

Kannaland Municipality



Financial Management Report August 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 August 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 August 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 - M02 August

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	67	5 512	2 853	2 659	93%	17 117
Service charges	69 672	88 958	88 958	5 033	11 926	14 826	(2 900)	-20%	88 958
Investment revenue	669	526	526	82	194	88	107	122%	526
Transfers and subsidies	34 779	37 147	38 545	13 389	13 388	14 278	(890)	-6%	38 545
Other own revenue	12 617	18 336	18 336	256	956	3 056	(2 100)	-69%	18 336
Total Revenue (excluding capital transfers and contributions)	134 738	162 083	163 481	18 828	31 977	35 101	(3 124)	-9%	163 481
Employee costs	55 327	59 406	59 406	4 539	9 587	9 605	(18)	-0%	59 406
Remuneration of Councillors	2 866	3 277	3 277	421	421	546	(125)	-23%	3 277
Depreciation & asset impairment	1 331	11 192	11 192	–	–	1 865	(1 865)	-100%	11 192
Finance charges	612	722	722	50	76	120	(44)	-36%	722
Materials and bulk purchases	27 048	44 282	44 297	5 057	5 235	7 383	(2 148)	-29%	44 297
Transfers and subsidies	2 394	558	558	–	–	93	(93)	-100%	558
Other expenditure	29 986	43 518	44 901	563	1 113	7 483	(6 370)	-85%	44 901
Total Expenditure	119 565	162 954	164 352	10 630	16 433	27 096	(10 663)	-39%	164 352
Surplus/(Deficit)	15 173	(871)	(871)	8 199	15 544	8 005	7 539	94%	(871)
Transfers and subsidies - capital (monetary allocations)	12 056	52 236	55 332	503	503	11 597	(11 094)	-96%	55 332
Contributions & Contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	27 229	51 366	54 461	8 701	16 047	19 602	(3 555)	-18%	54 461
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/ (Deficit) for the year	27 229	51 366	54 461	8 701	16 047	19 602	(3 555)	-18%	54 461
<u>Capital expenditure & funds sources</u>									
Capital expenditure	119 319	52 626	55 722	1 071	1 071	9 191	(8 119)	-88%	55 722
Capital transfers recognised	1 115	52 236	55 332	1 115	1 115	9 126	(8 011)	-88%	55 332
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	390	390	–	–	65	(65)	-100%	390
Total sources of capital funds	1 115	52 626	55 722	1 115	1 115	9 191	(8 076)	-88%	55 722
<u>Financial position</u>									
Total current assets	(8 803)	(96 715)	(96 715)		13 541				(96 715)
Total non current assets	16 946	52 626	55 722		1 115				55 722
Total current liabilities	(23 935)	(134 040)	(77 020)		(1 395)				(77 020)
Total non current liabilities	125	(1 157)	(1 157)		0				(1 157)
Community wealth/Equity	750	–	–		(4)				–
<u>Cash flows</u>									
Net cash from (used) operating	231 288	290 697	295 190	36 922	55 517	59 524	4 007	7%	295 190
Net cash from (used) investing	(777)	52 626	55 722	–	–	9 191	9 191	100%	55 722
Net cash from (used) financing	11	720	720	13	31	120	89	75%	720
Cash/cash equivalents at the month/year end	230 520	344 043	351 632	–	55 547	68 834	13 287	19%	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	2 284	3	1 380	1 334	1 201	1 106	8 569	48 083	63 961
<u>Creditors Age Analysis</u>									
Total Creditors	7 214	1 257	4 580	5 278	19 051	–	–	–	37 380

3.3 Operating Revenue and Expenditure

WC041 Kannaland - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 August

WC04.1 Ramatiland - Table C4 Monthly Budget Statement - Financial Performance (Revenue and Expenditure) - Mo2 August										
Description	Ref	2018/19	Budget Year 2019/20							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue By Source										
Property rates		17 001	17 117	17 117	67	5 512	2 853	2 659	93%	17 117
Service charges - electricity revenue		44 924	59 573	59 573	4 460	9 015	9 929	(914)	-9%	59 573
Service charges - water revenue		12 773	16 920	16 920	511	1 629	2 820	(1 191)	-42%	16 920
Service charges - sanitation revenue		6 174	6 271	6 271	50	669	1 045	(376)	-36%	6 271
Service charges - refuse revenue		5 801	6 193	6 193	13	614	1 032	(419)	-41%	6 193
Service charges - other		—	—	—	—	—	—	—	—	—
Rental of facilities and equipment		500	956	956	2	46	159	(114)	-71%	956
Interest earned - external investments		669	526	526	82	194	88	107	122%	526
Interest earned - outstanding debtors		49	5 622	5 622	—	2	937	(935)	-100%	5 622
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		10 445	8 928	8 928	142	654	1 488	(834)	-56%	8 928
Licences and permits		173	160	160	16	43	27	16	61%	160
Agency services		828	1 010	1 010	67	144	168	(25)	-15%	1 010
Transfers and subsidies		34 779	37 147	38 545	13 389	13 388	14 278	(890)	-6%	38 545
Other revenue		622	1 660	1 660	29	68	277	(209)	-76%	1 660
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—
Total Revenue (excluding capital transfers and contributions)		134 738	162 083	163 481	18 828	31 977	35 101	(3 124)	-9%	163 481
Expenditure By Type										
Employee related costs		55 327	59 406	59 406	4 539	9 587	9 605	(18)	0%	59 406
Remuneration of councillors		2 866	3 277	3 277	421	421	546	(125)	-23%	3 277
Debt impairment		13 622	14 077	14 077	8	20	2 346	(2 326)	-99%	14 077
Depreciation & asset impairment		1 331	11 192	11 192	—	—	1 865	(1 865)	-100%	11 192
Finance charges		612	722	722	50	76	120	(44)	-36%	722
Bulk purchases		25 263	40 200	40 200	4 998	5 052	6 700	(1 648)	-25%	40 200
Other materials		1 785	4 082	4 097	60	183	683	(500)	-73%	4 097
Contracted services		7 886	15 531	16 929	189	357	2 821	(2 465)	-87%	16 929
Transfers and subsidies		2 394	558	558	—	—	93	(93)	-100%	558
Other expenditure		8 477	13 911	13 896	365	736	2 316	(1 580)	-68%	13 896
Loss on disposal of PPE		—	—	—	—	—	—	—	—	—
Total Expenditure		119 565	162 954	164 352	10 630	16 433	27 096	(10 663)	-39%	164 352
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		15 173	(871)	(871)	8 199	15 544	8 005	7 539	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	503	503	11 597	(11 094)	(0)	55 332
Transfers and subsidies - capital (in-kind - all)		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions		27 229	51 366	54 461	8 701	16 047	19 602			54 461
Taxation		—	—	—	—	—	—	—	—	—
Surplus/(Deficit) after taxation		27 229	51 366	54 461	8 701	16 047	19 602			54 461
Attributable to minorities		—	—	—	—	—	—			—
Surplus/(Deficit) attributable to municipality		27 229	51 366	54 461	8 701	16 047	19 602			54 461
Share of surplus/ (deficit) of associate		—	—	—	—	—	—			—
Surplus/ (Deficit) for the year		27 229	51 366	54 461	8 701	16 047	19 602			54 461

There was an operating surplus of R8701 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 break-down.

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 - M02 August

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	–	–	(2 450)	–
Call investment deposits		8 289	–	–	13 688	–
Consumer debtors		2 450	(96 784)	(96 784)	7 987	(96 784)
Other debtors		(27 076)	(3 326)	(3 326)	(5 715)	(3 326)
Current portion of long-term receivables		–	–	–	–	–
Inventory		5 806	3 395	3 395	31	3 395
Total current assets		(8 803)	(96 715)	(96 715)	13 541	(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	1 115	55 722
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		(28)	–	–	–	–
Other non-current assets		–	–	–	–	–
Total non current assets		16 946	52 626	55 722	1 115	55 722
TOTAL ASSETS		8 143	(44 088)	(40 993)	14 656	(40 993)
<u>LIABILITIES</u>						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		(446)	(437)	(437)	(82)	(437)
Consumer deposits		11	–	–	28	–
Trade and other payables		(23 507)	(133 603)	(76 584)	(1 342)	(76 584)
Provisions		7	–	–	–	–
Total current liabilities		(23 935)	(134 040)	(77 020)	(1 395)	(77 020)
Non current liabilities						
Borrowing		125	(1 157)	(1 157)	0	(1 157)
Provisions		–	–	–	–	–
Total non current liabilities		125	(1 157)	(1 157)	0	(1 157)
TOTAL LIABILITIES		(23 810)	(135 197)	(78 177)	(1 395)	(78 177)
NET ASSETS	2	31 954	91 108	37 184	16 051	37 184
<u>COMMUNITY WEALTH/EQUITY</u>						
Accumulated Surplus/(Deficit)		(1 404)	–	–	–	–
Reserves		2 154	–	–	(4)	–
TOTAL COMMUNITY WEALTH/EQUITY	2	750	–	–	(4)	–

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

WC041 Kannaland - Table C7 Monthly Budget Statement - Cash Flow - M02 August

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									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		12 424	(2 488)	(2 488)	(39)	5 208	(415)	5 623	-1356%	(2 488)
Service charges		60 468	79 153	79 148	4 886	12 777	13 191	(415)	-3%	79 148
Other revenue		8 065	8 625	8 625	254	951	1 437	(486)	-34%	8 625
Government- operating		34 316	9 452	9 457	13 399	12 255	9 768	2 487	25%	9 457
Government- capital		12 674	52 136	55 232	7 719	7 719	11 635	(3 916)	-34%	55 232
Interest		718	6 132	6 132	81	194	1 022	(828)	-81%	6 132
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		101 605	136 406	137 804	10 571	16 336	22 671	6 335	28%	137 804
Finance charges		612	722	722	50	76	120	44	36%	722
Transfers and Grants		406	558	558	-	-	93	93	100%	558
NET CASH FROM/(USED) OPERATING ACTIVITIES		231 288	290 697	295 190	36 922	55 517	59 524	4 007	7%	295 190
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-		-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-		-
Decrease (increase) other non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		18	-	-	-	-	-	-		-
Payments										
Capital assets		(795)	52 626	55 722	-	-	9 191	9 191	100%	55 722
NET CASH FROM/(USED) INVESTING ACTIVITIES		(777)	52 626	55 722	-	-	9 191	9 191	100%	55 722
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		11	-	-	13	28	-	28	0%	-
Payments										
Repayment of borrowing		(0)	720	720	-	2	120	118	98%	720
NET CASH FROM/(USED) FINANCING ACTIVITIES		11	720	720	13	31	120	89	75%	720
NET INCREASE/ (DECREASE) IN CASH HELD		230 522	344 043	351 632	36 935	55 547	68 834			351 632
Cash/cash equivalents at beginning:		(2)	-	-		-	-			-
Cash/cash equivalents at month/year end:		230 520	344 043	351 632		55 547	68 834			351 632

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

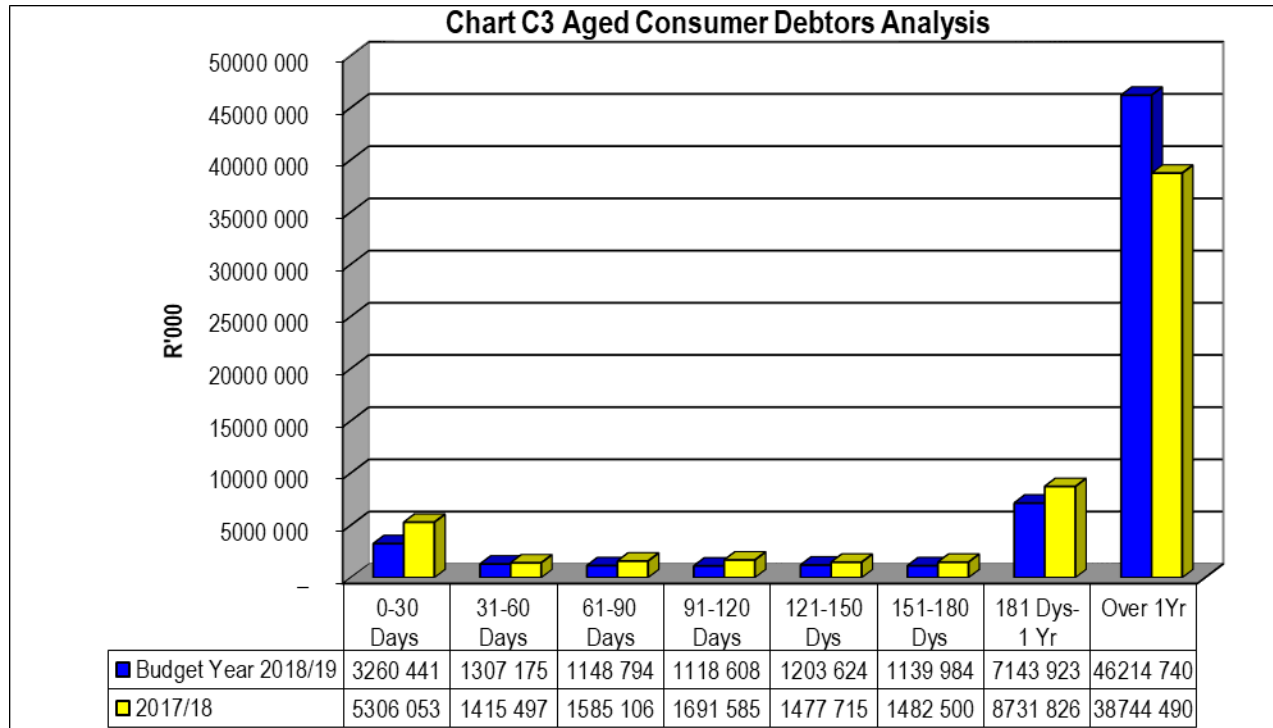
WC041 Kannaland - Supporting Table SC3 Monthly Budget Statement - aged debtors - M02 August

Supporting Table 600 Monthly Budget Statement - Debtors - 2021/22													
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	1 159	–	406	439	348	278	1 968	8 557	13 154	11 588	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	3 944	1	76	47	37	47	204	1 225	5 579	1 559	–	–
Receivables from Non-exchange Transactions - Property Rates	1400	4 891	3	310	272	253	226	2 258	10 906	19 118	13 915	–	–
Receivables from Exchange Transactions - Waste Water Management	1500	264	–	193	190	188	187	1 294	6 512	8 828	8 371	–	–
Receivables from Exchange Transactions - Waste Management	1600	491	–	291	276	271	265	1 828	7 223	10 644	9 862	–	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–	–	–	–	25	25	25	–	–
Interest on Arrear Debtor Accounts	1810	0	0	11	21	29	36	559	12 228	12 885	12 874	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–	–	–	–	–
Other	1900	(8 465)	–	93	89	75	69	459	1 408	(6 272)	2 099	–	–
Total By Income Source	2000	2 284	3	1 380	1 334	1 201	1 106	8 569	48 083	63 961	60 293	–	–
2018/19 - totals only										–	–		
Debtors Age Analysis By Customer Group													
Organs of State	2200	290	–	23	20	17	17	313	370	1 049	736	–	–
Commercial	2300	315	3	118	89	78	72	441	1 660	2 776	2 340	–	–
Households	2400	1 526	–	1 094	1 080	969	877	6 358	39 118	51 021	48 402	–	–
Other	2500	154	–	146	145	137	140	1 457	6 935	9 115	8 815	–	–
Total By Customer Group	2600	2 284	3	1 380	1 334	1 201	1 106	8 569	48 083	63 961	60 293	–	–

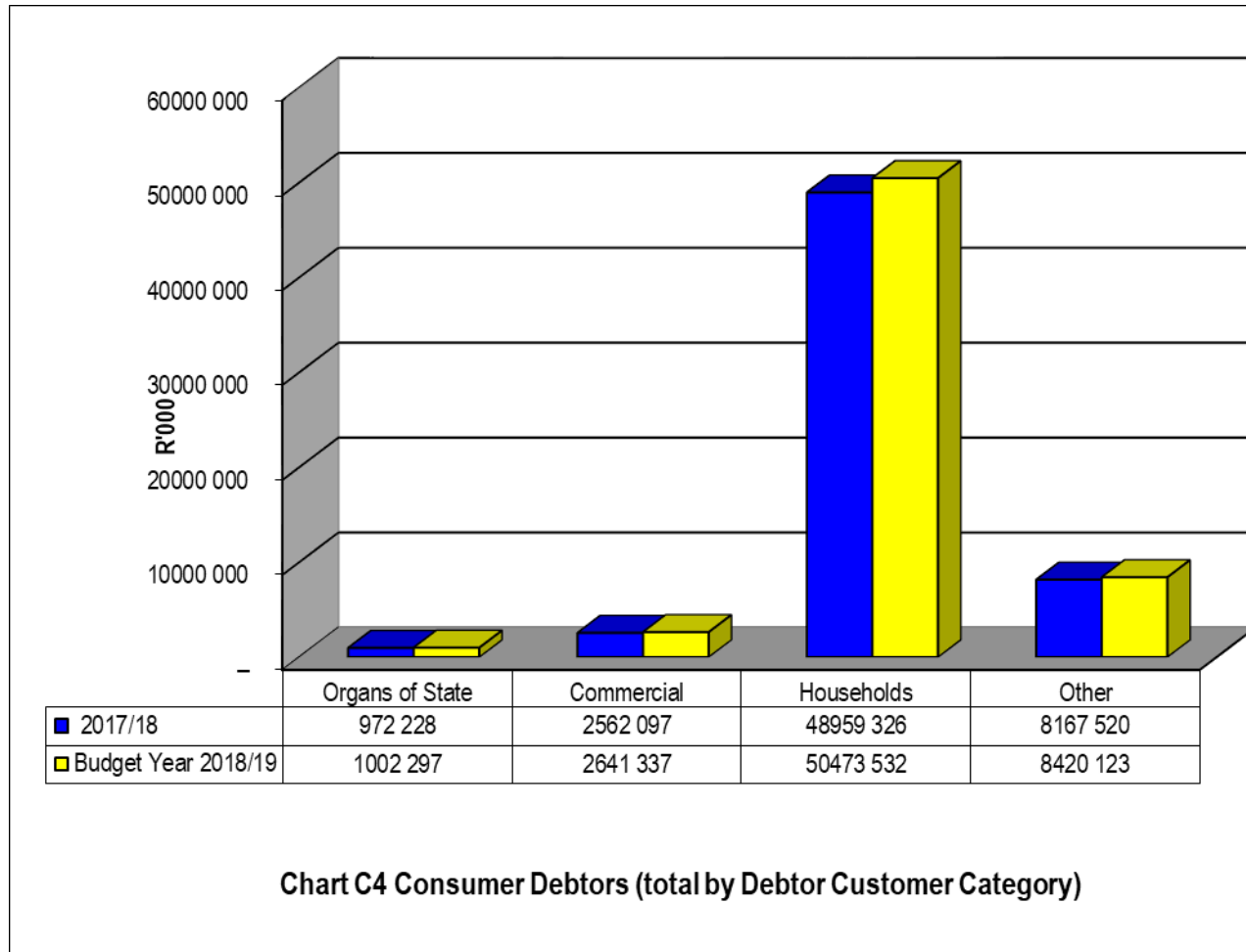
- The total amount owed to Kannaland Municipality amounted to R63961 million during August 2019.
- R 45.575 million or 74% of the total outstanding debtors are older than one year.
- R 56.102million or 91% of the outstanding debtors are outstanding for more than 90 days and are less likely to be recoverable 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.

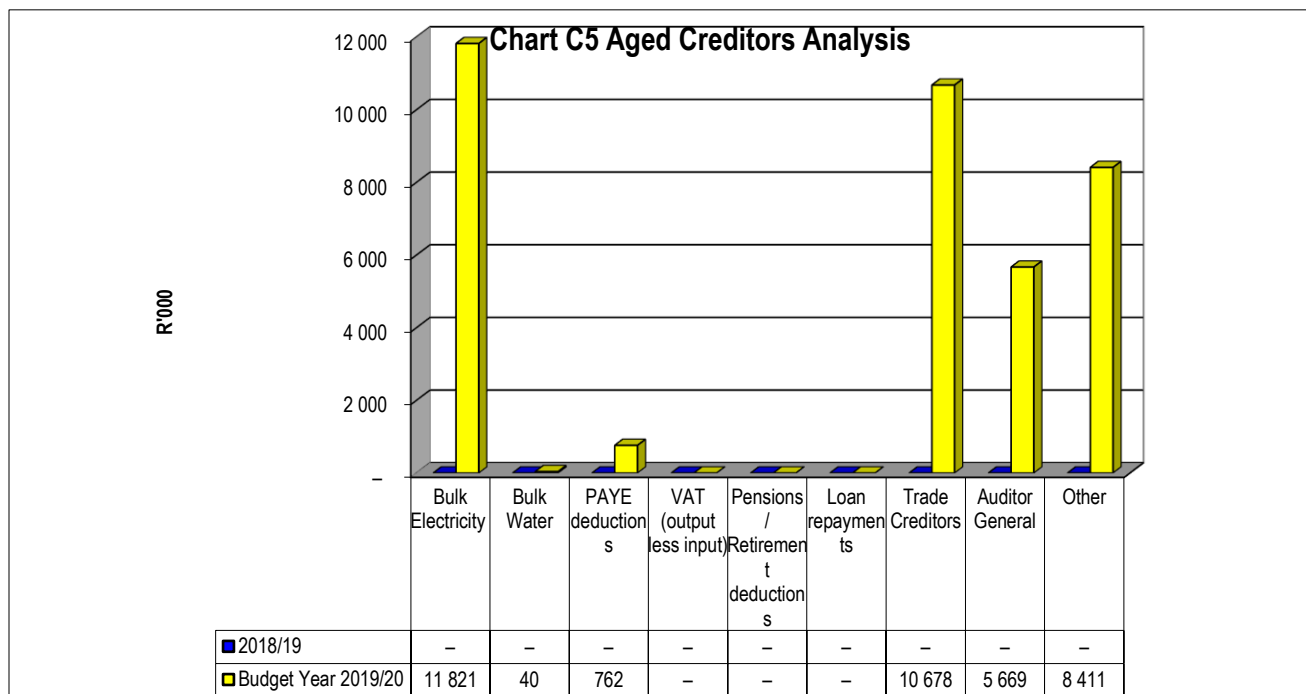
3.7 Creditors Age Analysis

WC041 Kannaland - Supporting Table SC4 Monthly Budget Statement - aged creditors - M02 August

Description R thousands	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	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	4 846	–	3 613	2 489	873	–	–	–	11 821
Bulk Water	0200	40	–	–	–	–	–	–	–	40
PAYE deductions	0300	762	–	–	–	–	–	–	–	762
VAT (output less input)	0400	–	–	–	–	–	–	–	–	–
Pensions / Retirement deductions	0500	–	–	–	–	–	–	–	–	–
Loan repayments	0600	–	–	–	–	–	–	–	–	–
Trade Creditors	0700	1 064	10	565	2 327	6 712	–	–	–	10 678
Auditor General	0800	(300)	736	331	394	4 507	–	–	–	5 669
Other	0900	801	511	72	67	6 960	–	–	–	8 411
Total By Customer Type	1000	7 214	1 257	4 580	5 278	19 051	–	–	–	37 380

- The total outstanding creditors as at 31 August 2019 amounts to 37 million.
- The biggest outstanding creditors are Eskom (R11 million), the Auditor-General of South Africa (R5.6 million) Combined, the before mentioned, represents 60% of all outstanding creditors.
- 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 Kannaaland - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M02 August											
R thousands	Description	Ref	Budget Year 2019/20								
			Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
RECEIPTS											
Operating Transfers and Grants											
3	National Government:	1,2	12 379	32 729	32 729	12 380	12 379	12 796	(418)	-3,3%	32 729
	Operational Revenue General Revenue/Equitable Share		10 118	28 816	28 816	10 198	10 198	10 515	183	1,8%	28 816
	Operational Revenue General Revenue Fuel Levy		-	-	-	-	-	-	-	-	-
	2014 African Nations Championship Host City Operating Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Agriculture Research and Technology		-	-	-	-	-	-	-	-	-
	Agriculture, Conservation and Environmental		-	-	-	-	-	-	-	-	-
	Arts and Culture Sustainable Resource Management		-	-	-	-	-	-	-	-	-
	Community Library		-	-	-	-	-	-	-	-	-
	Department of Environmental Affairs		-	-	-	-	-	-	-	-	-
	Department of Tourism		-	-	-	-	-	-	-	-	-
	Department of Water Affairs and Sanitation Masibambane		-	-	-	-	-	-	-	-	-
	Emergency Medical Service		-	-	-	-	-	-	-	-	-
	Energy Efficiency and Demand-side [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		257	1 184	1 184	257	257	395	(137)	-34,8%	1 184
	HIV Aids		-	-	-	-	-	-	-	-	-
	Housing Accreditation		-	-	-	-	-	-	-	-	-
	Housing Top structure		-	-	-	-	-	-	-	-	-
	Infrastructure Skills Development Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Integrated City Development Grant		-	-	-	-	-	-	-	-	-
	Khayelitsha Urban Renewal		-	-	-	-	-	-	-	-	-
	Local Government Financial Management Grant [Schedule 5B]		1 926	2 215	2 215	1 926	1 926	2 215	(289)	-13,0%	2 215
	Municipal Demarcation and Transition Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Municipal Disaster Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Municipal Human Settlement Capacity Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Municipal Systems Improvement Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Natural Resource Management Project		-	-	-	-	-	-	-	-	-
	Neighbourhood Development Partnership Grant		-	-	-	-	-	-	-	-	-
	Operation Clean Audit		-	-	-	-	-	-	-	-	-
	Municipal Disaster Recovery Grant		-	-	-	-	-	-	-	-	-
	Public Service Improvement Facility		-	-	-	-	-	-	-	-	-
	Public Transport Network Operations Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Restocking - Seed Funding		-	-	-	-	-	-	-	-	-
	Revenue Enhancement Grant Debtors Book		-	-	-	-	-	-	-	-	-
	Rural Road Asset Management Systems Grant		-	-	-	-	-	-	-	-	-
	Sport and Recreation		-	-	-	-	-	-	-	-	-
	Terrestrial Invasive Alien Plants		-	-	-	-	-	-	-	-	-
	Water Services Operating Subsidy Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Health Hygiene in Informal Settlements		-	-	-	-	-	-	-	-	-
	Municipal Infrastructure Grant [Schedule 5B]	(3)	514	514	(2)	(3)	171	(174)	-101,0%	514	
	Water Services Infrastructure Grant		-	-	-	-	-	-	-	-	-
	Public Transport Network Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Smart Connect Grant		-	-	-	-	-	-	-	-	-
	Urban Settlement Development Grant		-	-	-	-	-	-	-	-	-
WIFI Grant (Department of Telecommunications and Postal Services)		-	-	-	-	-	-	-	-	-	
Street Lighting		-	-	-	-	-	-	-	-	-	
Traditional Leaders - In-bidion		-	-	-	-	-	-	-	-	-	
Department of Water and Sanitation Smart Living Handbook		-	-	-	-	-	-	-	-	-	
Integrated National Electrification Programme Grant		-	-	-	-	-	-	-	-	-	
Municipal Restocking Grant		-	-	-	-	-	-	-	-	-	
Regional Bulk Infrastructure Grant		-	-	-	-	-	-	-	-	-	
Municipal Emergency Housing Grant		-	-	-	-	-	-	-	-	-	
Metro Informal Settlements Partnership Grant		-	-	-	-	-	-	-	-	-	
Provincial Government:	1 010	4 268	5 666	1 009	1 010	1 499	(489)	-32,6%	5 666		
Capacity Building		-	-	-	-	-	-	-	-	-	
Capacity Building and Other	4	1 010	4 218	5 616	1 009	1 010	1 449	(439)	-30,3%	5 616	
Disaster and Emergency Services		-	-	-	-	-	-	-	-	-	
Health	4	-	-	-	-	-	-	-	-	-	
Housing	4	-	-	-	-	-	-	-	-	-	
Infrastructure	4	-	50	50	-	50	(50)	-100,0%	50		
Libraries, Archives and Museums	4	-	-	-	-	-	-	-	-	-	
Other	4	-	-	-	-	-	-	-	-	-	
Public Transport	4	-	-	-	-	-	-	-	-	-	
Road Infrastructure - Maintenance	4	-	-	-	-	-	-	-	-	-	
Sports and Recreation	4	-	-	-	-	-	-	-	-	-	
Waste Water Infrastructure - Maintenance	4	-	-	-	-	-	-	-	-	-	
Water Supply Infrastructure - Maintenance	4	-	-	-	-	-	-	-	-	-	
District Municipality:		-	-	-	-	-	-	-	-	-	
All Grants		-	-	-	-	-	-	-	-	-	
Other grant providers:		-	-	-	-	-	-	-	-	-	
Departmental Agencies and Accounts		-	-	-	-	-	-	-	-	-	
Foreign Government and International Organisations		-	-	-	-	-	-	-	-	-	
Households		-	-	-	-	-	-	-	-	-	
Non-profit Institutions		-	-	-	-	-	-	-	-	-	
Private Enterprises		-	-	-	-	-	-	-	-	-	
Public Corporations		-	-	-	-	-	-	-	-	-	
Higher Educational Institutions		-	-	-	-	-	-	-	-	-	
Parent Municipality / Entity		-	-	-	-	-	-	-	-	-	
Transfer from Operational Revenue		-	-	-	-	-	-	-	-	-	
Total Operating Transfers and Grants	5	13 388	38 997	38 395	13 389	13 388	14 295	(907)	-6,3%	38 995	
Capital Transfers and Grants											
3	National Government:		-	47 658	50 633	-	-	10 772	(10 772)	-100,0%	50 633
	Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		-	2 951	2 951	-	-	484	(484)	-100,0%	2 951
	Municipal Infrastructure Grant [Schedule 5B]		-	9 757	9 757	-	-	1 626	(1 626)	-100,0%	9 757
	Municipal Water Infrastructure Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Neighbourhood Development Partnership Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Public Transport Infrastructure Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Rural Household Infrastructure Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Rural Road Asset Management Systems Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Urban Settlement Development Grant [Schedule 4B]		-	-	-	-	-	-	-	-	-
	Municipal Human Settlement		-	-	-	-	-	-	-	-	-
	Community Library		-	-	-	-	-	-	-	-	-
	Integrated City Development Grant [Schedule 4B]		-	-	-	-	-	-	-	-	-
	Municipal Disaster Recovery Grant [Schedule 4B]		-	-	-	-	-	-	-	-	-
	Energy Efficiency and Demand Side Management Grant		-	-	-	-	-	-	-	-	-
	Khayelitsha Urban Renewal		-	-	-	-	-	-	-	-	-
	Local Government Financial Management Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Municipal Systems Improvement Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Public Transport Network Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Public Transport Network Operations Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Regional Bulk Infrastructure Grant [Schedule 5B]		-	25 000	25 000	-	-	6 500	(6 500)	-100,0%	25 000
	Water Services Infrastructure Grant [Schedule 5B]		-	10 000	12 975	-	-	2 162	(2 162)	-100,0%	12 975
	WIFI Connectivity		-	-	-	-	-	-	-	-	-
	Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Aquaponic Project		-	-	-	-	-	-	-	-	-
	Restion Settlement		-	-	-	-	-	-	-	-	-
	Infrastructure Skills Development Grant [Schedule 5B]		-	-	-	-	-	-	-	-	-
	Restocking Seed Funding		-	-	-	-	-	-	-	-	-
	Municipal Disaster Relief Grant		-	-	-	-	-	-	-	-	-
	Municipal Emergency Housing Grant		-	-	-	-	-	-	-	-	-
	Metro Informal Settlements Partnership Grant		-	-	-	-	-	-	-	-	-
	Provincial Government:	503	4 528	4 649	503	503	775	(272)	-35,1%	4 649	
	Capacity Building		-	-	-	-	-	-	-	-	-
	Capacity Building and Other	503	1 228	1 228	503	503	205	298	145,6%	1 228	
	Disaster and Emergency Services		-	-	-	-	-	-	-	-	-
	Health		-	-	-	-	-	-	-	-	-
	Housing		-	-	-	-	-	-	-	-	-
	Infrastructure		3 300	3 421	-	-	570	(570)	-100,0%	3 421	
	Libraries, Archives and Museums		-	-	-	-	-	-	-	-	-
	Other		-	-	-	-	-	-	-	-	-
	Public Transport		-	-	-	-	-	-	-	-	-
	Road Infrastructure		-	-	-	-	-	-	-	-	-
	Sports and Recreation		-	-	-	-	-	-	-	-	-
	Waste Water Infrastructure		-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-	
District Municipality:		-	-	-	-	-	-	-	-	-	
All Grants		-	-	-	-	-	-	-	-	-	
Other grant providers:		-	-	-	-	-	-	-	-	-	
Departmental Agencies and Accounts		-	-	-	-	-	-	-	-	-	
Foreign Government and International Organisations		-	-	-	-	-	-	-	-	-	
Households		-	-	-	-	-	-	-	-	-	
Non-Profit Institutions		-	-	-	-	-	-	-	-	-	
Private Enterprises		-	-	-	-	-	-	-	-	-	
Public Corporations		-	-	-	-	-	-	-	-	-	
Higher Educational Institutions		-	-	-	-	-	-	-	-	-	
Parent Municipality / Entity		-	-	-	-	-	-	-	-	-	
Transfer from Operational Revenue		-	-	-	-	-	-	-	-	-	
Total Capital Transfers and Grants	5	503	32 146	55 282	503	503	11 547	(11 544)	-96,5%	55 282	
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	13 891	89 183	93 677	13 892	13 891	25 842	(11 951)	-46,2%	93 677	

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 R 11 728 000,00
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 R6048 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 R 296 000.
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.
- Library Grant to the amount of R1 608 666,00

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) - M02 August

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	1									
Multi-Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER			–	–	–	–	–	–	–	–
Vote 2 - CORPORATE SERVICES				650	650	–	108	(108)	-100%	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	–	–	108	(108)	-100%	650
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER			–	–	–	–	–	–	–	–
Vote 2 - CORPORATE SERVICES		9 486	3 733	3 733	222	222	526	(304)	-58%	3 733
Vote 3 - FINANCIAL SERVICES		430	360	360	–	–	60	(60)	-100%	360
Vote 4 - TECHNICAL SERVICES		109 403	47 883	50 979	850	850	8 497	(7 647)	-90%	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	119 319	51 976	55 072	1 071	1 071	9 082	(8 011)	-88%	55 072
Total Capital Expenditure	3	119 319	52 626	55 722	1 071	1 071	9 191	(8 119)	-88%	55 722
Capital Expenditure - Functional Classification										
Governance and administration		–	360	360	–	–	60	(60)	-100%	360
Executive and council		–	–	–	–	–	–	–	–	–
Finance and administration		–	360	360	–	–	60	(60)	-100%	360
Internal audit		–	–	–	–	–	–	–	–	–
Community and public safety		222	4 383	4 383	222	222	634	(412)	-65%	4 383
Community and social services		–	700	700	–	–	117	(117)	-100%	700
Sport and recreation		222	3 105	3 105	222	222	518	(296)	-57%	3 105
Public safety		–	578	578	–	–	–	–	–	578
Housing		–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		–	–	–	–	–	–	–	–	–
Planning and development		–	–	–	–	–	–	–	–	–
Road transport		–	–	–	–	–	–	–	–	–
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		893	47 883	50 979	893	893	8 497	(7 604)	-89%	50 979
Energy sources		79	3 345	3 345	79	79	558	(479)	-86%	3 345
Water management		814	26 538	29 634	814	814	4 939	(4 125)	-84%	29 634
Waste water management		–	18 000	18 000	–	–	3 000	(3 000)	-100%	18 000
Waste management		–	–	–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional Classification	3	1 115	52 626	55 722	1 115	1 115	9 191	(8 076)	-88%	55 722
Funded by:										
National Government		1 115	47 658	50 633	1 115	1 115	8 439	(7 324)	-87%	50 633
Provincial Government		–	4 578	4 699	–	–	687	(687)	-100%	4 699
District Municipality		–	–	–	–	–	–	–	–	–
Other transfers and grants		–	–	–	–	–	–	–	–	–
Transfers recognised - capital		1 115	52 236	55 332	1 115	1 115	9 126	(8 011)	-88%	55 332
Public contributions & donations	5	–	–	–	–	–	–	–	–	–
Borrowing	6	–	–	–	–	–	–	–	–	–
Internally generated funds		–	390	390	–	–	65	(65)	-100%	390
Total Capital Funding		1 115	52 626	55 722	1 115	1 115	9 191	(8 076)	-88%	55 722

- The actual monthly expenditure for August 2019 was R1115 mil.
- 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	% of total
356 123,00	173 418,72	3 137 871,83	105 501,62	-	3 772 915,17	74,20%
-	-	13 116,15	-	-	13 116,15	0,26%
-	-	111 583,12	-	-	111 583,12	2,19%
-	-	140 970,74	-	-	140 970,74	2,77%
-	-	69 062,36	-	-	69 062,36	1,36%
34 767,02	17 000,00	175 044,03	6 120,00	-	232 931,05	4,58%
52 200,00	5 000,00	9 500,00	600,00	-	67 300,00	1,32%
-	-	22 511,09	852,00	-	23 363,09	0,46%
11 878,67	-	122 839,79	6 721,29	54 505,00	195 944,75	3,85%
-	-	364 795,86	11 419,90	-	376 215,76	7,40%
-	17,50	1 653,75	35,00	-	1 706,25	0,03%
-	2 030,53	39 298,52	1 356,31	-	42 685,36	0,84%
-	297,44	25 656,48	803,40	-	26 757,32	0,53%
-	3 586,25	4 064,01	-	-	7 650,26	0,15%
-	-	2 744,76	-	-	2 744,76	0,05%
454 968,69	201 350,44	4 240 712,49	133 409,52	54 505,00	5 084 946,14	

The total expenditure on employee and councillor-related cost amounted to R5 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 5.34% 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 R454 968.69 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		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
Interest Accrual		31.08.2019	31.08.2019	0.00	20,184.83	0.00	20,184.83	1,921,465.23	1,901,280.40
Interest Capitalisation		31.08.2019	31.08.2019	0.00	-20,184.83	20,184.83	0.00	1,921,465.23	1,921,465.23
Repayment Due		02.09.2019	02.09.2019	-39,815.17	0.00	-20,184.83	-60,000.00	1,861,465.23	1,861,465.23

- The total outstanding long-term debt of Kannaland Municipality amounts to R1,861 465.23 as at 31 August 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 R20,184.83 in interest with a capital redemption amount of R39,815.17

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) - M02 August

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	10 198	10 198	3 941	6 258	158,8%	8 786
Vote 2 - CORPORATE SERVICES		13 390	25 275	26 509	1 760	2 044	4 931	(2 887)	-58,6%	26 509
Vote 3 - FINANCIAL SERVICES		27 786	24 910	25 029	2 084	8 057	6 244	1 813	29,0%	25 029
Vote 4 - TECHNICAL SERVICES		85 398	155 394	158 490	5 289	12 181	31 582	(19 402)	-61,4%	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	19 331	32 479	46 698	(14 218)	-30,4%	218 813
<u>Expenditure by Vote</u>	1									
Vote 1 - MUNICIPAL MANAGER		13 503	15 081	15 126	1 035	2 014	2 521	(507)	-20,1%	15 126
Vote 2 - CORPORATE SERVICES		28 146	28 843	30 077	1 594	3 205	4 717	(1 512)	-32,1%	30 077
Vote 3 - FINANCIAL SERVICES		21 108	30 062	30 180	1 140	2 435	5 030	(2 595)	-51,6%	30 180
Vote 4 - TECHNICAL SERVICES		56 242	88 330	88 330	6 854	8 764	14 722	(5 958)	-40,5%	88 330
Vote 5 - CALITZDORP SPA		-	-	-	-	-	-	-		-
Vote 6 - CORPORATE SERVICES (Continued)		566	639	639	7	15	106	(91)	-85,7%	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	10 630	16 433	27 096	(10 663)	-39,4%	164 352
Surplus/ (Deficit) for the year	2	27 229	51 366	54 461	8 701	16 047	19 602	(3 555)	-18,1%	54 461

ANNEXURE B

Table C2 Monthly Budget Statement - Financial Performance (functional classification) – M02 August 2019

WC041 Kannaland - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M02 August

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	12 302	18 304	10 305	7 999	78%	34 534
Executive and council		20 220	8 740	8 786	10 198	10 198	3 941	6 258	159%	8 786
Finance and administration		28 162	25 630	25 749	2 103	8 106	6 364	1 742	27%	25 749
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		13 103	17 122	18 356	1 790	1 844	3 769	(1 925)	-51%	18 356
Community and social services		5 474	14 723	14 949	1 051	1 081	3 202	(2 120)	-66%	14 949
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		5 830	2 019	2 019	739	763	336	427	127%	2 019
Housing		1 799	380	1 388	-	-	231	(231)	-100%	1 388
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		5 842	9 182	9 182	206	405	1 658	(1 252)	-76%	9 182
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		5 842	9 182	9 182	206	405	1 658	(1 252)	-76%	9 182
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		79 467	153 646	156 742	5 033	11 926	30 966	(19 040)	-61%	156 742
Energy sources		44 940	64 873	64 873	4 460	9 015	11 427	(2 412)	-21%	64 873
Water management		22 551	46 059	49 155	511	1 629	10 526	(8 897)	-85%	49 155
Waste water management		6 174	28 768	28 768	50	669	4 795	(4 126)	-86%	28 768
Waste management		5 801	13 946	13 946	13	614	4 218	(3 605)	-85%	13 946
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	146 794	214 320	218 813	19 331	32 479	46 698	(14 218)	-30%	218 813
Expenditure - Functional										
<i>Governance and administration</i>		47 980	58 160	58 324	3 159	6 330	9 721	(3 390)	-35%	58 324
Executive and council		13 503	15 081	15 126	1 035	2 014	2 521	(507)	-20%	15 126
Finance and administration		34 477	43 079	43 197	2 124	4 317	7 199	(2 883)	-40%	43 197
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		16 360	9 694	10 928	707	1 405	1 526	(120)	-8%	10 928
Community and social services		5 640	7 670	7 896	334	660	1 020	(361)	-35%	7 896
Sport and recreation		364	325	325	47	84	54	29	54%	325
Public safety		8 317	59	59	263	537	10	527	5382%	59
Housing		2 040	1 640	2 648	64	125	441	(317)	-72%	2 648
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		5 750	18 573	18 573	561	1 192	3 095	(1 904)	-61%	18 573
Planning and development		21	-	-	-	-	-	-	-	-
Road transport		5 729	18 573	18 573	561	1 192	3 095	(1 904)	-61%	18 573
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		49 474	76 527	76 527	6 203	7 505	12 754	(5 249)	-41%	76 527
Energy sources		30 690	50 932	50 932	5 389	5 810	8 489	(2 679)	-32%	50 932
Water management		9 903	12 196	12 196	327	711	2 033	(1 322)	-65%	12 196
Waste water management		4 107	6 607	6 607	201	408	1 101	(693)	-63%	6 607
Waste management		4 774	6 792	6 792	285	576	1 132	(556)	-49%	6 792
<i>Other</i>		-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	119 565	162 954	164 352	10 630	16 433	27 096	(10 663)	-39%	164 352
Surplus/ (Deficit) for the year		27 229	51 366	54 461	8 701	16 047	19 602	(3 555)	-18%	54 461

ANNEXURE C

Implementation of the Supply Chain Management policy

No deviations for August 2019