

Kannaland Municipality



Financial Management Report July 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.

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Glossary

Adjustments budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality July 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 monthly 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. Virements 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.

Legislative Framework

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

The Municipal Finance Management Act 56 of 2003

Section 71: Monthly 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.

3.1 Mayor's Report

The purpose of this report is to inform the mayor and provincial treasury of the monthly financial performance against the budget of the municipality for the month of July 2019. The mayor will consider all deviations and take the necessary corrective actions if needed. It should be noted that the monthly 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.

The month of October is a month where the increase in economic activity is becoming more evident and can generally be considered as the start of the season where local economic activity starts building momentum that will be maintained for the next six months. Kannaland Municipality is dependent on the financial boost provided by agricultural and industrial operations during this period in our very cyclical economy. The cash flows of these activities however will only have an impact from the end of November.

Financial problems and risks facing the municipality

The implementation of mSCOA remains one of the biggest threats to the implementation and monitoring of the budget. It is not within the financial means of Kannaland Municipality to address all mSCOA related problems in a timely manner. This had an adverse effect on meeting legislative timelines given that all reports cannot be generated from the accounting system, which require significant manual intervention in preparation. This is also having a negative impact on the implementation of the financial recovery plan as reconciliations cannot be done and the implementation of internal controls is being delayed.

Cash flow has and will for the foreseeable future be a problem, but in the short-term Kannaland has done well to meet the most pressing commitments. It is difficult during this time of the year with pressure on cash flows caused by the low profit margin on electricity during the winter months and lower economic activity. Inevitably, the municipality incurred fruitless and wasteful expenditure in the form of interest and penalties, due to its inability to pay creditors timeously as required in terms of section 65 of the MFMA.

Other information considered relevant

It should be noted that this report was compiled from all the functioning sub-systems and has not been entirely system-generated. Because of the extensive manual intervention required; this might have a negative influence on the accuracy to a certain extent, but is not expected to deviate materially from the reported figures.

3.2 Budget Summary

WC041 Kannaland - Table C1 Monthly Budget Statement Summary - M01 July

| 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 |
| R thousands | | | | | | | | | |
| <u>Financial Performance</u> | | | | | | | | | |
| Property rates | 17 001 | 17 117 | 17 117 | 5 445 | 5 445 | 1 426 | 4 018 | 282% | 17 117 |
| Service charges | 69 672 | 88 958 | 88 958 | 6 893 | 6 893 | 7 413 | (520) | -7% | 88 958 |
| Investment revenue | 669 | 526 | 526 | 112 | 112 | 44 | 68 | 156% | 526 |
| Transfers and subsidies | 34 779 | 37 147 | 38 545 | (1) | (1) | 11 778 | (11 780) | -100% | 38 545 |
| Other own revenue | 12 617 | 18 336 | 18 336 | 700 | 700 | 1 528 | (828) | -54% | 18 336 |
| Total Revenue (excluding capital transfers and contributions) | 134 738 | 162 083 | 163 481 | 13 148 | 13 148 | 22 190 | (9 041) | -41% | 163 481 |
| Employee costs | 55 327 | 59 406 | 59 406 | 5 049 | 5 049 | 4 803 | 246 | 5% | 59 406 |
| Remuneration of Councillors | 2 866 | 3 277 | 3 277 | - | - | 273 | (273) | -100% | 3 277 |
| Depreciation & asset impairment | 1 331 | 11 192 | 11 192 | - | - | 933 | (933) | -100% | 11 192 |
| Finance charges | 612 | 722 | 722 | 27 | 27 | 60 | (34) | -56% | 722 |
| Materials and bulk purchases | 27 048 | 44 282 | 44 297 | 177 | 177 | 3 691 | (3 514) | -95% | 44 297 |
| Transfers and subsidies | 2 394 | 558 | 558 | - | - | 46 | (46) | -100% | 558 |
| Other expenditure | 29 986 | 43 518 | 44 901 | 550 | 550 | 3 742 | (3 191) | -85% | 44 901 |
| Total Expenditure | 119 565 | 162 954 | 164 352 | 5 803 | 5 803 | 13 548 | (7 745) | -57% | 164 352 |
| Surplus/(Deficit) | 15 173 | (871) | (871) | 7 345 | 7 345 | 8 642 | (1 296) | -15% | (871) |
| Transfers and subsidies - capital (monetary allocations) | 12 056 | 52 236 | 55 332 | - | - | 3 824 | (3 824) | -100% | 55 332 |
| Contributions & Contributed assets | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | (5 120) | -41% | 54 461 |
| Share of surplus/ (deficit) of associate | - | - | - | - | - | - | - | - | - |
| Surplus/ (Deficit) for the year | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | (5 120) | -41% | 54 461 |
| <u>Capital expenditure & funds sources</u> | | | | | | | | | |
| Capital expenditure | 87 068 | 52 626 | 55 722 | - | - | 4 595 | (4 595) | -100% | 55 722 |
| Capital transfers recognised | - | 52 236 | 55 332 | - | - | 4 563 | (4 563) | -100% | 55 332 |
| Public contributions & donations | - | - | - | - | - | - | - | - | - |
| Borrowing | - | - | - | - | - | - | - | - | - |
| Internally generated funds | - | 390 | 390 | - | - | 33 | (33) | -100% | 390 |
| Total sources of capital funds | - | 52 626 | 55 722 | - | - | 4 595 | (4 595) | -100% | 55 722 |
| <u>Financial position</u> | | | | | | | | | |
| Total current assets | (8 803) | (96 715) | (96 715) | | (4 560) | | | | (96 715) |
| Total non current assets | 16 946 | 52 626 | 55 722 | | - | | | | 55 722 |
| Total current liabilities | (23 935) | (134 040) | (77 020) | | (11 914) | | | | (77 020) |
| Total non current liabilities | 125 | (1 157) | (1 157) | | - | | | | (1 157) |
| Community wealth/Equity | 750 | - | - | | (9) | | | | - |
| <u>Cash flows</u> | | | | | | | | | |
| Net cash from (used) operating | 231 288 | 290 697 | 295 190 | 18 595 | 18 595 | 32 426 | 13 831 | 43% | 295 190 |
| Net cash from (used) investing | (777) | 52 626 | 55 722 | - | - | 4 595 | 4 595 | 100% | 55 722 |
| Net cash from (used) financing | 11 | 720 | 720 | 17 | 17 | 60 | 43 | 71% | 720 |
| Cash/cash equivalents at the month/year end | 230 520 | 344 043 | 351 632 | - | 18 612 | 37 081 | 18 469 | 50% | 351 632 |
| Debtors & creditors analysis | 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 |
| <u>Debtors Age Analysis</u> | | | | | | | | | |
| Total By Income Source | (5 216) | 2 118 | 1 486 | 1 254 | 1 136 | 1 104 | 8 522 | 47 005 | 57 409 |
| <u>Creditors Age Analysis</u> | | | | | | | | | |
| Total Creditors | 7 595 | 1 398 | 4 679 | 3 047 | 19 831 | - | - | 2 180 | 38 732 |

3.3 Operating Revenue and Expenditure

WC041 Kannaland - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M01 July

| WC04.1 Ramatland - Table C4 Monthly Budget Statement - Financial Performance (Revenue and Expenditure) - M01 July | | | | | | | | | | |
|--|-----|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|----------------|--------------------|
| 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 |
| R thousands | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | |
| Property rates | | 17 001 | 17 117 | 17 117 | 5 445 | 5 445 | 1 426 | 4 018 | 282% | 17 117 |
| Service charges - electricity revenue | | 44 924 | 59 573 | 59 573 | 4 555 | 4 555 | 4 964 | (409) | -8% | 59 573 |
| Service charges - water revenue | | 12 773 | 16 920 | 16 920 | 1 118 | 1 118 | 1 410 | (292) | -21% | 16 920 |
| Service charges - sanitation revenue | | 6 174 | 6 271 | 6 271 | 619 | 619 | 523 | 97 | 18% | 6 271 |
| Service charges - refuse revenue | | 5 801 | 6 193 | 6 193 | 600 | 600 | 516 | 84 | 16% | 6 193 |
| Service charges - other | | — | — | — | — | — | — | — | — | — |
| Rental of facilities and equipment | | 500 | 956 | 956 | 44 | 44 | 80 | (36) | -45% | 956 |
| Interest earned - external investments | | 669 | 526 | 526 | 112 | 112 | 44 | 68 | 156% | 526 |
| Interest earned - outstanding debtors | | 49 | 5 622 | 5 622 | 2 | 2 | 468 | (467) | -100% | 5 622 |
| Dividends received | | — | — | — | — | — | — | — | — | — |
| Fines, penalties and forfeits | | 10 445 | 8 928 | 8 928 | 513 | 513 | 744 | (231) | -31% | 8 928 |
| Licences and permits | | 173 | 160 | 160 | 26 | 26 | 13 | 13 | 99% | 160 |
| Agency services | | 828 | 1 010 | 1 010 | 77 | 77 | 84 | (7) | -9% | 1 010 |
| Transfers and subsidies | | 34 779 | 37 147 | 38 545 | (1) | (1) | 11 778 | (11 780) | -100% | 38 545 |
| Other revenue | | 622 | 1 660 | 1 660 | 38 | 38 | 138 | (100) | -72% | 1 660 |
| Gains on disposal of PPE | | — | — | — | — | — | — | — | — | — |
| Total Revenue (excluding capital transfers and contributions) | | 134 738 | 162 083 | 163 481 | 13 148 | 13 148 | 22 190 | (9 041) | -41% | 163 481 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | | 55 327 | 59 406 | 59 406 | 5 049 | 5 049 | 4 803 | 246 | 5% | 59 406 |
| Remuneration of councillors | | 2 866 | 3 277 | 3 277 | — | — | 273 | (273) | -100% | 3 277 |
| Debt impairment | | 13 622 | 14 077 | 14 077 | 12 | 12 | 1 173 | (1 161) | -99% | 14 077 |
| Depreciation & asset impairment | | 1 331 | 11 192 | 11 192 | — | — | 933 | (933) | -100% | 11 192 |
| Finance charges | | 612 | 722 | 722 | 27 | 27 | 60 | (34) | -56% | 722 |
| Bulk purchases | | 25 263 | 40 200 | 40 200 | 54 | 54 | 3 350 | (3 296) | -98% | 40 200 |
| Other materials | | 1 785 | 4 082 | 4 097 | 123 | 123 | 341 | (218) | -64% | 4 097 |
| Contracted services | | 7 886 | 15 531 | 16 929 | 167 | 167 | 1 411 | (1 243) | -88% | 16 929 |
| Transfers and subsidies | | 2 394 | 558 | 558 | — | — | 46 | (46) | -100% | 558 |
| Other expenditure | | 8 477 | 13 911 | 13 896 | 371 | 371 | 1 158 | (787) | -68% | 13 896 |
| Loss on disposal of PPE | | — | — | — | — | — | — | — | — | — |
| Total Expenditure | | 119 565 | 162 954 | 164 352 | 5 803 | 5 803 | 13 548 | (7 745) | -57% | 164 352 |
| Surplus/(Deficit) | | | | | | | | | | |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial and District) | | 15 173 | (871) | (871) | 7 345 | 7 345 | 8 642 | (1 296) | (0) | (871) |
| Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) | | 12 056 | 52 236 | 55 332 | — | — | 3 824 | (3 824) | (0) | 55 332 |
| Transfers and subsidies - capital (in-kind - all) | | — | — | — | — | — | — | — | — | — |
| Surplus/(Deficit) after capital transfers & contributions | | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | | | 54 461 |
| Taxation | | — | — | — | — | — | — | — | — | — |
| Surplus/(Deficit) after taxation | | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | | | 54 461 |
| Attributable to minorities | | — | — | — | — | — | — | | | — |
| Surplus/(Deficit) attributable to municipality | | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | | | 54 461 |
| Share of surplus/ (deficit) of associate | | — | — | — | — | — | — | | | — |
| Surplus/ (Deficit) for the year | | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | | | 54 461 |

There was an operating surplus of R7345 mil that, if capital contributions are to be taken into account, . Significant deviations can be attributed to the straight-lining of the budget that complicates budget comparison and need to be urgently addressed within an adjustments-budget in order to make the year to date budget comparison a useful tool.

3.3.1 Operating Revenue

The statement of financial performance indicates several significant variances due to the straight-line approach that has been followed within the budget.

Property rates exceeded the monthly budget by 6% and this, as well as the 5% deviation in electricity service charges were caused by the straight-line budget approach. Property rates include the annual billing of the public sector and rural property rates. The electricity income exceeded the budget due to the application of time of use billing and is currently falling under the winter (high) season billing period, where a higher tariff was aimed to reduce the higher demand for electricity during the winter months.

Service charges have a significant shortfall under sanitation (26%). The shortfall was caused by a reporting error, as the service charges were reported as a net amount and did not separately disclose the cost of free basic services and will need further investigation and be adjusted if necessary. The balance of the revenue deviations are significant in percentage, but not in value and are due to the timing of cash flows that were not considered within the monthly budget breakdown.

3.3.2 Operating Expenditure

The full year expenditure incurred is 4% (R 2.6 million) less than the budgeted forecast and was only incurred in line with revenue realising.

Employee cost has been influenced by the straight-line approach as well and considerations that were ignored included the bonus component, the provision for planned new appointments and the annual salary increase that was belated finalised. The before mentioned factors caused a deviation of 2% more than the budgeted amount. There was a material deviation in bulk purchases from the budgeted amount, but was brought about by the time of use and winter pricing structure but this was proportionate to the revenue deviation. The balance of the expenditure deviations is significant in percentage but not in value and is caused by the timing of cash flows that were not considered within the monthly budget break-down.

It is important to note that expenditure is only incurred in line with revenue realising and therefore it is of the utmost importance to bring the mSCOA implementation challenges under control and recognise expenditure when incurred and to ensure that it is captured timeously on the accounting system.

3.4 Statement of Financial Position

WC041 Kannaland - Table C6 Monthly Budget Statement - Financial Position - M01 July

| Description | Ref | 2018/19 | Budget Year 2019/20 | | | |
|--|----------|-----------------|---------------------|-----------------|-----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | YearTD actual | Full Year Forecast |
| R thousands | 1 | | | | | |
| <u>ASSETS</u> | | | | | | |
| Current assets | | | | | | |
| Cash | | 1 728 | – | – | (18 224) | – |
| Call investment deposits | | 8 289 | – | – | 7 234 | – |
| Consumer debtors | | 2 450 | (96 784) | (96 784) | 6 107 | (96 784) |
| Other debtors | | (27 076) | (3 326) | (3 326) | 306 | (3 326) |
| Current portion of long-term receivables | | – | – | – | – | – |
| Inventory | | 5 806 | 3 395 | 3 395 | 18 | 3 395 |
| Total current assets | | (8 803) | (96 715) | (96 715) | (4 560) | (96 715) |
| Non current assets | | | | | | |
| Long-term receivables | | – | – | – | – | – |
| Investments | | (18) | – | – | – | – |
| Investment property | | (105) | – | – | – | – |
| Investments in Associate | | – | – | – | – | – |
| Property, plant and equipment | | 17 097 | 52 626 | 55 722 | – | 55 722 |
| Agricultural | | – | – | – | – | – |
| Biological assets | | – | – | – | – | – |
| Intangible assets | | (28) | – | – | – | – |
| Other non-current assets | | – | – | – | – | – |
| Total non current assets | | 16 946 | 52 626 | 55 722 | – | 55 722 |
| TOTAL ASSETS | | 8 143 | (44 088) | (40 993) | (4 560) | (40 993) |
| <u>LIABILITIES</u> | | | | | | |
| Current liabilities | | | | | | |
| Bank overdraft | | – | – | – | – | – |
| Borrowing | | (446) | (437) | (437) | (42) | (437) |
| Consumer deposits | | 11 | – | – | 15 | – |
| Trade and other payables | | (23 507) | (133 603) | (76 584) | (11 887) | (76 584) |
| Provisions | | 7 | – | – | – | – |
| Total current liabilities | | (23 935) | (134 040) | (77 020) | (11 914) | (77 020) |
| Non current liabilities | | | | | | |
| Borrowing | | 125 | (1 157) | (1 157) | – | (1 157) |
| Provisions | | – | – | – | – | – |
| Total non current liabilities | | 125 | (1 157) | (1 157) | – | (1 157) |
| TOTAL LIABILITIES | | (23 810) | (135 197) | (78 177) | (11 914) | (78 177) |
| NET ASSETS | 2 | 31 954 | 91 108 | 37 184 | 7 354 | 37 184 |
| <u>COMMUNITY WEALTH/EQUITY</u> | | | | | | |
| Accumulated Surplus/(Deficit) | | (1 404) | – | – | – | – |
| Reserves | | 2 154 | – | – | (9) | – |
| TOTAL COMMUNITY WEALTH/EQUITY | 2 | 750 | – | – | (9) | – |

The statement of financial position deviates significantly from the budgeted amount due to the provision for bad that has been accounted for within the actual versus the budgeted amount. In layman's terms the current ratio or the liquidity situation can be explained to the point that there

are fifty sent of current assets for every one rand of current obligations also expressed as 0.55:1, with the industry norm being 2:1 to be healthy and with at least 1:1 needed to be regarded as sustainable.

3.5 Cash Receipts and Payments

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Despite on-going efforts to manage cash flow with the necessary due care, the municipality's financial situation remains precarious. This is mainly due to the burden of historical obligations, a lower date collection rate, the impact of the drought, an impoverished community and other well-documented socio-economic problems within the Kannaland municipal jurisdiction.

The cash flow from operating activities is 36% less than the year to date budgeted amount and due to the straight-line approach not much could be read into this budget comparison. Grant payment schedules as well as the cyclical flow of revenue from service charges are some of the aspects that will cause periodical spikes that can be predicted but were not accounted for within the monthly budget split.

Cash flow from property rates is 34% more than the year-to-date budgeted amount. This is due to the annual billing component that was due in September 2018. The service charge component deviates by 11% and will mostly be influenced by electricity being billed at a higher winter tariff and therefore, bring about a higher inflow of cash as where the budget ignored the cyclical nature of service charge cash flows. The straight line budget approach complicates the year-to-date budget comparison but compared to previous financial years the pattern of cash flow does not differ significantly. It should however be noted that cash flow from the selling of water is significantly lower than in the past due to the high amount of unbilled water due to the persisting broken water meter problem and demand due to the drought situation.

There is a significant deviation from the cash flow from investing activities that has been caused once again by the straight-line approach. Capital expenditure is less than the budgeted amount, this is due to this being only the first quarter of the new financial year and it will take more time for capital projects to progress more swiftly due to planning, procurement and implementation requirements.

3.6 Debtor Age Analysis

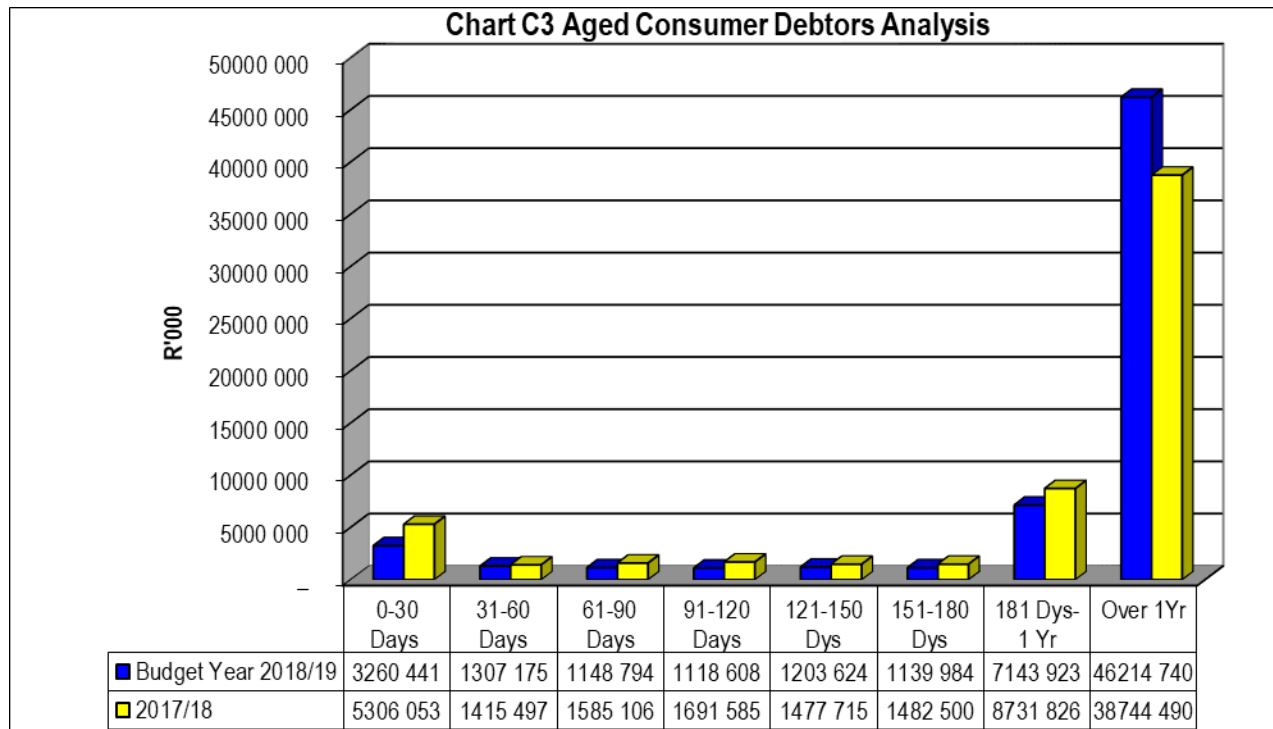
WC041 Kannaland - Supporting Table SC3 Monthly Budget Statement - aged debtors - M01 July

| Description | | NT Code | Budget Year 2019/20 | | | | | | | | | | 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 | Total over 90 days | | |
| R thousands | | | | | | | | | | | | | | |
| Debtors Age Analysis By Income Source | | | | | | | | | | | | | | |
| Trade and Other Receivables from Exchange Transactions - Water | 1200 | 4 | 525 | 479 | 363 | 286 | 259 | 1 950 | 8 384 | 12 251 | 11 243 | - | - | |
| Trade and Other Receivables from Exchange Transactions - Electricity | 1300 | 0 | 263 | 69 | 39 | 52 | 39 | 194 | 1 210 | 1 867 | 1 535 | - | - | |
| Receivables from Non-exchange Transactions - Property Rates | 1400 | 6 | 524 | 320 | 273 | 233 | 219 | 2 255 | 10 747 | 14 576 | 13 726 | - | - | |
| Receivables from Exchange Transactions - Waste Water Management | 1500 | 0 | 208 | 193 | 190 | 188 | 186 | 1 296 | 6 350 | 8 611 | 8 210 | - | - | |
| Receivables from Exchange Transactions - Waste Management | 1600 | - | 395 | 298 | 284 | 273 | 266 | 1 839 | 7 007 | 10 361 | 9 668 | - | - | |
| Receivables from Exchange Transactions - Property Rental Debtors | 1700 | - | - | - | - | - | - | - | 25 | 25 | 25 | - | - | |
| Interest on Arrear Debtor Accounts | 1810 | 0 | 0 | 12 | 21 | 28 | 37 | 539 | 11 915 | 12 552 | 12 540 | - | - | |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure | 1820 | - | - | - | - | - | - | - | - | - | - | - | - | |
| Other | 1900 | (5 226) | 205 | 113 | 84 | 76 | 98 | 448 | 1 368 | (2 834) | 2 074 | - | - | |
| Total By Income Source | 2000 | (5 216) | 2 118 | 1 486 | 1 254 | 1 136 | 1 104 | 8 522 | 47 005 | 57 409 | 59 021 | - | - | |
| 2018/19 - totals only | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Debtors Age Analysis By Customer Group | | | | | | | | | | | | | | |
| Organs of State | 2200 | (256) | 91 | 43 | 19 | 19 | 14 | 318 | 369 | 617 | 739 | - | - | |
| Commercial | 2300 | (3 553) | 236 | 102 | 83 | 77 | 67 | 427 | 1 605 | (956) | 2 259 | - | - | |
| Households | 2400 | (675) | 1 621 | 1 193 | 1 012 | 898 | 887 | 6 327 | 38 236 | 49 498 | 47 360 | - | - | |
| Other | 2500 | (732) | 170 | 148 | 140 | 142 | 136 | 1 451 | 6 795 | 8 249 | 8 664 | - | - | |
| Total By Customer Group | 2600 | (5 216) | 2 118 | 1 486 | 1 254 | 1 136 | 1 104 | 8 522 | 47 005 | 57 409 | 59 021 | - | - | |

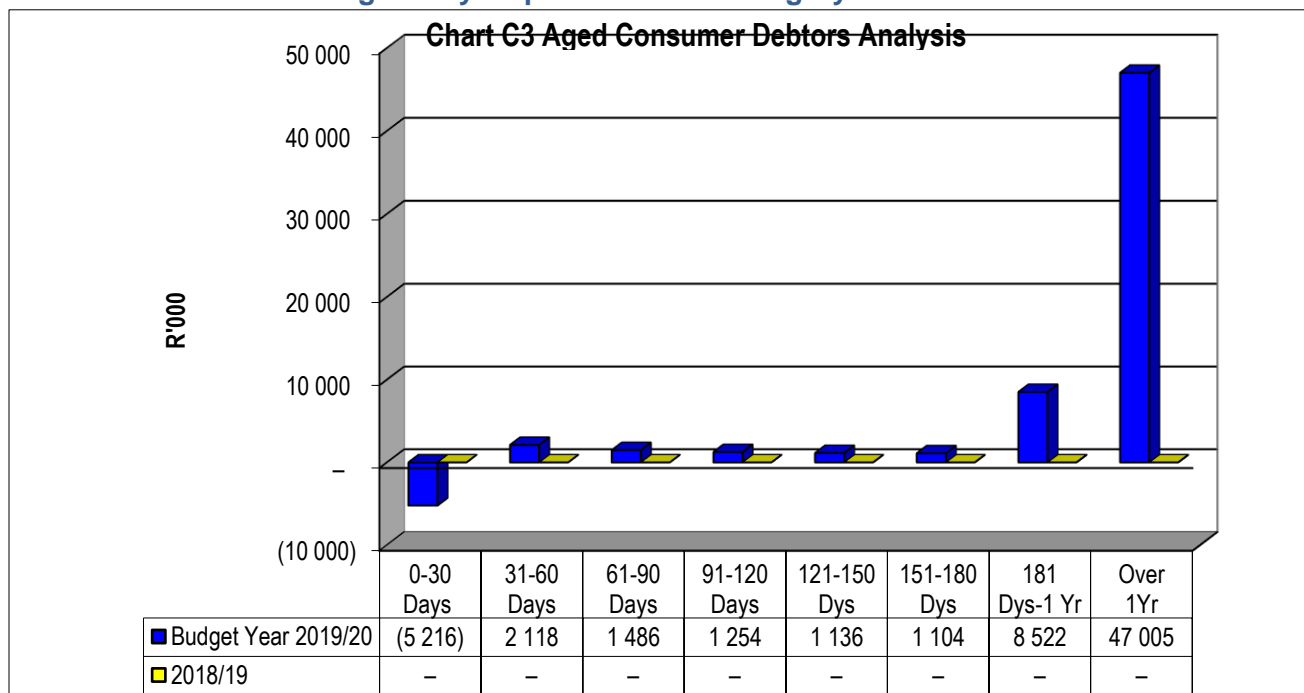
- The total amount owed to Kannaland Municipality amounted to 57409 million during July 2019.
- R 47.005 million or 74% of the total outstanding debtors are older than one year.
- R 1254 or 91% of the outstanding debtors are outstanding for more than 90 days and are less likely to be recoverable debt.
- 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 the collection of debt in Kannaland is the ability to collect water, refuse and sewerage in areas which are not being supplied by municipal electricity.

3.6.1 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 80% (R49 million) of the total amount of outstanding debt with a 3% year-on-year increase.

3.7 Creditors Age Analysis

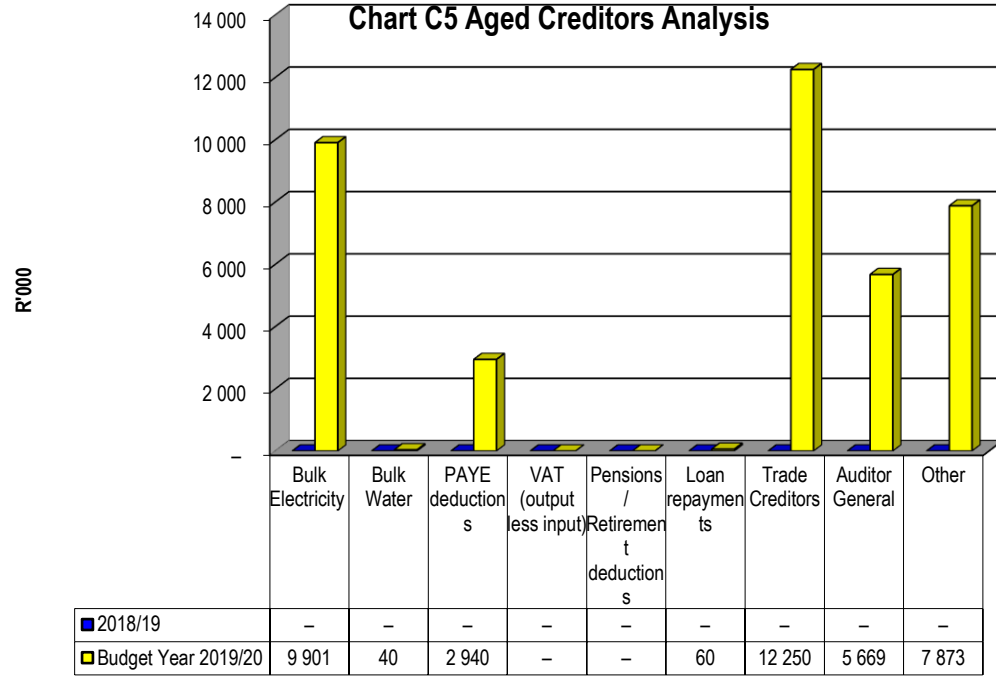
WC041 Kannaland - Supporting Table SC4 Monthly Budget Statement - aged creditors - M01 July

| Description | NT Code | Budget Year 2019/20 | | | | | | | | |
|---|---------|---------------------|--------------|--------------|---------------|----------------|----------------|-------------------|-------------|--------|
| | | 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 | Total |
| R thousands | | | | | | | | | | |
| Creditors Age Analysis By Customer Type | | | | | | | | | | |
| Bulk Electricity | 0100 | 5 166 | – | 3 613 | 249 | 873 | – | – | – | 9 901 |
| Bulk Water | 0200 | 40 | – | – | – | – | – | – | – | 40 |
| PAYE deductions | 0300 | 760 | – | – | – | – | – | – | 2 180 | 2 940 |
| VAT (output less input) | 0400 | – | – | – | – | – | – | – | – | – |
| Pensions / Retirement deductions | 0500 | – | – | – | – | – | – | – | – | – |
| Loan repayments | 0600 | 60 | – | – | – | – | – | – | – | 60 |
| Trade Creditors | 0700 | 443 | 10 | 565 | 2 327 | 8 906 | – | – | – | 12 250 |
| Auditor General | 0800 | (300) | 736 | 331 | 394 | 4 507 | – | – | – | 5 669 |
| Other | 0900 | 1 427 | 652 | 171 | 76 | 5 546 | – | – | – | 7 873 |
| Total By Customer Type | 1000 | 7 595 | 1 398 | 4 679 | 3 047 | 19 831 | – | – | 2 180 | 38 732 |

- The total outstanding creditors as at 30 July 2019 amounts to R38 million.
- The biggest outstanding creditors are Eskom (R9 million), the Auditor-General of South Africa (R5.6 million) and SARS (R2.9 million). Combined, the before mentioned, represents 60% of all outstanding creditors.
- The Eskom bulk account is in arrears to the amount of R 9.9 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.

3.7.1 Chart of creditors expressed proportionately to the total amount owed



3.8 Conditional Grants Transferred and Expenditure

WC041 Kannaland - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M01 July

| Vote Description | Ref | 2018/19 | Budget Year 2019/20 | | | | | | |
|--|------------|-----------------|---------------------|-----------------|----------------|---------------|---------------|--------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | Full Year Forecast |
| R thousands | 1 | | | | | | | | |
| Multi-Year expenditure appropriation | 2 | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | – |
| Vote 2 - CORPORATE SERVICES | | – | 650 | 650 | – | – | 54 | (54) | 650 |
| Vote 3 - FINANCIAL SERVICES | | – | – | – | – | – | – | – | – |
| Vote 4 - TECHNICAL SERVICES | | – | – | – | – | – | – | – | – |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – |
| Total Capital Multi-year expenditure | 4,7 | – | 650 | 650 | – | – | 54 | (54) | 650 |
| Single Year expenditure appropriation | 2 | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | – |
| Vote 2 - CORPORATE SERVICES | | 3 306 | 3 733 | 3 733 | – | – | 263 | (263) | 3 733 |
| Vote 3 - FINANCIAL SERVICES | | 430 | 360 | 360 | – | – | 30 | (30) | 360 |
| Vote 4 - TECHNICAL SERVICES | | 83 333 | 47 883 | 50 979 | – | – | 4 248 | (4 248) | 50 979 |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – |
| Total Capital single-year expenditure | 4 | 87 068 | 51 976 | 55 072 | – | – | 4 541 | (4 541) | 55 072 |
| Total Capital Expenditure | 3 | 87 068 | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |
| Capital Expenditure - Functional Classification | | | | | | | | | |
| Governance and administration | | – | 360 | 360 | – | – | 30 | (30) | 360 |
| Executive and council | | – | – | – | – | – | – | – | – |
| Finance and administration | | – | 360 | 360 | – | – | 30 | (30) | 360 |
| Internal audit | | – | – | – | – | – | – | – | – |
| Community and public safety | | – | 4 383 | 4 383 | – | – | 317 | (317) | 4 383 |
| Community and social services | | – | 700 | 700 | – | – | 58 | (58) | 700 |
| Sport and recreation | | – | 3 105 | 3 105 | – | – | 259 | (259) | 3 105 |
| Public safety | | – | 578 | 578 | – | – | – | – | 578 |
| Housing | | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – |
| Economic and environmental services | | – | – | – | – | – | – | – | – |
| Planning and development | | – | – | – | – | – | – | – | – |
| Road transport | | – | – | – | – | – | – | – | – |
| Environmental protection | | – | – | – | – | – | – | – | – |
| Trading services | | – | 47 883 | 50 979 | – | – | 4 248 | (4 248) | 50 979 |
| Energy sources | | – | 3 345 | 3 345 | – | – | 279 | (279) | 3 345 |
| Water management | | – | 26 538 | 29 634 | – | – | 2 469 | (2 469) | 29 634 |
| Waste water management | | – | 18 000 | 18 000 | – | – | 1 500 | (1 500) | 18 000 |
| Waste management | | – | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – | – |
| Total Capital Expenditure - Functional Classification | 3 | – | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |
| Funded by: | | | | | | | | | |
| National Government | | – | 47 658 | 50 633 | – | – | 4 219 | (4 219) | 50 633 |
| Provincial Government | | – | 4 578 | 4 699 | – | – | 343 | (343) | 4 699 |
| District Municipality | | – | – | – | – | – | – | – | – |
| Other transfers and grants | | – | – | – | – | – | – | – | – |
| Transfers recognised - capital | | – | 52 236 | 55 332 | – | – | 4 563 | (4 563) | 55 332 |
| Public contributions & donations | 5 | – | – | – | – | – | – | – | – |
| Borrowing | 6 | – | – | – | – | – | – | – | – |
| Internally generated funds | | – | 390 | 390 | – | – | 33 | (33) | 390 |
| Total Capital Funding | | – | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |

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 Departments:

- Equitable Share the amount of R11 728 000.
This is for the provision of free basic services and the administration thereof to subsidise the cost of providing basic services to the poor.
- Financial Management Grant to the amount of R2 215 000 has been received to assist in the financial management of Kannaland Municipality and to subsidise the appointment of 5 financial interns.
- Municipal Infrastructure Grant (MIG) to the amount of R 6048 000.
The purpose of these funds is to address service delivery backlogs from the past and this forms part of the allocation that is directed at projects as identified within the IDP.
- Expanded Public Works Programme to the amount of R296 000.
The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods
- Water Infrastructure Grant to the amount of R700 000.
This allocation is to improve service delivery relating to the supply of piped water and this allocation will be used for the construction of the Bloekomlaan Reservoir in Calitzdorp.
- Grants received from Provincial Departments only included R1608 666 for the library maintenance and R830000 for Fire Services. Department of energy R 901 000.

The reason for the low expenditure rate is that most allocations still have to be transferred and the capital projects are still in the procurement process or in the beginning of the implementation phase. The total obligation of unspent grants against the available cash amounts to R12.7 million

3.9 Capital Revenue & Expenditure

WC041 Kannaland - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M01 July

| Vote Description | Ref | 2018/19 | Budget Year 2019/20 | | | | | | |
|--|------------|-----------------|---------------------|-----------------|----------------|---------------|---------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | Full Year Forecast |
| R thousands | 1 | | | | | | | | |
| Multi-Year expenditure appropriation | 2 | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | – |
| Vote 2 - CORPORATE SERVICES | | – | 650 | 650 | – | – | 54 | (54) | 650 |
| Vote 3 - FINANCIAL SERVICES | | – | – | – | – | – | – | – | – |
| Vote 4 - TECHNICAL SERVICES | | – | – | – | – | – | – | – | – |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – |
| Total Capital Multi-year expenditure | 4,7 | – | 650 | 650 | – | – | 54 | (54) | 650 |
| Single Year expenditure appropriation | 2 | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | – | – | – | – | – | – | – | – |
| Vote 2 - CORPORATE SERVICES | | 3 306 | 3 733 | 3 733 | – | – | 263 | (263) | 3 733 |
| Vote 3 - FINANCIAL SERVICES | | 430 | 360 | 360 | – | – | 30 | (30) | 360 |
| Vote 4 - TECHNICAL SERVICES | | 83 333 | 47 883 | 50 979 | – | – | 4 248 | (4 248) | 50 979 |
| Vote 5 - CALITZDORP SPA | | – | – | – | – | – | – | – | – |
| Vote 6 - CORPORATE SERVICES (Continued) | | – | – | – | – | – | – | – | – |
| Vote 7 - [NAME OF VOTE 7] | | – | – | – | – | – | – | – | – |
| Vote 8 - [NAME OF VOTE 8] | | – | – | – | – | – | – | – | – |
| Vote 9 - [NAME OF VOTE 9] | | – | – | – | – | – | – | – | – |
| Vote 10 - [NAME OF VOTE 10] | | – | – | – | – | – | – | – | – |
| Vote 11 - [NAME OF VOTE 11] | | – | – | – | – | – | – | – | – |
| Vote 12 - [NAME OF VOTE 12] | | – | – | – | – | – | – | – | – |
| Vote 13 - [NAME OF VOTE 13] | | – | – | – | – | – | – | – | – |
| Vote 14 - [NAME OF VOTE 14] | | – | – | – | – | – | – | – | – |
| Vote 15 - [NAME OF VOTE 15] | | – | – | – | – | – | – | – | – |
| Total Capital single-year expenditure | 4 | 87 068 | 51 976 | 55 072 | – | – | 4 541 | (4 541) | 55 072 |
| Total Capital Expenditure | 3 | 87 068 | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |
| Capital Expenditure - Functional Classification | | | | | | | | | |
| Governance and administration | | – | 360 | 360 | – | – | 30 | (30) | 360 |
| Executive and council | | – | – | – | – | – | – | – | – |
| Finance and administration | | – | 360 | 360 | – | – | 30 | (30) | 360 |
| Internal audit | | – | – | – | – | – | – | – | – |
| Community and public safety | | – | 4 383 | 4 383 | – | – | 317 | (317) | 4 383 |
| Community and social services | | – | 700 | 700 | – | – | 58 | (58) | 700 |
| Sport and recreation | | – | 3 105 | 3 105 | – | – | 259 | (259) | 3 105 |
| Public safety | | – | 578 | 578 | – | – | – | – | 578 |
| Housing | | – | – | – | – | – | – | – | – |
| Health | | – | – | – | – | – | – | – | – |
| Economic and environmental services | | – | – | – | – | – | – | – | – |
| Planning and development | | – | – | – | – | – | – | – | – |
| Road transport | | – | – | – | – | – | – | – | – |
| Environmental protection | | – | – | – | – | – | – | – | – |
| Trading services | | – | 47 883 | 50 979 | – | – | 4 248 | (4 248) | 50 979 |
| Energy sources | | – | 3 345 | 3 345 | – | – | 279 | (279) | 3 345 |
| Water management | | – | 26 538 | 29 634 | – | – | 2 469 | (2 469) | 29 634 |
| Waste water management | | – | 18 000 | 18 000 | – | – | 1 500 | (1 500) | 18 000 |
| Waste management | | – | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – | – |
| Total Capital Expenditure - Functional Classification | 3 | – | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |
| Funded by: | | | | | | | | | |
| National Government | | – | 47 658 | 50 633 | – | – | 4 219 | (4 219) | 50 633 |
| Provincial Government | | – | 4 578 | 4 699 | – | – | 343 | (343) | 4 699 |
| District Municipality | | – | – | – | – | – | – | – | – |
| Other transfers and grants | | – | – | – | – | – | – | – | – |
| Transfers recognised - capital | | – | 52 236 | 55 332 | – | – | 4 563 | (4 563) | 55 332 |
| Public contributions & donations | 5 | – | – | – | – | – | – | – | – |
| Borrowing | 6 | – | – | – | – | – | – | – | – |
| Internally generated funds | | – | 390 | 390 | – | – | 33 | (33) | 390 |
| Total Capital Funding | | – | 52 626 | 55 722 | – | – | 4 595 | (4 595) | 55 722 |

- 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.

3.10 Expenditure on Salaries

| Councillors (Political Office Bearers plus Other) | Senior Managers of the Municipality | Other Municipal Staff | Subsidised Staff Expenditure (MIG & Library Excl EPWP) | Pensioners | Total |
|---|-------------------------------------|-----------------------|--|------------|--------------|
| 356 123,00 | 173 418,72 | 3 137 871,83 | 105 501,62 | - | 3 772 915,17 |
| - | - | 13 116,15 | - | - | 13 116,15 |
| - | - | 111 583,12 | - | - | 111 583,12 |
| - | - | 140 970,74 | - | - | 140 970,74 |
| - | - | 69 062,36 | - | - | 69 062,36 |
| 35 563,22 | 17 000,00 | 175 044,03 | 6 120,00 | - | 233 727,25 |
| 49 231,31 | 5 000,00 | 9 500,00 | 600,00 | - | 64 331,31 |
| - | - | 22 511,09 | 852,00 | - | 23 363,09 |
| 11 878,67 | - | 122 839,79 | 6 721,29 | 54 505,00 | 195 944,75 |
| - | - | 364 795,86 | 11 419,90 | - | 376 215,76 |
| - | 17,50 | 1 653,75 | 35,00 | - | 1 706,25 |
| - | 2 030,53 | 39 298,52 | 1 356,31 | - | 42 685,36 |
| - | 297,44 | 25 656,48 | 803,40 | - | 26 757,32 |
| - | 3 586,25 | 4 064,01 | - | - | 7 650,26 |
| - | - | 2 744,76 | - | - | 2 744,76 |
| 452 796,20 | 201 350,44 | 4 240 712,49 | 133 409,52 | 54 505,00 | 5 082 773,65 |

Standby / Overtime 5,52%
% Of Administration Costs

The total expenditure on employee and councillor-related cost amounted to R5.082 million. There are several critical vacancies that influence the organisation negatively. The high vacancy rate resulted in significant overtime and standby allowances, which accounts for 5.52% of the total employee-related costs. There has been a decrease on a month to month basis but the rate remains above the industry norm of 5%. Vacancies within the financial department added to the financial risk facing the municipality due to the non-segregation of incompatible duties. R116 044 of the total personnel expenditure was a subsidised expense and a amount of R452 796.2 relates to councillor remuneration.

3.11 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



VAT Registration
No: 4260126711

| | | | | | | | | |
|-------------------------|------------|------------|------------|------------|------------|------------|--------------|--------------|
| Repayment Due | 01.07.2019 | 01.07.2019 | -39,654.34 | 0.00 | -20,345.66 | -60,000.00 | 1,940,656.98 | 1,940,656.98 |
| Interest Accrual | 31.07.2019 | 31.07.2019 | 0.00 | 20,623.42 | 0.00 | 20,623.42 | 1,961,280.40 | 1,940,656.98 |
| Interest Capitalisation | 31.07.2019 | 31.07.2019 | 0.00 | -20,623.42 | 20,623.42 | 0.00 | 1,961,280.40 | 1,961,280.40 |
| Repayment Due | 31.07.2019 | 31.07.2019 | -39,376.58 | 0.00 | -20,623.42 | -60,000.00 | 1,901,280.40 | 1,901,280.40 |

- The total outstanding long-term debt of Kannaland Municipality amounts to R1,901 280.4 as at 31 July 2019
- A monthly instalment of R60 000 at an interest rate of 12.52% per annum is being paid.
- For the current month the instalment amount is made up out of R20,623.42.in interest with a capital redemption amount of R39,376.58

ANNEXURE A

Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) -

WC041 Kannaland - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M01 July

| Vote 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 |
| R thousands | | | | | | | | | | |
| <u>Revenue by Vote</u> | 1 | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | 20 220 | 8 740 | 8 786 | - | - | 3 937 | (3 937) | -100,0% | 8 786 |
| Vote 2 - CORPORATE SERVICES | | 13 390 | 25 275 | 26 509 | 284 | 284 | 2 019 | (1 735) | -85,9% | 26 509 |
| Vote 3 - FINANCIAL SERVICES | | 27 786 | 24 910 | 25 029 | 5 973 | 5 973 | 4 410 | 1 563 | 35,4% | 25 029 |
| Vote 4 - TECHNICAL SERVICES | | 85 398 | 155 394 | 158 490 | 6 891 | 6 891 | 15 647 | (8 756) | -56,0% | 158 490 |
| Vote 5 - CALITZDORP SPA | | - | - | - | - | - | - | - | | - |
| Vote 6 - CORPORATE SERVICES (Continued) | | - | - | - | - | - | - | - | | - |
| Vote 7 - [NAME OF VOTE 7] | | - | - | - | - | - | - | - | | - |
| Vote 8 - [NAME OF VOTE 8] | | - | - | - | - | - | - | - | | - |
| Vote 9 - [NAME OF VOTE 9] | | - | - | - | - | - | - | - | | - |
| Vote 10 - [NAME OF VOTE 10] | | - | - | - | - | - | - | - | | - |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | | - |
| Total Revenue by Vote | 2 | 146 794 | 214 320 | 218 813 | 13 148 | 13 148 | 26 013 | (12 865) | -49,5% | 218 813 |
| <u>Expenditure by Vote</u> | 1 | | | | | | | | | |
| Vote 1 - MUNICIPAL MANAGER | | 13 503 | 15 081 | 15 126 | 979 | 979 | 1 261 | (282) | -22,3% | 15 126 |
| Vote 2 - CORPORATE SERVICES | | 28 146 | 28 843 | 30 077 | 1 611 | 1 611 | 2 358 | (747) | -31,7% | 30 077 |
| Vote 3 - FINANCIAL SERVICES | | 21 108 | 30 062 | 30 180 | 1 295 | 1 295 | 2 515 | (1 220) | -48,5% | 30 180 |
| Vote 4 - TECHNICAL SERVICES | | 56 242 | 88 330 | 88 330 | 1 910 | 1 910 | 7 361 | (5 451) | -74,0% | 88 330 |
| Vote 5 - CALITZDORP SPA | | - | - | - | - | - | - | - | | - |
| Vote 6 - CORPORATE SERVICES (Continued) | | 566 | 639 | 639 | 8 | 8 | 53 | (45) | -84,4% | 639 |
| Vote 7 - [NAME OF VOTE 7] | | - | - | - | - | - | - | - | | - |
| Vote 8 - [NAME OF VOTE 8] | | - | - | - | - | - | - | - | | - |
| Vote 9 - [NAME OF VOTE 9] | | - | - | - | - | - | - | - | | - |
| Vote 10 - [NAME OF VOTE 10] | | - | - | - | - | - | - | - | | - |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | | - |
| Total Expenditure by Vote | 2 | 119 565 | 162 954 | 164 352 | 5 803 | 5 803 | 13 548 | (7 745) | -57,2% | 164 352 |
| Surplus/ (Deficit) for the year | 2 | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | (5 120) | -41,1% | 54 461 |

ANNEXURE B

Table C2 Monthly Budget Statement - Financial Performance (functional classification) – M01 Jyly 2019

WC041 Kannaland - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M01 July

| 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 |
| R thousands | 1 | | | | | | | | | |
| Revenue - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 48 382 | 34 370 | 34 534 | 6 002 | 6 002 | 8 407 | (2 404) | -29% | 34 534 |
| Executive and council | | 20 220 | 8 740 | 8 786 | — | — | 3 937 | (3 937) | -100% | 8 786 |
| Finance and administration | | 28 162 | 25 630 | 25 749 | 6 002 | 6 002 | 4 470 | 1 533 | 34% | 25 749 |
| Internal audit | | — | — | — | — | — | — | — | — | — |
| <i>Community and public safety</i> | | 13 103 | 17 122 | 18 356 | 54 | 54 | 1 241 | (1 187) | -96% | 18 356 |
| Community and social services | | 5 474 | 14 723 | 14 949 | 30 | 30 | 957 | (927) | -97% | 14 949 |
| Sport and recreation | | — | — | — | — | — | — | — | — | — |
| Public safety | | 5 830 | 2 019 | 2 019 | 24 | 24 | 168 | (144) | -86% | 2 019 |
| Housing | | 1 799 | 380 | 1 388 | — | — | 116 | (116) | -100% | 1 388 |
| Health | | — | — | — | — | — | — | — | — | — |
| <i>Economic and environmental services</i> | | 5 842 | 9 182 | 9 182 | 199 | 199 | 889 | (691) | -78% | 9 182 |
| Planning and development | | — | — | — | — | — | — | — | — | — |
| Road transport | | 5 842 | 9 182 | 9 182 | 199 | 199 | 889 | (691) | -78% | 9 182 |
| Environmental protection | | — | — | — | — | — | — | — | — | — |
| <i>Trading services</i> | | 79 467 | 153 646 | 156 742 | 6 893 | 6 893 | 15 476 | (8 583) | -55% | 156 742 |
| Energy sources | | 44 940 | 64 873 | 64 873 | 4 555 | 4 555 | 6 202 | (1 647) | -27% | 64 873 |
| Water management | | 22 551 | 46 059 | 49 155 | 1 118 | 1 118 | 3 263 | (2 145) | -66% | 49 155 |
| Waste water management | | 6 174 | 28 768 | 28 768 | 619 | 619 | 2 397 | (1 778) | -74% | 28 768 |
| Waste management | | 5 801 | 13 946 | 13 946 | 600 | 600 | 3 613 | (3 013) | -83% | 13 946 |
| <i>Other</i> | 4 | — | — | — | — | — | — | — | — | — |
| Total Revenue - Functional | 2 | 146 794 | 214 320 | 218 813 | 13 148 | 13 148 | 26 013 | (12 865) | -49% | 218 813 |
| Expenditure - Functional | | | | | | | | | | |
| <i>Governance and administration</i> | | 47 980 | 58 160 | 58 324 | 3 172 | 3 172 | 4 860 | (1 689) | -35% | 58 324 |
| Executive and council | | 13 503 | 15 081 | 15 126 | 979 | 979 | 1 261 | (282) | -22% | 15 126 |
| Finance and administration | | 34 477 | 43 079 | 43 197 | 2 193 | 2 193 | 3 600 | (1 407) | -39% | 43 197 |
| Internal audit | | — | — | — | — | — | — | — | — | — |
| <i>Community and public safety</i> | | 16 360 | 9 694 | 10 928 | 698 | 698 | 763 | (65) | -8% | 10 928 |
| Community and social services | | 5 640 | 7 670 | 7 896 | 326 | 326 | 510 | (184) | -36% | 7 896 |
| Sport and recreation | | 364 | 325 | 325 | 37 | 37 | 27 | 10 | 37% | 325 |
| Public safety | | 8 317 | 59 | 59 | 274 | 274 | 5 | 270 | 5502% | 59 |
| Housing | | 2 040 | 1 640 | 2 648 | 61 | 61 | 221 | (160) | -72% | 2 648 |
| Health | | — | — | — | — | — | — | — | — | — |
| <i>Economic and environmental services</i> | | 5 750 | 18 573 | 18 573 | 631 | 631 | 1 548 | (917) | -59% | 18 573 |
| Planning and development | | 21 | — | — | — | — | — | — | — | — |
| Road transport | | 5 729 | 18 573 | 18 573 | 631 | 631 | 1 548 | (917) | -59% | 18 573 |
| Environmental protection | | — | — | — | — | — | — | — | — | — |
| <i>Trading services</i> | | 49 474 | 76 527 | 76 527 | 1 302 | 1 302 | 6 377 | (5 075) | -80% | 76 527 |
| Energy sources | | 30 690 | 50 932 | 50 932 | 420 | 420 | 4 244 | (3 824) | -90% | 50 932 |
| Water management | | 9 903 | 12 196 | 12 196 | 384 | 384 | 1 016 | (632) | -62% | 12 196 |
| Waste water management | | 4 107 | 6 607 | 6 607 | 207 | 207 | 551 | (344) | -62% | 6 607 |
| Waste management | | 4 774 | 6 792 | 6 792 | 291 | 291 | 566 | (275) | -49% | 6 792 |
| <i>Other</i> | | — | — | — | — | — | — | — | — | — |
| Total Expenditure - Functional | 3 | 119 565 | 162 954 | 164 352 | 5 803 | 5 803 | 13 548 | (7 745) | -57% | 164 352 |
| Surplus/ (Deficit) for the year | | 27 229 | 51 366 | 54 461 | 7 345 | 7 345 | 12 465 | (5 120) | -41% | 54 461 |

ANNEXURE C

Implementation of the Supply Chain Management policy

No deviations for July 2019