>	<b>89 173</b>	<b>127 990</b>

### Assets

Cash



The financial cash flow of the municipality remains an on-going challenge that is being addressed by the implementation of the financial recovery plan in collaboration with the Provincial Treasury.

#### Call Investment Deposits

We currently have short-term investments deposits which consist of the Conditional Grants received from National Treasury. These grants are more detailed under the Grants Schedule which is Table SC06 of this report.

#### Consumer Debtors

Although the municipality has a high debt book however prospects of collecting 85 percent of this value is unlikely due to the reasons stated earlier which include areas that are serviced by ESKOM on Electricity.

#### Property, Plant and Equipment

The year to date on capital expenditure is R 7 080 million which indicates a 12 percent expenditure of the total capital budget.

#### Intangible Assets

The acquisition of Intangible Assets such as software and antivirus will only take place after we have secured a new server. We anticipate to have both assets in January 2020.

### **Liabilities**

## Current Liabilities

### Bank Overdraft

The municipality make use of overdraft facilities to the amount of R 4 million.

### Borrowings

We have a long-term financial obligation with the Development Bank of Southern Africa and currently paying R 60 thousand per month inclusive of finance charges.

### Trade and Other Payables

Due to the nature of our financial situation we are struggling to fulfil our obligations and we have been in negotiations with our creditors such as Eskom to negotiate payment plans that will suit our affordability. We have about R 6.9 million new obligations on since the beginning of the financial year.

## 5 Cash Receipts and Payments

WC041 Kannaland - Table C7 Monthly Budget Statement - Cash Flow - Q2 Second Quarter

Description	Ref	2018/19		Budget Year 2019/20						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates		5 891	(2 488)	(1 259)	931	9 078	(629)	9 707	-1543%	(1 259)
Service charges		32 617	79 153	79 421	7 108	47 379	39 711	7 669	19%	79 421
Other revenue		(5 350)	8 625	8 610	562	3 926	4 305	(379)	-9%	8 610
Government - operating		31 150	9 452	9 855	6 917	15 914	10 624	5 290	50%	9 855
Government - capital		11 439	52 136	54 588	430	13 366	30 847	(17 480)	-57%	54 588
Interest		718	6 132	6 132	2	422	3 066	(2 644)	-86%	6 132
Dividends		-	-	-	-	-	-	-	-	-
<b>Payments</b>										
Suppliers and employees		(111 233)	(136 406)	(135 797)	(15 035)	(60 873)	(67 010)	(6 137)	9%	(135 797)
Finance charges		(2 921)	(722)	(722)	-	(202)	(361)	(159)	44%	(722)
Transfers and Grants		(406)	(558)	(558)	(27)	(27)	(279)	(252)	90%	(558)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>(38 095)</b>	<b>15 325</b>	<b>20 270</b>	<b>888</b>	<b>28 983</b>	<b>20 272</b>	<b>(8 711)</b>	<b>-43%</b>	<b>20 270</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		36	-	-	-	-	-	-	-	-
<b>Payments</b>										
Capital assets		(778)	(52 626)	(55 972)	-	-	(26 433)	(26 433)	100%	(55 972)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(743)</b>	<b>(52 626)</b>	<b>(55 972)</b>	<b>-</b>	<b>-</b>	<b>(26 433)</b>	<b>(26 433)</b>	<b>100%</b>	<b>(55 972)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		11	-	-	7	60	-	60	0%	-
<b>Payments</b>										
Repayment of borrowing		0	(720)	(720)	-	(2)	(360)	(358)	99%	(720)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>11</b>	<b>(720)</b>	<b>(720)</b>	<b>7</b>	<b>58</b>	<b>(360)</b>	<b>(418)</b>	<b>116%</b>	<b>(720)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(38 827)</b>	<b>(38 022)</b>	<b>(36 422)</b>	<b>894</b>	<b>29 041</b>	<b>(6 521)</b>			<b>(36 422)</b>
Cash/cash equivalents at beginning:		(2)	-	-		-	-			-
Cash/cash equivalents at month/year end:		(38 829)	(38 022)	(36 422)		29 041	(6 521)			(36 422)

## Cash Receipts

As extensively reported earlier, the municipal cash flow position remains difficult and with the implementation of the Financial Recovery Plan we hope to turn this situation around in the near future. Provincial Treasury will be onsite on the 16<sup>th</sup> of October monitoring and evaluation of the plan.

The bank balance as at 30 December 2019 was R 6 825 105.18 and overdraft facilities of R-2 554 597.24.

The lack of revenue streams has left the municipality to be heavily dependent on Grant Funding to run its daily operations and the current national economic situation is not helping our situation.

We will keep the cash situation closely monitored and we hope to cut on unnecessary spending in order to improve our cash flow situation.

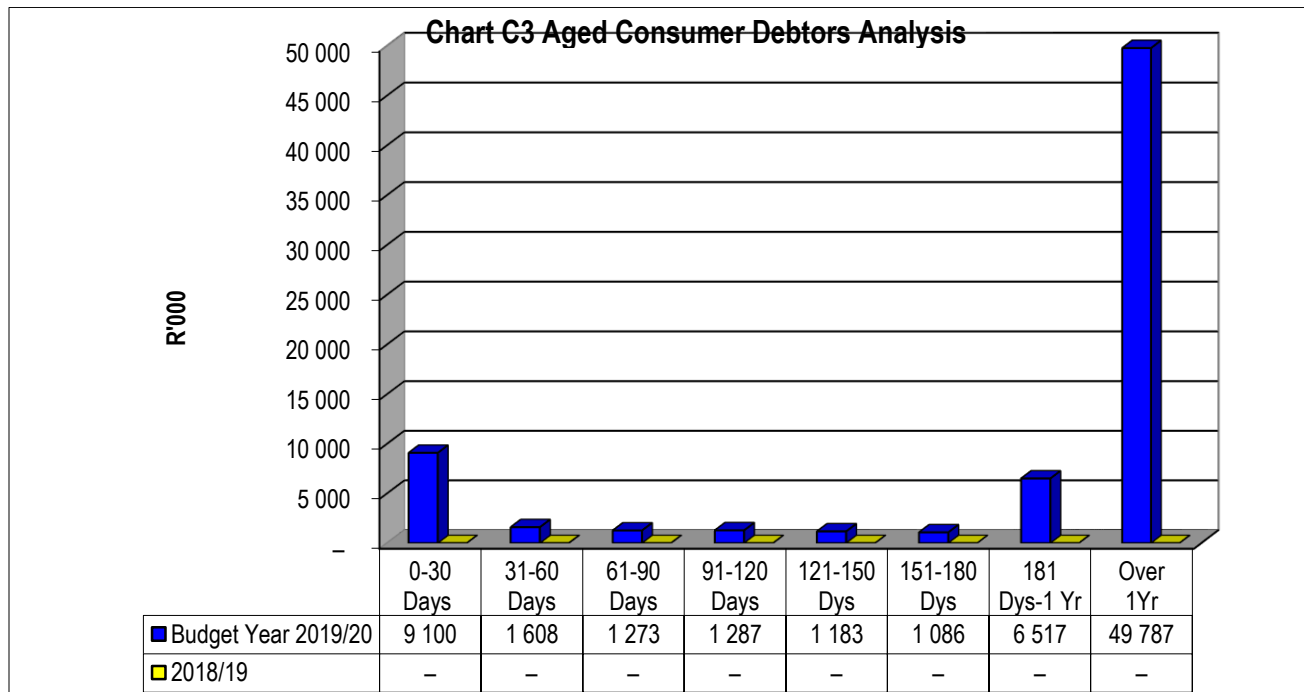
## 6 Debtor Age Analysis

WC041 Kannaland - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q2 Second Quarter

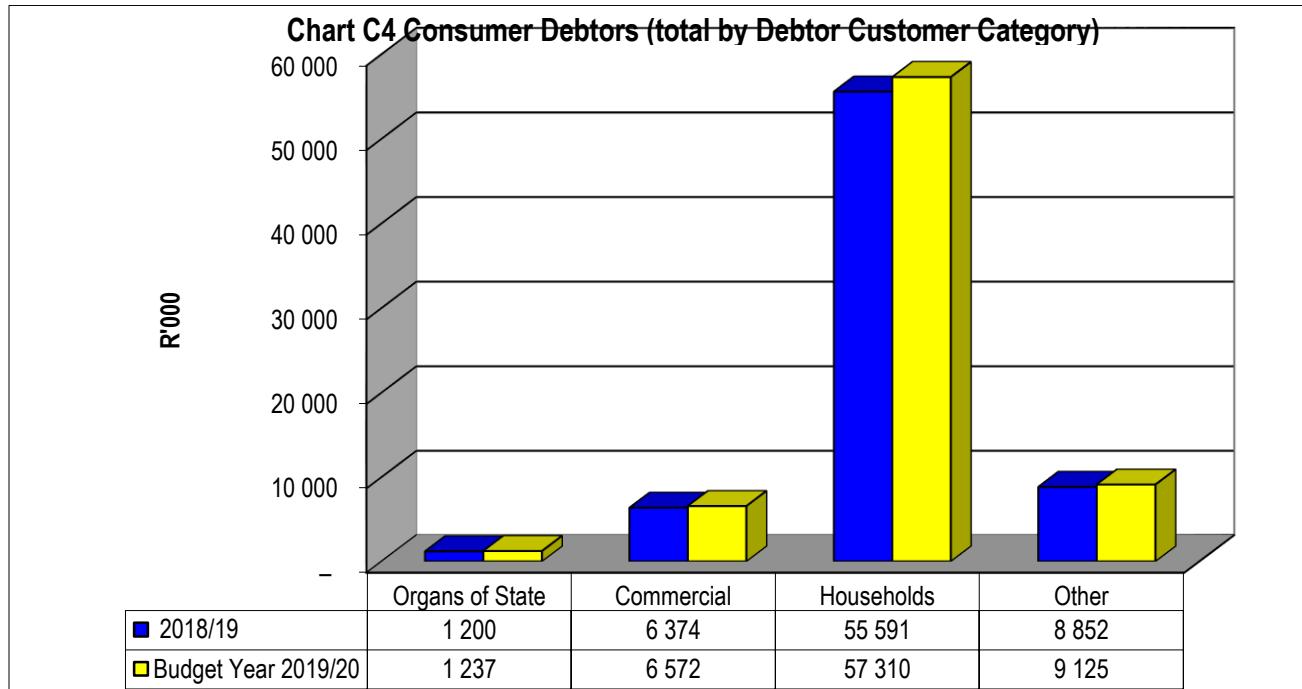
Description	NT Code	Budget Year 2019/20									Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total			
<b>R thousands</b>													
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	1 781	478	509	459	410	359	1 874	9 471	15 341	12 572	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	849	82	74	79	62	37	180	1 288	2 650	1 645	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	1 208	269	239	1 905	218	238	1 256	11 899	17 232	15 516	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	507	240	241	238	238	189	1 107	7 186	9 946	8 958	-	-
Receivables from Exchange Transactions - Waste Management	1600	1 152	441	427	506	353	268	1 549	8 152	12 849	10 828	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	24	24	24	-	-
Interest on Arrear Debtor Accounts	1810	18	25	37	81	37	41	409	13 636	14 284	14 204	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	(1 897)	125	106	97	92	68	411	1 596	597	2 263	-	-
<b>Total By Income Source</b>	<b>2000</b>	<b>3 617</b>	<b>1 661</b>	<b>1 635</b>	<b>3 365</b>	<b>1 410</b>	<b>1 199</b>	<b>6 786</b>	<b>53 251</b>	<b>72 923</b>	<b>66 011</b>	<b>-</b>	<b>-</b>
<b>2018/19 - totals only</b>													
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	(216)	30	24	817	22	11	42	442	1 170	1 333	-	-
Commercial	2300	428	103	90	222	84	77	398	1 912	3 313	2 693	-	-
Households	2400	3 692	1 399	1 400	1 692	1 204	981	5 577	43 103	59 047	52 557	-	-
Other	2500	(286)	129	122	635	100	130	769	7 794	9 393	9 429	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>3 617</b>	<b>1 661</b>	<b>1 635</b>	<b>3 365</b>	<b>1 410</b>	<b>1 199</b>	<b>6 786</b>	<b>53 251</b>	<b>72 923</b>	<b>66 011</b>	<b>-</b>	<b>-</b>

- The total amount owed to Kannaland Municipality amounted to R72.9 million during December 2019.
- R 53.2 million or 90 percent of the total outstanding debtors are older than one year.
- R 66 million or 98 percent of the outstanding debtors are outstanding for more than 90 days and are less likely to be recoverable debt.
- There has been an increase in debtors from the previous month. This increase can be contributed to increasingly difficult economic circumstances.
- The biggest concern regarding debt collection in Kannaland Municipality is the ability to collect service charges for water, refuse and sewerage in areas where electricity is not supplied by the municipality.

### 6.1 Chart of aged debtors age analysis – Current year actuals vs. prior year audited outcome



### 3.6.2 Chart of debtors age analysis per consumer category



The problematic category is households, which represent 80percent (R53 million) of the total amount of outstanding debt with a 3percent year-on-year increase.

## 7 Creditors Age Analysis

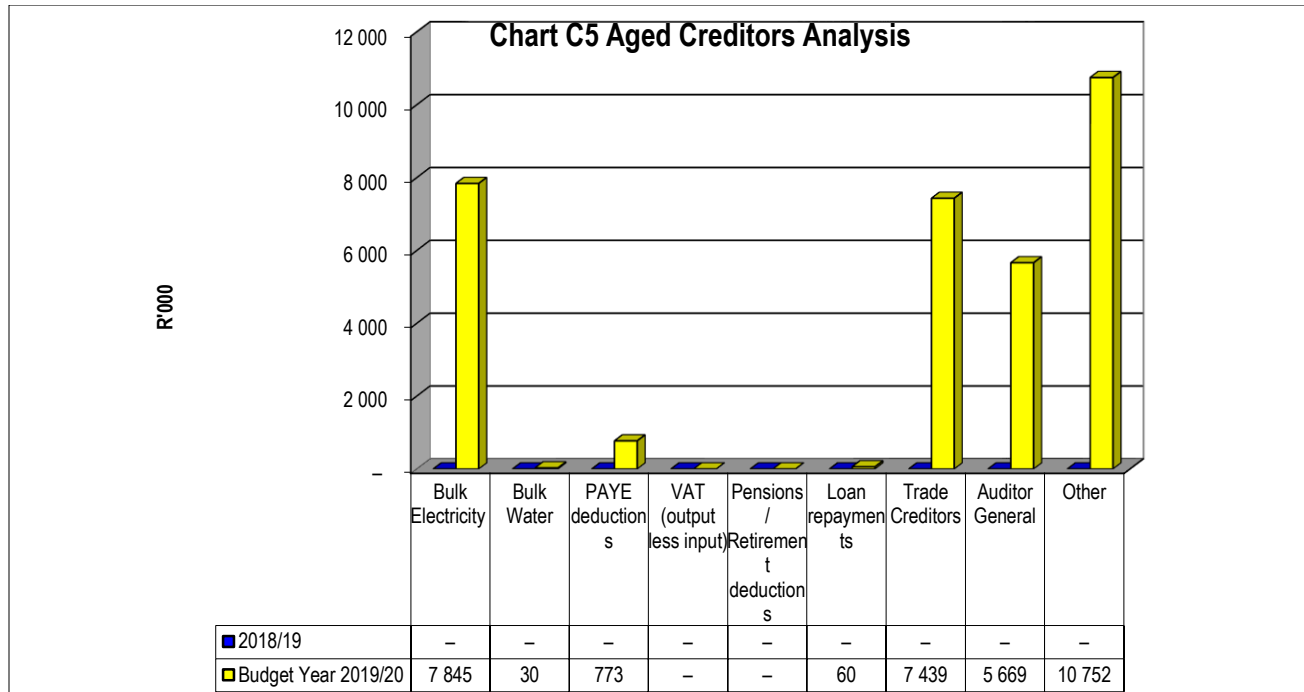
WC041 Kannaland - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q2 Second Quarter

Description	NT Code	Budget Year 2019/20								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
R thousands										
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100	3 807	2 860	1 177	-	-	-	-	-	7 845
Bulk Water	0200	30	-	-	-	-	-	-	-	30
PAYE deductions	0300	773	-	-	-	-	-	-	-	773
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	60	-	-	-	-	-	-	-	60
Trade Creditors	0700	71	368	61	73	-	6 866	-	-	7 439
Auditor General	0800	(300)	736	331	394	4 507	-	-	-	5 669
Other	0900	222	94	546	2 300	-	7 590	-	-	10 752
<b>Total By Customer Type</b>	<b>1000</b>	<b>4 663</b>	<b>4 059</b>	<b>2 115</b>	<b>2 767</b>	<b>4 507</b>	<b>14 456</b>	<b>-</b>	<b>-</b>	<b>32 568</b>

- The total outstanding creditors as at 31 December 2019 amounts to R32 568 million.
- The biggest outstanding creditors are Eskom (R7.8 million), the Auditor-General of South Africa (R5 669 million) and SARS (R773 thousand). Combined, the before mentioned, represents 60percent of all outstanding creditors.
- The Eskom bulk account is in arrears to the amount of R 7.8 million.

The outstanding trade creditors continue to have a negative influence on service delivery and the ability to fully comply to supply chain management regulations. Creditors are owed money for extended periods of time and this is causing a reluctance to quote and take part in competitive bidding processes. Pressure on cash flow is increasing with long outstanding creditors demanding settlement.

## 7.1 Chart of creditors expressed proportionately to the total amount owed





## 8 Conditional Grants Transferred and Expenditure

WC041 Kannaland - Supporting Table SC7(1) Monthly Budget Statement - transfers and grant expenditure - Q2 Second Quarter

Description	Ref	2018/19	Budget Year 2019/20							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>EXPENDITURE</b>										
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		11 174	25 442	24 341	1 959	11 174	12 158	(984)	-8,1%	24 341
Operational Revenue:Gener		9 552	21 611	20 509	1 855	9 552	10 242	(690)	-6,7%	20 509
Expanded Public Works Pro		658	1 184	1 184	104	658	592	66	11,2%	1 184
Local Government Financial		925	2 215	2 215	–	925	1 107	(182)	-16,5%	2 215
Municipal Infrastructure Gran		39	433	433	–	39	216	(177)	-82,0%	433
<b>Provincial Government:</b>		398	3 985	5 413	61	398	1 831	(1 433)	-78,3%	5 413
Capacity Building		–	–	–	–	–	–	–	–	–
Capacity Building and Other		396	3 935	5 157	61	396	1 703	(1 307)	-76,7%	5 157
Infrastructure		1	50	30	–	1	15	(14)	-91,3%	30
Other		–	–	226	–	–	113	(113)	-100,0%	226
<b>Total operating expenditure of</b>		<b>11 572</b>	<b>29 428</b>	<b>29 754</b>	<b>2 020</b>	<b>11 572</b>	<b>13 989</b>	<b>(2 417)</b>	<b>-17,3%</b>	<b>29 754</b>
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		6 541	47 658	50 633	782	6 541	23 764	(17 223)	-72,5%	50 633
Integrated National Electrifica		–	2 901	2 901	–	–	1 451	(1 451)	-100,0%	2 901
Municipal Infrastructure Gran		3 803	9 757	9 757	770	3 803	3 326	476	14,3%	9 757
Regional Bulk Infrastructure		–	25 000	25 000	–	–	12 500	(12 500)	-100,0%	25 000
Water Services Infrastructure		2 739	10 000	12 975	12	2 739	6 487	(3 748)	-57,8%	12 975
<b>Provincial Government:</b>		474	4 578	4 849	474	474	2 424	(1 950)	-80,4%	4 849
Capacity Building		–	–	–	–	–	–	–	–	–
Capacity Building and Other		474	1 278	1 528	474	474	764	(290)	-37,9%	1 528
Infrastructure		–	3 300	3 321	–	–	1 661	(1 661)	-100,0%	3 321
<b>Total capital expenditure of Tr</b>		<b>7 016</b>	<b>52 236</b>	<b>55 482</b>	<b>1 257</b>	<b>7 016</b>	<b>26 188</b>	<b>(19 173)</b>	<b>-73,2%</b>	<b>55 482</b>
<b>TOTAL EXPENDITURE OF TRA</b>		<b>18 588</b>	<b>81 664</b>	<b>85 236</b>	<b>3 277</b>	<b>18 588</b>	<b>40 178</b>	<b>(21 590)</b>	<b>-53,7%</b>	<b>85 236</b>

Supporting Table SC7 (1) sets out the expenditure against all grants to date while as Table SC6 sets out all grants received for this financial year.

Supporting Table SC7 (1) sets out the expenditure against all grants to date while as Table SC6 sets out all grants received for this financial year.

The following grants have been received from National Treasury:

- Equitable Share of 9.382 million
- Water Service Infrastructure Grant R 5 million
- Integrated National Electrification Program (INEP) R 1 million
- Expanded Public Work Program (EPWP) R 533 thousand

The following grants have been received from National Treasury.

- Library Grant R 958 667
- Provincial Treasury refund R 500 0000

## 9 Capital Revenue & Expenditure

<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		-	360	610	-	-	305	(305)	-100%	610
Executive and council		-	-	-	-	-	-	-		-
Finance and administration		-	360	610	-	-	305	(305)	-100%	610
Internal audit		-	-	-	-	-	-	-		-
<b>Community and public safety</b>		1 703	4 383	3 257	698	1 703	639	1 064	166%	3 257
Community and social services		-	700	700	-	-	350	(350)	-100%	700
Sport and recreation		1 228	3 105	1 979	224	1 228	-	1 228	#DIV/0!	1 979
Public safety		474	578	578	474	474	289	185	64%	578
Housing		-	-	-	-	-	-	-		-
Health		-	-	-	-	-	-	-		-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-		-
Planning and development		-	-	-	-	-	-	-		-
Road transport		-	-	-	-	-	-	-		-
Environmental protection		-	-	-	-	-	-	-		-
<b>Trading services</b>		5 377	47 883	52 105	559	5 377	25 490	(20 112)	-79%	52 105
Energy sources		322	3 345	3 345	-	322	1 673	(1 350)	-81%	3 345
Water management		4 935	26 538	30 760	439	4 935	14 817	(9 882)	-67%	30 760
Waste water management		120	18 000	18 000	120	120	9 000	(8 880)	-99%	18 000
Waste management		-	-	-	-	-	-	-		-
<b>Other</b>		-	-	-	-	-	-	-		-
<b>Total Capital Expenditure - Functional Classification</b>	3	7 080	52 626	55 972	1 257	7 080	26 433	(19 354)	-73%	55 972
<b>Funded by:</b>										
National Government		6 541	47 658	50 633	782	6 541	23 764	(17 223)	-72%	50 633
Provincial Government		474	4 578	4 849	474	474	2 424	(1 950)	-80%	4 849
District Municipality		-	-	-	-	-	-	-		-
Other transfers and grants		-	-	-	-	-	-	-		-
<b>Transfers recognised - capital</b>		7 016	52 236	55 482	1 257	7 016	26 188	(19 173)	-73%	55 482
<b>Public contributions &amp; donations</b>	5	-	-	-	-	-	-	-		-
<b>Borrowing</b>	6	-	-	-	-	-	-	-		-
<b>Internally generated funds</b>		64	390	490	-	64	245	(181)	-74%	490
<b>Total Capital Funding</b>		7 080	52 626	55 972	1 257	7 080	26 433	(19 354)	-73%	55 972

- The actual year to date capital expenditure for the second quarter amounts to R 3 5 million to which National Government allocations and own funding.
- The year-to-date (YTD) budget is not realistic as it is the start of a new financial year and before capital projects can commence, the necessary procurement processes will have to be followed. The straight-line budgeting problem, that relates to the timing of capital expenditure, is not practical or realisable and not of much use for monitoring purposes and therefore will have to be revised within an adjustment budget. Most projects are still in the start-up phase and expenditure should increase significantly within the next quarter.

## **10 Expenditure on Salaries**

**WC041 Kannaland - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - Q2 Second Quarter**

Employee and Council	Ref	Budget Year 2019/20								
		2018/19 Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands		A	B	C						D
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		2 513	2 559	2 559	195	932	1 279	(347)	-27%	—
Pension and UIF Contributions		12	52	52	—	—	26	(26)	-100%	—
Medical Aid Contributions		—	32	32	8	33	16	17	107%	—
Motor Vehicle Allowance		143	282	282	22	107	141	(35)	-25%	—
Cellphone Allowance		656	352	352	26	229	176	53	30%	—
Housing Allowances		—	—	—	—	—	—	—	—	—
Other benefits and allowances		—	—	—	—	—	—	—	—	—
<b>Sub Total - Councillors</b>		<b>3 323</b>	<b>3 277</b>	<b>3 277</b>	<b>251</b>	<b>1 301</b>	<b>1 638</b>	<b>(337)</b>	<b>-21%</b>	<b>—</b>
% increase	4		-1,4%	-1,4%						
<b>Senior Managers</b>										
Basic Salaries and Wages	3	1 145	3 120	3 120	—	1 040	1 560	(520)	-33%	—
Pension and UIF Contributions		—	—	—	—	—	—	—	—	—
Medical Aid Contributions		—	—	—	—	—	—	—	—	—
Overtime		1 644	—	—	—	—	—	—	—	—
Performance Bonus		491	273	273	90	90	137	(47)	-34%	—
Motor Vehicle Allowance		459	193	193	28	169	96	73	75%	—
Cellphone Allowance		13	—	32	—	—	16	(16)	-100%	—
Housing Allowances		—	10	10	—	—	5	(5)	-100%	—
Other benefits and allowances		2	26	50	—	—	25	(25)	-100%	—
Payments in lieu of leave		—	—	—	—	—	—	—	—	—
Long service awards		—	—	—	—	—	—	—	—	—
Post-retiremer	2	—	—	—	—	—	—	—	—	—
<b>Sub Total - Senior Managers</b>		<b>3 755</b>	<b>3 622</b>	<b>3 679</b>	<b>118</b>	<b>1 299</b>	<b>1 839</b>	<b>(541)</b>	<b>-29%</b>	<b>—</b>
% increase	4		-3,5%	-2,0%						
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		35 411	38 108	38 108	3 445	20 162	18 179	1 983	11%	—
Pension and UIF Contributions		5 300	6 823	6 823	496	2 940	3 411	(472)	-14%	—
Medical Aid Contributions		1 606	1 713	1 713	176	980	856	124	14%	—
Overtime		3 245	1 950	1 370	282	1 880	685	1 195	174%	—
Performance Bonus		2 186	—	—	643	1 757	—	1 757	#DIV/0!	—
Motor Vehicle Allowance		1 931	2 364	2 390	181	1 130	1 195	(65)	-5%	—
Cellphone Allowance		97	152	152	10	90	76	14	19%	—
Housing Allowances		291	337	337	21	119	168	(49)	-29%	—
Other benefits and allowances		933	4 337	4 773	508	1 363	2 374	(1 011)	-43%	—
Payments in lieu of leave		591	—	—	2	26	—	26	#DIV/0!	—
Long service awards		—	—	—	—	—	—	—	—	—
Post-retiremer	2	159	—	—	—	—	—	—	—	—
<b>Sub Total - Other Municipal Staff</b>		<b>51 749</b>	<b>55 784</b>	<b>55 665</b>	<b>5 764</b>	<b>30 449</b>	<b>26 945</b>	<b>3 504</b>	<b>13%</b>	<b>—</b>
% increase	4		7,8%	7,6%						
<b>Total Parent Municipality</b>		<b>58 827</b>	<b>62 683</b>	<b>62 621</b>	<b>6 133</b>	<b>33 049</b>	<b>30 423</b>	<b>2 626</b>	<b>9%</b>	<b>—</b>
<b>TOTAL SALARY, ALLOWANCE S &amp; BENEFITS</b>		<b>58 827</b>	<b>62 683</b>	<b>62 621</b>	<b>6 133</b>	<b>33 049</b>	<b>30 423</b>	<b>2 626</b>	<b>9%</b>	<b>#REF!</b>
% increase	4		6,6%	6,4%						0,0%
<b>TOTAL MANAGERS AND STAFF</b>		<b>55 504</b>	<b>59 406</b>	<b>59 344</b>	<b>5 882</b>	<b>31 747</b>	<b>28 784</b>	<b>2 963</b>	<b>10%</b>	<b>#REF!</b>

## Expenditure on employee salaries

There is also misalignment of expenditure budget with the actual expenditure for employee related costs that is ongoing for Councillors, Permanent Staff and Senior management.

## 11 Long-term borrowing

Kannaland Municipality (WC041)  
32 Church Street  
P.O. Box 30  
Ladismith 6655  
Republic of South Africa

Date: 10.09.2018

### ACCOUNT STATEMENT



Repayment Due	02.12.2019	02.12.2019	-41,712.74	0.00	-18,287.26	-60,000.00	1,738,246.85	1,738,246.85
Interest Accrual	31.12.2019	31.12.2019	0.00	18,495.09	0.00	18,495.09	1,756,741.94	1,738,246.85
Interest Capitalisation	31.12.2019	31.12.2019	0.00	-18,495.09	18,495.09	0.00	1,756,741.94	1,756,741.94

Loan 61000778	Interest Rate	Posting Date	Value Date	Capital	Interest Accrued	Interest Capitalized	Total	Balance Incl. Accruals	Balance Excl. Accruals
Repayment Due		31.12.2019	31.12.2019	-41,504.91	0.00	-18,495.09	-60,000.00	1,696,741.94	1,696,741.94

- The total outstanding long-term debt of Kannaland Municipality amounts to R1 696 741 .94 as at 31 December 2019
- A monthly instalment of R60 000 at an interest rate of 12.52percent per annum is being paid.

- For the current month the instalment amount is made up out of R19 165.74 in interest with a capital redemption amount of R40 834.26.

## **12 ANNEXURE A**

### **12.1 Implementation of the Supply Chain Management policy**

No deviations for December 2019



## **13 ANNEXURE B: Service Delivery performance analysis**

Performance management is prescribed by Chapter 6 of the Municipal Systems Act (MSA), Act 32 of 2000 and the Municipal Planning and Performance Management Regulations, 796 of August 2001. Section 7(1) of the aforementioned regulation states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the responsibilities of the different role players.” This framework, inter alia, reflects the linkage between the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP) and individual and service provider performance. Kannaland Municipality does have an approved Performance Management Framework, Policy.

### **13.1 Implementation of the Performance Management**

The IDP 2019/20 was compiled and approved by Council on 28 May 2019. Performance is evaluated by means of a municipal scorecard (Top Layer (TL) Service Delivery and Budget Implementation Plan (SDBIP) at organisational level and through the Departmental SDBIP at Departmental level. The SDBIP is a plan that converts the IDP and Budget into measurable criteria on how, where and when the strategies, objectives and normal business processes of the Municipality is implemented. It also allocates responsibilities to Departments to deliver services in terms of the IDP and Budget. The TL SDBIP was prepared and approved by the Executive Mayor on 27 June 2019.

### **13.2 Monitoring the Performance**

The municipality utilizes an electronic web-based system on which KPI owners update actual performance on a monthly basis. KPI owners report on the results of the KPI by documenting the following information on the performance system

### **13.3 Report on municipal performance**

Below is the performance of the Kannaland Municipality for the second quarter:

**QUARTER 2:**  
**Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
KPI 1	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Oversight of the financial recovery plan: progress report quarterly review	Submission of quarterly report to Council to ensure adherence to the planned targets set on a quarterly basis	4	1	1		Management report to council on the progress made on all activities within the FRP	N/A
KPI 2	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Compulsory number of general council meetings per annum	Number of general council meetings held per annum	4	1	2		Council exceeds the target by the number of meetings held	N/A
KPI 3	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Effective functioning of the committee system measured by the number of committee meetings per committee per annum	Number of sec 80 committee meetings per annum (Finance & Administration and Community & Infrastructure Services)	8	2	0		No meetings were held in this quarter	Management must and will ensure the amendment of the sdbip in terms of kpi and target setting is done concurrently with the adjustment process
KPI 4	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	The Top Layer SDBIP is approved by the Mayor within 28 days after the annual budget has been approved	Top Layer SDBIP approved within 28 days after the annual budget has been approved	1	0	N/A		This kpi is only being measured in q4	N/A
KPI 5	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Ensuring performance by the timeous development and signing of the Section 57 performance agreements in adherence to the Performance Framework	Number of signed performance agreements of Section 57 managers (not later than 31 July of each year)	3	0	N/A		This kpi is only being measured in q4	N/A
KPI 6	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Evaluate the performance of Section 57 managers in terms of their signed agreements bi-annually	Number of formal evaluations completed bi-annually	3	0	N/A		The performance reviews was only conducted for the MM for the 2017/18 financial year. The 2018/19 reviews will be concluded after audit is finalised	The municipality reported on why only the MM was evaluated.No CFO and Corporate directors was in service when the evaluations was conducted. The municipality has appointed a CFO and Infrastructure Director and will have evaluations onwards.
KPI 7	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Risk based audit plan approved by Audit Committee	Risk based audit plan approved by March annually	1	0	N/A		This kpi is only being measured in q4	N/A
KPI 8	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Functional performance audit committee measured by means of meetings where committee dealt with performance reports	Number of meetings	4	1	0		No meetings were held in this quarter	Training must be provided to the audit and performance committee in terms of legislative requirements of what is required of them. The Internal audit unit must also be establish in order to assist the audit and performance committee with pre audit reports
KPI 9	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	The % of the Municipality's capital budget spent on capital infrastructure projects identified in the IDP for the financial year	The percentage (%) or a municipality's capital budget spent on capital projects identified in the IDP for the financial year measured as the total actual Year to Date (YTD) Capital Expenditure/ Total Approved Capital Budget x 100	85%	20%	13%		Target not partially achieved	Project implementation plan to be reviewed on weekly basis

**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
KPI 10	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Operational conditional grant spending measured by the percentage (%) spent	Percentage (%) of the of operational conditional grant spent	95%	30%	38%		Target not partially achieved	Project implementation plan to be reviewed on weekly basis
KPI 11	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Capital conditional grant spending measured by the percentage (%) spent	Percentage (%) of the capital conditional grant spent	95%	55%	13%		Target not partially achieved	Project implementation plan to be reviewed on weekly basis
KPI 12	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Review and prioritisation of risk register	Submit to Council reviewed and prioritised risk register by February annually	1	0	N/A		N/A	N/A
KPI 13	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Establish an internal audit unit as required in terms of section 165 of the MFMA	Effectively functioning of internal audit unit that advises the municipal manager and reports to the audit committee on the implementation of the internal audit plan and related matters	1	1	0		This target must be properly given attention to as it will improve audit checks	The municipality must budget and appoint or enter in agreement with the district for shared services
KPI 14	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	IDP reviewed and approved by Council before the end of May	IDP approved by Council before the end of May annually	1	0	N/A		N/A	N/A
KPI 15	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Submit final Annual Report and oversight report of council before legislative deadline	Final Annual Report and oversight report completed and submitted to Council for approval by 31 March each year	1	0	N/A		N/A	N/A
KPI 16	Office of the Municipal Manager	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Compilation of IDP & Budget process plan for approval by end August annually	IDP and Budget process plan approved by Council by end August annually	1	0	1		This idp and budget process plan was tabled to council in August 2019	N/A
NKPI 1	Office of the Municipal Manager	Municipal Transformation and Institutional Development	To Promote Efficient and effective Governance with high levels of stakeholder participation	The percentage (%) of appointments made in the three highest levels of management which comply with the Employment Equity Plan, measured by Number of appointments in the three highest levels of management	The percentage (%) of appointments made in the three highest levels of management approved Employment Equity Plan	25%	0	N/A		N/A	N/A
KPI 17	Office of the Municipal Manager	Municipal Transformation and Institutional Development	To promote efficient and effective governance with high levels of stakeholder participation	Develop a strategy and implementation plan to address transformation of organisational culture to ensure performance culture are adhere to for approval by Council by 30 September 2019	Strategy and action plan to achieve the desired organisational culture / performance-driven culture	1	0	N/A		N/A	N/A
KPI 18	Office of the Municipal Manager	Local Economic Development	To facilitate economic growth, social and community development	Establishment of a Public Private Partnership (Inovasure, National Treasury, COGTA, Eskom and Kannaland Municipality)	Appointment of project steering committee to ensure the process of the establishment by 31 August 2019	1	0	N/A		N/A	N/A

**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
KPI 19	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Unaudited Annual Financial Statements submitted to Auditor-General	Financial statements submitted to Auditor-General by 31 August annually	1	0	N/A		N/A	N/A
KPI 20	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	The annual budget is approved by Council by end May	Approval by Council of the annual budget before the end of May annually	1	0	N/A		N/A	N/A
KPI 21	Office of the Municipal Manager	Good Governance and Public Participation	To strive towards a financially sustainable municipality	The adjustment budget is approved by Council by the end of February annually	Approval of Adjustments Budget before the end of February annually	1	0	N/A		N/A	N/A
KPI 22	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Maintain a Year to Date (YTD) debtors' payment percentage of 86% (excluding traffic fines)	Payment percentage (%) of debtors over 12 months rolling period	78%	78%	N/A		Due to our system errors and cannot properly end off the quarter for this stats, it was unable to obtain creible information to reported on	Through inspection, it is recommended that the proper set of deadlines must be strictly set on financial reporting in order to do proper planning. In instances where errors incurred, the municipality or relevant senior manager must engage with the service provider to avoid system errors in future.
KPI 23	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Review the debt collection and credit control strategy and develop and implement initiatives to improve the cash flow	Annually review and submit the debt collection and credit control strategy for implementation of initiatives to improve the cash flow to the Mayor before end March	1	0	N/A		This target will be measured and reported on in the 3rd quarter	N/A
NKPI 2	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Financial Viability measured in terms of Cost coverage ratio for the financial year	Cost coverage ratio calculated as follows: (Available cash at particular time + investments)/ Monthly fixed operating expenditure)	1	1	1,1		This ratio is calculated and reported on the norms and standards as should be	N/A
NKPI 3	Office of the Municipal Manager	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Financial Viability measured in terms of debt coverage ratio for the financial year	Debt coverage ratio calculated as follows: (Total revenue received – Total grants)/debt service payments due within the year)	34,7%	0	77		This ratio is calculated and reported on the norms and standards as should be	N/A
KPI 24	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Compliance with GRAP to ensure effective capital asset management (PPE; Intangible; Investment Property, Biological and Heritage Assets)	Number of findings in the external Audit report on non-compliance with GRAP not exceeding 2 findings	2	0	N/A		The audit is still in process	N/A
KPI 25	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Maintaining an acceptable Long-Term Debt as a percentage of revenue as set out in the Borrowing Funds and Reserves Policy	Long Term Debt as percentage of revenue: Calculated as Total Long-term debt/Total Operating Revenue - Conditional Grants and Transfers x 100	25%	0	N/A		This is an annual target	N/A

**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
NKPI 4	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Sound financial management by maintaining an acceptable Liquidity Ratio	Liquidity Ratio: Calculated as monetary assets (Current Assets - Inventory)/ Current Liabilities	1:1	0	77		N/A	N/A
KPI 26	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Maintain a financially unqualified audit with findings opinion	Obtain an unqualified audit opinion as per the Auditor-General Report	1	1	0		Audit is still in process	Audit is still in process
KPI 27	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Establish a functional financial management and accounting system by implementing all the mSCOA reforms	Submit mSCOA implementation plan to Municipal Manager by 30 September 2019	1	0	1		Target achieved	N/A
KPI 28	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Enforce compliance to the process whereby expenditure is authorised, approved and incurred as per the approved budget and within the limits of the financial recovery plan	Conduct regular meetings between the Administrator, Implementation Manager, the CFO and the MM to review expenditure before it is incurred. (The principle of "no budget, no procurement" is applied)	5	0	5		Target achieved	N/A
KPI 29	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Ensure that business continuity matters are adhere to in terms of all ICT systems	Compile a business and action plan, including funding requirements to address the identified ICT deficiencies for submission	1	0	N/A		N/A	N/A
KPI 30	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Compile and submit cost-effective tariffs by 31 January 2020 for consideration in 2020/21 budget	Cost-reflective tariffs that cover the costs of services delivered as per legislative requirements	1	0	N/A		N/A	N/A
KPI 31	Financial Services	Municipal Financial Viability and Management	To strive towards a financially sustainable municipality	Develop and submit a capital reserve fund policy for approval by Council	Develop and approve the capital reserve fund policy	1	0	N/A		N/A	N/A
KPI 32	Corporate Services	Spatial Rationale	To strive towards a safe community in Kannaland through the proactive management of traffic , enviromental health,fire and disaster risks	Annual Review of the Disaster Management Plan by end November	Plan completed and submitted to Council for approval by end November	1	1	0		This plan will be tabled to council with the IDP	Management must and will ensure the amendment of the sdbip in terms of kpi and target setting is done concurrently with the adjustment process
KPI 33	Corporate Services	Spatial Rationale	To strive towards a safe community in Kannaland through the proactive management of traffic , enviromental health,fire and disaster risks	Development of Alien Invasive Management plan as per NEM:BA	Submission of Alien Invasive Management Plan for approval by Council by 30 November 2019	1	1	0		This plan will be tabled to council with the IDP	Management must and will ensure the amendment of the sdbip in terms of kpi and target setting is done concurrently with the adjustment process
KPI 34	Corporate Services	Spatial Rationale	To strive towards a safe community in Kannaland through the proactive management of traffic , enviromental health,fire and disaster risks	Waste disposal facilities managed according to Authorization conditions	Submit Waste Management Action Plan to Department by 31 July 2019	1	0	N/A		N/A	N/A

**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
KPI 35	Corporate Services	Basic Service Delivery	To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens	Update Human Settlement Pipeline	Reviewed Human Settlement Pipeline submitted to Council by April 2020	1	0	N/A		N/A	N/A
KPI 36	Corporate Services	Good Governance and Public Participation	To promote efficient and effective governance with high levels of stakeholder participation	Submit signed MOU for shared services regarding spatial planning to Council	MOU for shared services regarding spatial planning	1	0	N/A		N/A	N/A
KPI 37	Infrastructure Services	Basic Service Delivery	To provide adequate services and improve our public relations	Effective management of electricity provisioning systems evaluated i.t.o. electricity losses	Percentage (%) of electricity losses calculated on a twelve-month rolling period (kWh purchased minus kWh sold). Measured and reported on quarterly.	12%	12%	N/A		The revenue department could produce information due to system errors	Through inspection, it is recommended that the proper set of deadlines must be strictly set on financial reporting in order to do proper planning. In instances where errors incurred, the municipality or relevant senior manager must engage with the service provider to avoid system errors in future.
KPI 38	Infrastructure Services	Basic Service Delivery	To provide adequate services and improve our public relations	energy efficiency and hence also support mitigation of national load shedding by Eskom  (streetlight project – energy efficient project – ladismith and calitzdorp) Renewable energy plan to improve energy efficiency and hence also support mitigation of national load shedding by Eskom  (streetlight project – energy efficient project – ladismith and calitzdorp)	1. Renewable Energy Plan (REP) prepared. 2. Plan submitted to Department of Energy and other potential funders for funding. 3. Report progress quarterly on implementation milestones	4	1 Progress Report	1 Progress Report covered in Monthly Report		Target achieved	N/A
KPI 39	Infrastructure Services	Basic Service Delivery	To provide adequate services and improve our public relations	Action plan to reduce water losses – water demand management plan	Submit action plan to reduce water losses to Council by 30 September 2019	1	0	1		Phase 1 achieved - included in reports to 29 Jul Council pages 73-76. A second and more comprehensive item in agenda 27 Nov '19 pg 16-41	N/A
KPI 40	Infrastructure Services	Basic Service Delivery	To provide adequate services and improve our public relations	Effective management of water provisioning systems to minimise water losses by implementing measures to reduce water losses	Percentage (%) water losses calculated based on the methodology set out in the Department of Water Affairs – Water Balancing Report	37%	41%	N/A		The revenue department could produce information due to system errors	Through inspection, it is recommended that the proper set of deadlines must be strictly set on financial reporting in order to do proper planning. In instances where errors incurred, the municipality or relevant senior manager must engage with the service provider to avoid system errors in future.

**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
KPI 41	Infrastructure Services	Basic Service Delivery	To provide adequate services and improve our public relations	Excellent water quality measured by the quality of water as per SANS 241 criteria	Percentage (%) water samples taken of which the quality conforms to SANS 241. If 100 samples taken and 85 complies, then 85/100 = 85% compliance, which are the targets set.	85%	85%	61%		Not met - Nov results outstanding but Oct & Dec only 61%	Eskom outages and very low water levels in dams caused muddy water that worsened the situation
KPI 42	Infrastructure Services	Basic Service Delivery	To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens	Review existing maintenance plan of all infrastructure services and table to Council	Maintenance plan of all infrastructure services reviewed and tabled to Council by end December 2019 by means of the council resolution (indicate the list maintenance plans)	1	1	0		Report had been finished "on time" viz 15 Nov but there was no Council meeting in December - hence sent to Council of 30 Jan 2020	Sent to Council of 30 JAN 2020
NKPI 5	Financial Services	Basic Service Delivery	To provide adequate services and improve our public relations	Number of formal residential properties that receives piped water connected to the municipal water infrastructure network as at 30 June 2020	Number of residential properties which are billed for water services as at 30 June 2020	4914	0	N/A		This is an annual target	N/A



**QUARTER 2:  
Toplayer Service Delivery Budget Implementation Plan for 2019-2020**

TL REF	Directorate [R]	National KPA [R]	IDP Objective [R]	KPI Name [R]	Unit of Measurement	Annual Target	Q2 Target	Q2 Actual	Status	Performance Comment	Corrective Measure
NKPI 6	Financial Services	Basic Service Delivery	To provide adequate services and improve our public relations	Number of formal residential properties connected to the municipal electrical infrastructure network (excluding eskom areas) as at 30 June 2020	Number of residential properties which are billed for electricity (excluding eskom areas) as at 30 June 2020	Prepaid: 3086 Conventional 439	0	N/A		This is an annual target	N/A
NKPI 7	Financial Services	Basic Service Delivery	To provide adequate services and improve our public relations	Number of formal residential properties connected to the municipal waste water sanitation/sewerage network billed for the service as at 30 June 2020	Number of residential properties which are billed for sewerage services as at 30 June 2020	4460	0	N/A		This is an annual target	N/A
NKPI 8	Financial Services	Basic Service Delivery	To provide adequate services and improve our public relations	Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2020	Number of residential properties which are billed for refuse removal services as at 30 June 2020	4800	0	N/A		This is an annual target	N/A
NKPI 9	Financial Services	Basic Service Delivery	To provide adequate services and improve our public relations	Number of H+households with access to free basic services (as per Indigent Register) by 30 June 2020	Number of Households with access to free basic services (as per Indigent Register)	2700	0	N/A		This is an annual target	N/A
NKPI 10	Infrastructure Services	Local Economic Development	To facilitate economic growth, social and community development	Create job opportunities through the Expanded Public Works Programme (EPWP)	Number of Job opportunities created	182	60	205		Achieved well over target	n/a

**Summary of Results - Q 2**

KPI Not Yet Measured	31
KPI Not Met	6
KPI Almost Met	5
KPI Met	7
KPI Well Met	0
KPI Extremely Well Met	3
<b>Total KPIs</b>	<b>52</b>

