

Kannaland Municipality



Financial Management Report November 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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1 Glossary

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

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

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

Budget - The financial plan of the Municipality.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and 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. Virement are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

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

2 Legislative Framework

This report has been prepared in terms of **The Municipal Finance Management Act 56 of 2003**

Legislative Requirements

The Municipality is required to assess on an ongoing basis whether it collects sufficient revenue to meet its commitments, such as paying Employees, Councillors, Eskom, and its service providers etc.

In accordance with Section 71(1) of the MFMA, the Accounting officer 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.

In accordance with regulation 28 of the MBRR, the monthly budget statements of a municipality must be in the format specified in Schedule C.

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

3 Mayor's Report

This report is submitted in compliance with Section 71(1) of the Municipal Finance Management Act (MFMA) and the Municipal Budget and Reporting Regulations (MBRR).

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 **November 2019**. An analysis of the financial position and performance was undertaken to determine the relative financial strength and liquidity of the Municipality.

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.

Financial problems and risks facing the municipality

Cash flow has and will for the foreseeable future be a problem, but in the short-term Kannaland Municipality has done well to meet the most pressing commitments such as Eskom, Employee Related Cost including bonuses and service delivery. The municipality still experiences cash flow challenges due to constrained resources. A Financial Recovery Plan is in place to mitigate this risk.

4 Budget Summary

WC041 Kannaland - Table C1 Monthly Budget Statement Summary - M05 November

Description	2018/19	Budget Year 2019/20								Check
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
R thousands										
Financial Performance										
Property rates	15 549	17 117	17 117	998	9 546	7 132	2 414	34%	17 117	Link from C4 0200
Service charges	69 672	88 958	88 958	6 798	35 210	37 066	(1 856)	-5%	88 958	Link from C4 (Sum)
Investment revenue	669	526	526	59	418	219	199	91%	526	Link from C4 0900
Transfers and subsidies	33 803	37 147	37 875	462	14 747	21 935	(7 188)	-33%	37 875	Link from C4 1500
Other own revenue	17 519	18 336	18 336	924	3 349	7 640	(4 291)	-56%	18 336	Link from C4 (Sum)
Total Revenue (excluding capital transfers and contributions)	137 213	162 083	162 812	9 241	63 269	73 992	(10 723)	-14%	162 812	
Employee costs	55 504	59 406	59 344	6 031	25 866	23 987	1 879	8%	59 344	Link from C4 2000
Remuneration of Councillors	3 323	3 277	3 277	152	999	1 365	(366)	-27%	3 277	Link from C4 2100
Depreciation & asset impairment	15 710	11 192	11 270	–	–	4 696	(4 696)	-100%	11 270	Link from C4 2300
Finance charges	2 921	722	722	50	202	301	(99)	-33%	722	Link from C4 2400
Materials and bulk purchases	36 457	44 282	43 867	3 336	14 043	18 278	(4 235)	-23%	43 867	Link from C4 (Sum)
Transfers and subsidies	1 899	558	558	(0)	(0)	232	(233)	-100%	558	Link from C4 2800
Other expenditure	42 266	43 518	43 386	1 243	4 776	18 077	(13 301)	-74%	43 386	Link from C4 (Sum)
Total Expenditure	158 080	162 954	162 423	10 812	45 886	66 936	(21 050)	-31%	162 423	
Surplus/(Deficit)	(20 867)	(871)	389	(1 571)	17 383	7 056	10 326	146%	389	Sum

This report provides a balanced and consolidated financial performance overview to assist the Executive Mayor in her oversight role.

Operating Surplus/Deficit

Operating revenue amounted to **R9.241 million** an improvement from the previous month reporting of **R9.171 million** this as a result of service charges collections, whilst operating expenditure amounted to **R10 812 million**, resulting in an operating **deficit** of **R1.571 million** showing a decrease from the previously reported in **October 2019** deficit of **R2 Million**.

Financial Performance

Property Rates

The property rates collection showed a collection of R998 thousand collection in the **November 2019** period and slight increase from the collection on **October 2019** of Just over R8 thousand.

Service Charges

The municipality recorded an overall service charge collection over **R6.7 million** for the **November 2019** period, representing a slight increase of just over **R300 thousand** from the **October 2019** period.

Investment Revenue

The investment revenue is slow performing showing collection of **R59 thousand Rands**, mainly from interest from short term investments held in call accounts.

Transfers and Subsidies

The municipality received grants from National Treasury Water Services Infrastructure amount of R 5million and Expanded Public Works (EPWP) amount of R533 thousand, Integrated National Electrification Programme (INEP) amount of R 1million.

Total Expenditure

Employee related cost

The employee related cost increased from the Month of November as a result of bonuses paid. The total expenditure on salaries including councillors was **R6.03 Million**.

Finance charges

The total finance charges amounted to **R50 thousand in November 2019**. An amount of R31 thousand is toward overdue accounts and **R18 thousand** towards annuity accounts.

Materials and Bulk Purchases

Bulk purchases is slow due to the demand for electricity in the summer season. The municipality spent **R3.1 million** toward Eskom bulk purchase, which includes payments towards an arrangement with Eskom and **R185 thousand** towards Materials and Water inventory.

Transfers and other subsidies

The municipality incurred expenditure for operating grants of R870 thousand

4.1 Operating Revenue and Expenditure

WC041 Kannaland - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M05 November

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		15 549	17 117	17 117	998	9 546	7 132	2 414	34%	17 117
Service charges - electricity revenue		44 924	59 573	59 573	4 211	22 968	24 822	(1 854)	-7%	59 573
Service charges - water revenue		12 773	16 920	16 920	1 456	6 374	7 050	(676)	-10%	16 920
Service charges - sanitation revenue		6 174	6 271	6 271	577	2 992	2 613	379	15%	6 271
Service charges - refuse revenue		5 801	6 193	6 193	554	2 876	2 581	295	11%	6 193
Service charges - other		—	—	—	—	—	—	—	—	—
Rental of facilities and equipment		533	956	956	46	228	398	(170)	-43%	956
Interest earned - external investments		669	526	526	59	418	219	199	91%	526
Interest earned - outstanding debtors		49	5 622	5 622	2	7	2 342	(2 335)	-100%	5 622
Dividends received		—	—	—	—	—	—	—	—	—
Fines, penalties and forfeits		15 314	8 928	8 928	631	1 891	3 720	(1 829)	-49%	8 928
Licences and permits		173	160	160	14	91	67	24	36%	160
Agency services		828	1 010	1 010	85	420	421	(1)	0%	1 010
Transfers and subsidies		33 803	37 147	37 875	462	14 747	21 935	(7 188)	-33%	37 875
Other revenue		622	1 660	1 660	146	711	692	20	3%	1 660
Gains on disposal of PPE		—	—	—	—	—	—	—	—	—

4.1.1 Operating Revenue

The detailed operating revenue items are as follows:

Electricity

The Kannaland municipality supplies the following locations with electricity, Ladismith and Calitzdorp and we have sold about **R4.2 million** worth of electricity this month which is a slight improvement on previous reporting period by more than **R100 thousand**. There is an improvement in terms of revenue collection in the electricity with the Year to date actual of surpassing the **91 percent collection** to the Year to date budget.

However, areas that are services by ESKOM such Zoar and Van Wyks Dorp continue to be a challenge in terms of implementing our debt collection policy strategies and the council need to consider alternative ways of managing this problem.

Water

We have a revenue collection of **R1.496 Million** in water services in the November period showing a slight improvement on the previous reported figure of **R1.2 Million** in October 2019. There is a slight improvement in the revenue collected towards water, the year to date actuals represent **90 percent collection** against the Year to date budget. This rate could be more if electricity in the whole municipal boundary was serviced by the municipality, as we are unable to effectively implement our debt collection policies.

No major water leaks were reported this month.

Sewerage

We have collected **R577 thousand** during November and this rate is below for the October period of **R596 thousand**. The sanitation is performing above expectation with collection percentage of 114 percent from the year to date actuals compared to year to date budget.

Refuse Removal

The municipality collected refuse and managed to generate **R554 thousand** for the reporting month which is lower than the previous month of October figure of **R561 thousand**. The refuse removal is also performing above expectations with collection of 111% from the year to date actuals compared to the year to date budget.

There were no reported incidents regarding refuse collection this month.

Rental of facilities

The municipality doesn't have much revenue received from the rental of facilities, that include halls and other facilities. The total rental for facilities amounted to **R59 Thousand**, this rate is below the expected projections and stricter measures will need to be implemented in this regard.

Interest earned (external investments and Outstanding debtors) and fines/Penalties forfeits

The municipality is performing well in receiving interest on external investments held in call accounts. The interest earned on investments on the **November** period amounted to R59 thousand rand, that shows year to date interest received of over **R400 thousand**. The interest earned on outstanding debtors raises concerns, which will be addressed as the municipality is not showing collections towards interest even though outstanding debtors are increasing.

The municipality is showing underperformance on fines, penalties and forfeits by collecting **R639 thousand** representing less than 50% of the year to date actuals against the year to date budget.

Transfers and Subsidies – Other (Special Grant Received from Provincial Treasury)

In the 18/19 financial year the municipality bought Vehicles from city of Cape Town out of own funds and Provincial Treasury paid the amount of R494 thousand back in this financial year.

4.1.2 Operating Expenditure

Expenditure By Type										
Employee related costs	55 504	59 406	59 344	6 031	25 866	23 987	1 879	8%	59 344	
Remuneration of councillors	3 323	3 277	3 277	152	999	1 365	(366)	-27%	3 277	
Debt impairment	25 922	14 077	14 077	–	71	5 865	(5 795)	-99%	14 077	
Depreciation & asset impairment	15 710	11 192	11 270	–	–	4 696	(4 696)	-100%	11 270	
Finance charges	2 921	722	722	50	202	301	(99)	-33%	722	
Bulk purchases	35 483	40 200	40 200	3 173	13 411	16 750	(3 339)	-20%	40 200	
Other materials	974	4 082	3 667	163	632	1 528	(896)	-59%	3 667	
Contracted services	7 849	15 531	17 056	891	2 209	7 107	(4 898)	-69%	17 056	
Transfers and subsidies	1 899	558	558	(0)	(0)	232	(233)	-100%	558	
Other expenditure	8 200	13 911	12 253	352	2 497	5 105	(2 608)	-51%	12 253	
Loss on disposal of PPE	295	–	–	–	–	–	–		–	
Total Expenditure	158 080	162 954	162 423	10 812	45 886	66 936	(21 050)	-31%	162 423	

Employee Related Costs

Employee related cost amounted to **R6.031 million** which includes bonuses of just over **R 2 million** paid in November for employees' level T9 and below due to financial constraints, the rest of the employee bonuses will be paid in December.

The total remuneration for councillors is reported as **R152 thousand**. This figure is understated due to system parameters that are not correctly setup and will be corrected on the next reporting period.

Bulk Purchase and Finance Charges

The municipality made bulk purchases to the amount of **R3.17 million** for the reporting period. The bulk expenditure went to Electricity for over **R 3.157 million** and for water **R22 thousand**. The finance charges relating to overdue accounts and interest on annuity loans amounted to **R50 thousand**.

Contracted services

The municipality has improved on the expenditure for contracted services. Contracted services improved from the **R 451 thousand spent in October 2019 to R 891 thousand for the November period**. The Year to date actual represent 31% of the total Year to date budget. However due to constrained financial resources, we are making strides on the expenditure on contracted services. An improvement on the SCM processes is underway to ensure proper spending and planning.

Other expenditure

Other expenditure amounted to **R345 thousand** which represents **49 percent** of the year to date actuals against the year to date budget. This is due to cost containment measures that are being implemented as per the resolution of the Financial Recovery Plan.

5 Statement of Financial Position

WC041 Kannaland - Table C6 Monthly Budget Statement - Financial Position - M05 November

Description	Ref	2018/19	Budget Year 2019/20			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		1 732	—	(4 977)	(1 284)	(4 977)
Call investment deposits		8 289	—	—	5 454	—
Consumer debtors		(101)	(96 784)	(199 443)	1 855	(199 443)
Other debtors		(26 043)	(3 326)	(7 661)	(3 626)	(7 661)
Current portion of long-term receivables		(5)	—	—	—	—
Inventory		924	3 395	6 376	23	6 376
Total current assets		(15 205)	(96 715)	(205 706)	2 423	(205 706)
Non current assets						
Long-term receivables		—	—	—	—	—
Investments		(36)	—	—	—	—
Investment property		(211)	—	—	—	—
Investments in Associate		—	—	—	—	—
Property, plant and equipment		(7 208)	52 626	67 134	488	67 134
Agricultural		—	—	—	—	—
Biological assets		—	—	—	—	—
Intangible assets		(52)	—	29	—	29
Other non-current assets		—	—	—	—	—
Total non current assets		(7 507)	52 626	67 164	488	67 164
TOTAL ASSETS		(22 712)	(44 088)	(138 542)	2 911	(138 542)
LIABILITIES						
Current liabilities						
Bank overdraft		—	—	—	—	—
Borrowing		(566)	(437)	(873)	(42)	(873)
Consumer deposits		11	—	—	4	—
Trade and other payables		(4 359)	(133 603)	(263 001)	4 534	(263 001)
Provisions		(357)	—	—	—	—
Total current liabilities		(5 271)	(134 040)	(263 875)	4 497	(263 875)
Non current liabilities						
Borrowing		116	(1 157)	(1 157)	(15)	(1 157)
Provisions		2 452	—	(1 500)	—	(1 500)
Total non current liabilities		2 567	(1 157)	(2 657)	(15)	(2 657)
TOTAL LIABILITIES		(2 704)	(135 197)	(266 532)	4 481	(266 532)
NET ASSETS	2	(20 008)	91 108	127 990	(1 570)	127 990

Assets

Cash

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

Call Investment Deposits

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

Consumer Debtors

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

Property, Plant and Equipment

The municipality did not make any asset acquisition for the reporting period. The year to date on capital expenditure is R5.8 million which indicates 9 percent expenditure of the total capital budget and a slight increase from first Quarter of 5 percent. The current month's capital expenditure is slightly lower at R488 thousand.

Intangible Assets

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

Liabilities

Current Liabilities

Bank Overdraft

Due to the financial challenges experienced, the municipality makes use overdraft facility (amounting to -R3 461 984.75) to fund some of the day to day operations. In the Month of **November**, we had made use of the overdraft facilities.

Borrowings

We have a long-term financial obligation with the Development Bank of Southern Africa and currently paying R60 thousand per month inclusive of finance charges.

Trade and Other Payables

Due to the nature of our financial situation we are struggling to fulfil our obligations and we have been in negotiations with our creditors such as ESKOM to negotiate payment plans that will suit our affordability. We have about R4.4 million obligations showing a decrease from the R6.1 million reported in October 2019.

6 Cash Receipts and Payments

WC041 Kannaland - Table C7 Monthly Budget Statement - Cash Flow - M05 November

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		5 891	(2 488)	(1 259)	883	8 260	(524)	8 785	-1675%	(1 259)
Service charges		32 617	79 153	79 421	7 897	40 317	33 092	7 225	22%	79 421
Other revenue		(5 350)	8 625	8 610	918	3 328	3 587	(260)	-7%	8 610
Government - operating		31 150	9 452	9 855	779	9 038	11 029	(1 991)	-18%	9 855
Government - capital		11 439	52 136	54 588	5 217	12 937	25 675	(12 738)	-50%	54 588
Interest		718	6 132	6 132	60	419	2 555	(2 136)	-84%	6 132
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(111 233)	(136 406)	(135 797)	(10 762)	(45 614)	(55 842)	(10 228)	18%	(135 797)
Finance charges		(2 921)	(722)	(722)	(50)	(202)	(301)	(99)	33%	(722)
Transfers and Grants		(406)	(558)	(558)	0	0	(232)	(233)	100%	(558)
NET CASH FROM/(USED) OPERATING ACTIVITIES		(38 095)	15 325	20 270	4 944	28 483	19 039	(9 444)	-50%	20 270
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		36	-	-	-	-	-	-		-
Payments										
Capital assets		(778)	(52 626)	(55 972)	-	-	(23 225)	(23 225)	100%	(55 972)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(743)	(52 626)	(55 972)	-	-	(23 225)	(23 225)	100%	(55 972)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		11	-	-	4	54	-	54	0%	-
Payments										
Repayment of borrowing		0	(720)	(720)	-	(2)	(300)	(298)	99%	(720)
NET CASH FROM/(USED) FINANCING ACTIVITIES		11	(720)	(720)	4	51	(300)	(351)	117%	(720)
NET INCREASE/ (DECREASE) IN CASH HELD		(38 827)	(38 022)	(36 422)	4 948	28 534	(4 486)			(36 422)
Cash/cash equivalents at beginning:		(2)	-	-		-	-			-
Cash/cash equivalents at month/year end:		(38 829)	(38 022)	(36 422)		28 534	(4 486)			(36 422)

Cash Receipts

As extensively reported earlier, the municipal cash flow position remains difficult and with the implementation of the Financial Recovery Plan we hope to turn this situation around in the near future. There are some positive performance with regards to reported receipts on the November period.

The total bank balance as at 30 November 2019 was -R1 949 million of which the Standard Bank main account is -R3 462 million and the R 560 thousand at the Traffic account and the deposit account has R953 thousand.

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

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

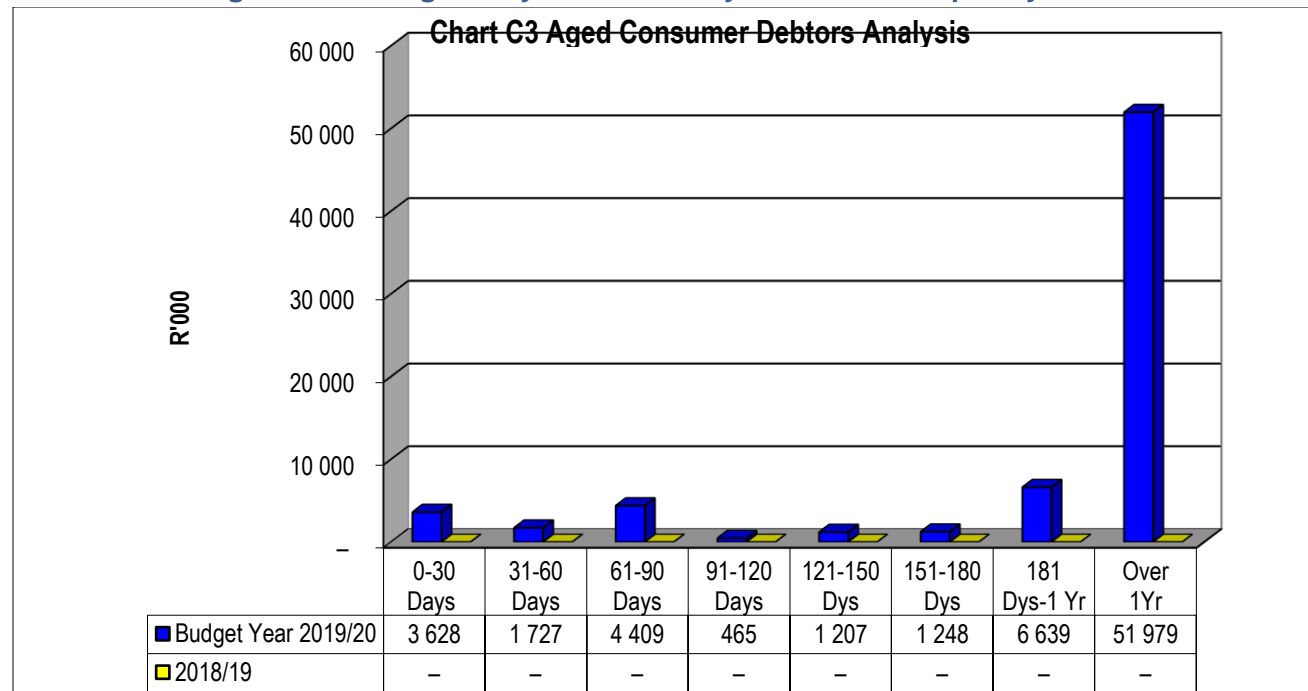
8 Debtor Age Analysis

WC041 Kannaland - Supporting Table SC3 Monthly Budget Statement - aged debtors - M05 November

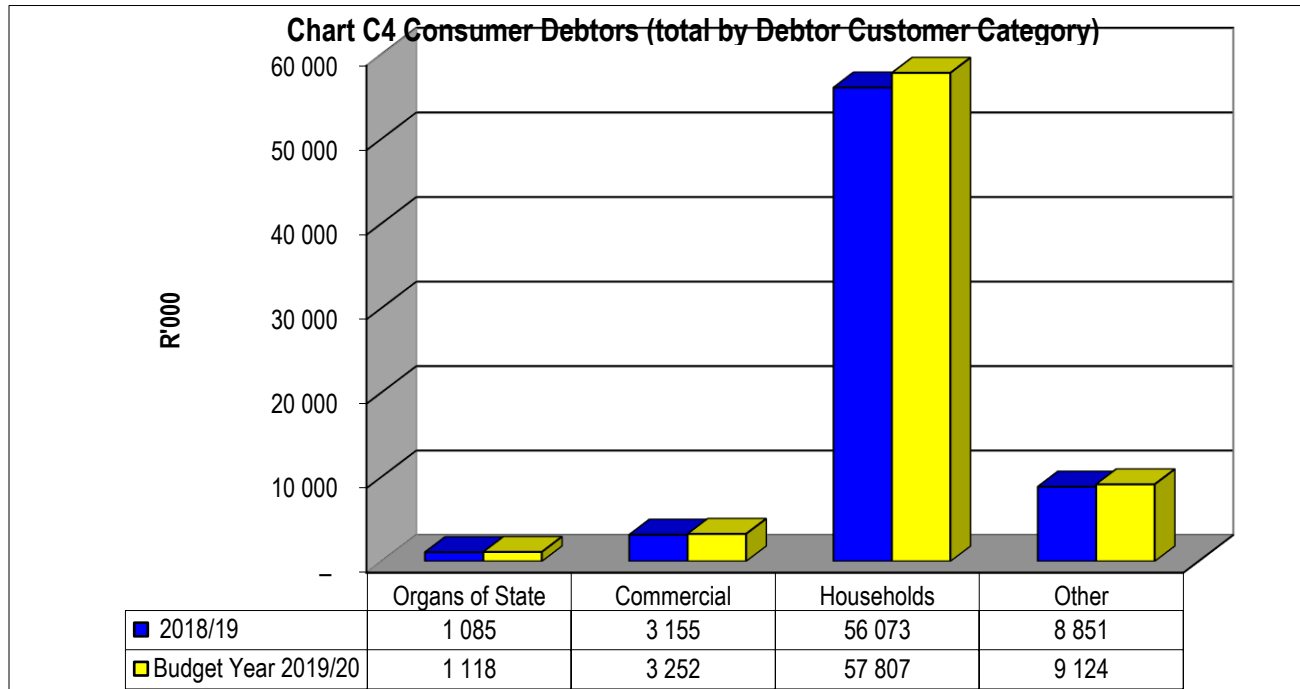
Description		NT Code	Budget Year 2019/20										Actual Bad Debts Written Off against Debtors	Impairment - Ba Debts i.t.o Council Policy
			0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands														
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	1200	1 644	532	486	403	364	406	1 798	9 179	14 812	12 151	14 812	-	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	900	91	97	53	40	37	165	1 275	2 659	1 570	2 659	-	
Receivables from Non-exchange Transactions - Property Rates	1400	1 209	271	2 185	0	241	234	1 216	11 746	17 102	13 437	17 102	-	
Receivables from Exchange Transactions - Waste Water Management	1500	510	244	480	-	189	187	1 107	7 012	9 730	8 496	9 730	-	
Receivables from Exchange Transactions - Waste Management	1600	1 171	446	874	-	270	265	1 550	7 916	12 493	10 002	12 493	-	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	24	24	24	24	-	
Interest on Arrear Debtor Accounts	1810	15	27	90	8	32	42	404	13 282	13 900	13 768	13 900	-	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-	
Other	1900	(1 822)	117	197	-	71	76	399	1 544	583	2 091	583	-	
Total By Income Source	2000	3 628	1 727	4 409	465	1 207	1 248	6 639	51 979	71 302	61 538	71 302	-	
2018/19 - totals only														
Debtors Age Analysis By Customer Group														
Organs of State	2200	(246)	23	835	12	15	11	36	431	1 118	506	1 118	-	
Commercial	2300	456	104	272	38	77	83	362	1 861	3 252	2 421	3 252	-	
Households	2400	3 821	1 473	2 569	406	985	1 028	5 482	42 044	57 807	49 944	57 807	-	
Other	2500	(404)	126	734	9	131	126	759	7 643	9 124	8 668	9 124	-	
Total By Customer Group	2600	3 628	1 727	4 409	465	1 207	1 248	6 639	51 979	71 302	61 538	71 302	-	

- The total amount owed to Kannaland Municipality amounted to R71.3 million during November 2019.
- R 51.9 million or 90 percent of the total outstanding debtors are older than one year.
- R 61.5 million or 98 percent of the outstanding debtors are outstanding for more than 90 days and are less likely to be recoverable debt.
- There has been an increase in debtors from the previous month. This increase can be contributed to increasingly difficult economic circumstances.
- The biggest concern regarding debt collection in Kannaland Municipality is the ability to collect service charges for water, refuse and sewerage in areas where electricity is not supplied by the municipality.

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



8.2 Chart of debtors age analysis per consumer category



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

9 Creditors Age Analysis

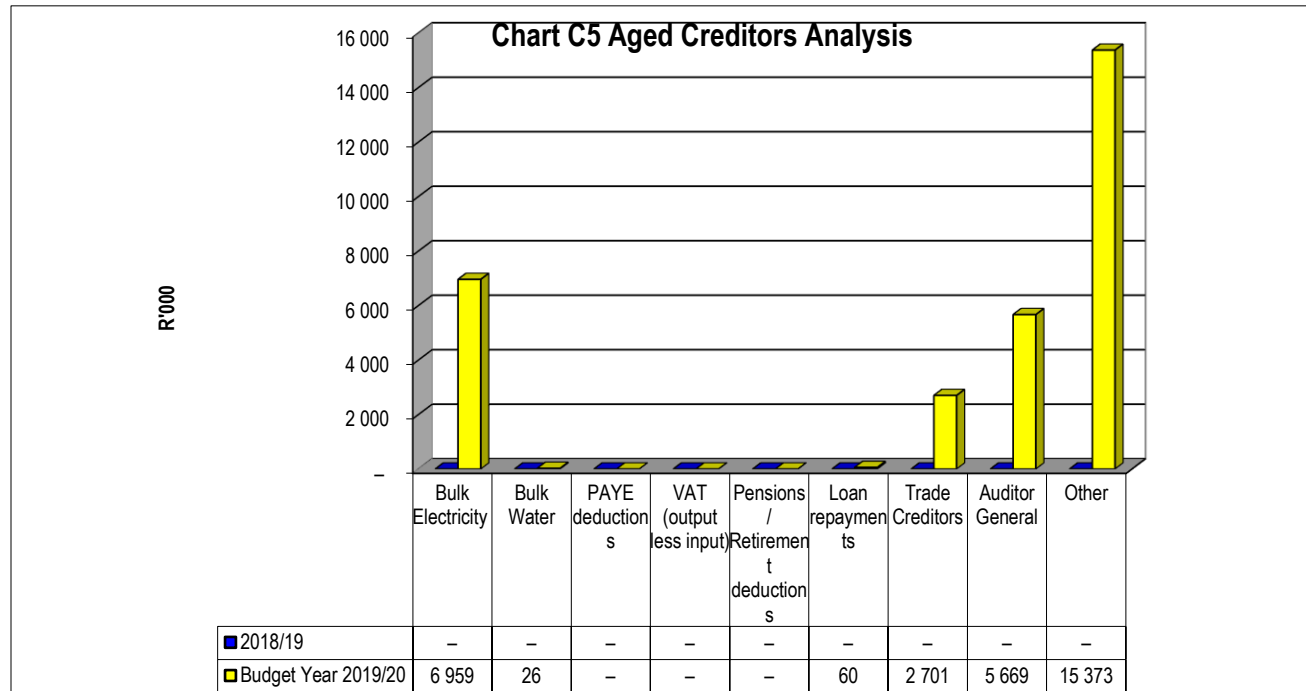
WC041 Kannaland - Supporting Table SC4 Monthly Budget Statement - aged creditors - M05 November

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	4 116	–	–	2 843	–	–	–	–	6 959
Bulk Water	0200	26	–	–	–	–	–	–	–	26
PAYE deductions	0300	–	–	–	–	–	–	–	–	–
VAT (output less input)	0400	–	–	–	–	–	–	–	–	–
Pensions / Retirement deductions	0500	–	–	–	–	–	–	–	–	–
Loan repayments	0600	60	–	–	–	–	–	–	–	60
Trade Creditors	0700	135	213	214	324	396	146	794	478	2 701
Auditor General	0800	(300)	736	331	394	4 507	–	–	–	5 669
Other	0900	213	213	214	–	–	–	2 360	12 372	15 373
Total By Customer Type	1000	4 250	1 162	760	3 562	4 903	146	3 154	12 851	30 788

- The total outstanding creditors as at 30 November 2019 amounts to R30 788 million.
- The biggest outstanding creditors are Eskom (R6 million), the Auditor-General of South Africa (R5 669 million). Combined, the before mentioned, represents 60% of all outstanding creditors.
- The Eskom bulk account is in arrears to the amount of R 6. 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.

9.1 Chart of creditors expressed proportionately to the total amount owed



10 Conditional Grants Transferred and Expenditure

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

The following grants have been received from National Treasury:

- The Water Service Infrastructure Grant to the total of R 5mil
- Integrated National Electrification Programme R 1mil
- Expanded Public works to the total of R 533 Thousand

The following indicates expenditure on each respective grant received:

- Municipal Infrastructure Grant (MIG) to the amount of R 245 thousand spent and Water Services Infrastructure Grant (WSIG) to the amount of R297 thousand.

11 Capital Revenue & Expenditure

- The actual year to date capital expenditure amounts to R 5.8 million and R 488 thousand to be reported for month of November 2019.
- 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.
- Delays on the appointment of consulting engineers which was due to technical issues particularly the unforeseen changes in Supply Chain Management Regulation that we experienced

12 Expenditure on Salaries

WC041 Kannaland - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M05 November

Summary of Employee and Councillor remuneration	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	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		2 513	2 559	2 559	19	749	1 066	(317)	-30%	2 559
Pension and UIF Contributions		12	52	52	—	—	21	(21)	-100%	52
Medical Aid Contributions		—	32	32	8	25	13	12	87%	32
Motor Vehicle Allowance		143	282	282	36	85	118	(33)	-28%	282
Cellphone Allowance		656	352	352	89	141	147	(6)	-4%	352
Housing Allowances		—	—	—	—	—	—	—	—	—
Other benefits and allowances		—	—	—	—	—	—	—	—	—
Sub Total - Councillors		3 323	3 277	3 277	152	999	1 365	(366)	-27%	3 277
% increase	4		-1,4%	-1,4%						-1,4%
Senior Managers of the Municipality	3									
Basic Salaries and Wages		1 145	3 120	3 120	—	1 040	1 300	(260)	-20%	3 120
Pension and UIF Contributions		—	—	—	—	—	—	—	—	—
Medical Aid Contributions		—	—	—	—	—	—	—	—	—
Overtime		1 644	—	—	—	—	—	—	—	—
Performance Bonus		491	273	273	—	—	114	(114)	-100%	273
Motor Vehicle Allowance		459	193	193	27	141	80	60	75%	193
Cellphone Allowance		13	—	32	—	—	13	(13)	-100%	32
Housing Allowances		—	10	10	—	—	4	(4)	-100%	10
Other benefits and allowances		2	26	50	—	—	21	(21)	-100%	50
Payments in lieu of leave		—	—	—	—	—	—	—	—	—
Long service awards		—	—	—	—	—	—	—	—	—
Post-retirement benefit obligations	2	—	—	—	—	—	—	—	—	—
Sub Total - Senior Managers of Municipality		3 755	3 622	3 679	27	1 181	1 533	(352)	-23%	3 679
% increase	4		-3,5%	-2,0%						-2,0%
Other Municipal Staff										
Basic Salaries and Wages		35 411	38 108	38 108	3 364	16 717	15 149	1 568	10%	38 108
Pension and UIF Contributions		5 300	6 823	6 823	493	2 444	2 843	(399)	-14%	6 823
Medical Aid Contributions		1 606	1 713	1 713	176	804	714	90	13%	1 713
Overtime		3 245	1 950	1 370	303	1 598	571	1 027	180%	1 370
Performance Bonus		2 186	—	—	839	1 114	—	1 114	#DIV/0!	—
Motor Vehicle Allowance		1 931	2 364	2 390	194	949	996	(46)	-5%	2 390
Cellphone Allowance		97	152	152	10	81	63	17	27%	152
Housing Allowances		291	337	337	21	98	140	(42)	-30%	337
Other benefits and allowances		933	4 337	4 773	603	856	1 979	(1 123)	-57%	4 773
Payments in lieu of leave		591	—	—	2	24	—	24	#DIV/0!	—
Long service awards		—	—	—	—	—	—	—	—	—
Post-retirement benefit obligations	2	159	—	—	—	—	—	—	—	—
Sub Total - Other Municipal Staff		51 749	55 784	55 665	6 005	24 685	22 454	2 231	10%	55 665
% increase	4		7,8%	7,6%						7,6%
Total Parent Municipality		58 827	62 683	62 621	6 183	26 865	25 352	1 513	6%	62 621

13 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

Interest Accrual	30.11.2019	30.11.2019	0.00	18,287.26	0.00	18,287.26	1,798,246.85	1,779,959.59
Interest Capitalisation	30.11.2019	30.11.2019	0.00	-18,287.26	18,287.26	0.00	1,798,246.85	1,798,246.85
Repayment Due	02.12.2019	02.12.2019	-41,712.74	0.00	-18,287.26	-60,000.00	1,738,246.85	1,738,246.85

- The total outstanding long-term debt of Kannaland Municipality amounts to R1 738 thousand as at 30 November 2019
- A monthly instalment of R60 thousand at an interest rate of 12.52 percent per annum is being paid.
- For the current month the instalment amount is made up out of R 18 thousand in interest with a capital redemption amount of R42 thousand.

14 ANNEXURE A

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

15 ANNEXURE B

15.1 Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M05 November 2019

WC041 Kannaland - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M05 November

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>		47 263	34 370	33 371	1 528	23 607	15 503	8 103	52%	33 371
Executive and council		20 220	8 740	8 116	—	10 267	3 382	6 885	204%	8 116
Finance and administration		27 043	25 630	25 255	1 528	13 340	12 122	1 218	10%	25 255
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		17 058	17 122	18 356	661	3 896	8 680	(4 784)	-55%	18 356
Community and social services		5 569	14 723	14 949	496	2 509	7 261	(4 752)	-65%	14 949
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		10 699	2 019	2 019	165	1 387	841	546	65%	2 019
Housing		790	380	1 388	—	—	578	(578)	-100%	1 388
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		5 862	9 182	9 182	254	1 059	3 983	(2 924)	-73%	9 182
Planning and development		—	—	—	—	—	—	—	—	—
Road transport		5 862	9 182	9 182	254	1 059	3 983	(2 924)	-73%	9 182
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		78 231	153 646	156 742	6 798	35 210	71 537	(36 327)	-51%	156 742
Energy sources		44 940	64 873	64 873	4 211	22 968	27 863	(4 895)	-18%	64 873
Water management		21 316	46 059	49 155	1 456	6 374	23 315	(16 941)	-73%	49 155
Waste water management		6 174	28 768	28 768	577	2 992	11 986	(8 994)	-75%	28 768
Waste management		5 801	13 946	13 946	554	2 876	8 373	(5 497)	-66%	13 946
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
Total Revenue - Functional	2	148 415	214 320	217 650	9 241	63 772	99 704	(35 932)	-36%	217 650
Expenditure - Functional										
<i>Governance and administration</i>		59 197	58 160	55 972	4 220	17 863	23 321	(5 458)	-23%	55 972
Executive and council		24 733	15 081	14 430	930	4 650	6 013	(1 362)	-23%	14 430
Finance and administration		34 464	43 079	41 541	3 290	13 213	17 309	(4 096)	-24%	41 541
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		12 047	9 694	10 934	980	4 379	3 816	563	15%	10 934
Community and social services		6 275	7 670	7 871	547	2 391	2 540	(149)	-6%	7 871
Sport and recreation		524	325	305	19	197	127	70	55%	305
Public safety		3 208	59	59	327	1 456	24	1 432	5846%	59
Housing		2 040	1 640	2 698	87	334	1 124	(791)	-70%	2 698
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		8 332	18 573	18 383	624	3 135	7 659	(4 524)	-59%	18 383
Planning and development		21	—	—	—	—	—	—	—	—
Road transport		8 312	18 573	18 383	624	3 135	7 659	(4 524)	-59%	18 383
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		78 505	76 527	77 134	4 987	20 509	32 139	(11 630)	-36%	77 134
Energy sources		44 497	50 932	48 965	3 699	15 416	20 402	(4 986)	-24%	48 965
Water management		13 260	12 196	12 007	467	2 063	5 003	(2 940)	-59%	12 007
Waste water management		11 137	6 607	7 306	358	1 237	3 044	(1 808)	-59%	7 306
Waste management		9 611	6 792	8 856	463	1 794	3 690	(1 896)	-51%	8 856
<i>Other</i>		—	—	—	—	—	—	—	—	—
Total Expenditure - Functional	3	158 080	162 954	162 423	10 812	45 886	66 936	(21 050)	-31%	162 423
Surplus/ (Deficit) for the year		(9 665)	51 366	55 227	(1 571)	17 885	32 768	(14 883)	-45%	55 227

16 Annexure C

Table C1 Monthly Budget Statement Summary M05 November 2019

WC041 Kannaland - Table C1 Monthly Budget Statement Summary - M05 November

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									
Financial Performance									
Property rates	15 549	17 117	17 117	998	9 546	7 132	2 414	34%	17 117
Service charges	69 672	88 958	88 958	6 798	35 210	37 066	(1 856)	-5%	88 958
Investment revenue	669	526	526	59	418	219	199	91%	526
Transfers and subsidies	33 803	37 147	37 875	462	14 747	21 935	(7 188)	-33%	37 875
Other own revenue	17 519	18 336	18 336	924	3 349	7 640	(4 291)	-56%	18 336
Total Revenue (excluding capital transfers and contributions)	137 213	162 083	162 812	9 241	63 269	73 992	(10 723)	-14%	162 812
Employee costs	55 504	59 406	59 344	6 031	25 866	23 987	1 879	8%	59 344
Remuneration of Councillors	3 323	3 277	3 277	152	999	1 365	(366)	-27%	3 277
Depreciation & asset impairment	15 710	11 192	11 270	—	—	4 696	(4 696)	-100%	11 270
Finance charges	2 921	722	722	50	202	301	(99)	-33%	722
Materials and bulk purchases	36 457	44 282	43 867	3 336	14 043	18 278	(4 235)	-23%	43 867
Transfers and subsidies	1 899	558	558	(0)	(0)	232	(232)	-100%	558
Other expenditure	42 266	43 518	43 386	1 243	4 776	18 077	(13 301)	-74%	43 386
Total Expenditure	158 080	162 954	162 423	10 812	45 886	66 936	(21 050)	-31%	162 423
Surplus/(Deficit)	(20 867)	(871)	389	(1 571)	17 383	7 056	10 326	146%	389
Transfers and subsidies - capital (monetary allocations)	10 820	52 236	54 838	—	503	25 712	(25 209)	-98%	54 838
Contributions & Contributed assets	382	—	—	—	—	—	—	—	—
Surplus/(Deficit) after capital transfers & contributions	(9 665)	51 366	55 227	(1 571)	17 885	32 768	(14 883)	-45%	55 227
Share of surplus/ (deficit) of associate	—	—	—	—	—	—	—	—	—
Surplus/ (Deficit) for the year	(9 665)	51 366	55 227	(1 571)	17 885	32 768	(14 883)	-45%	55 227
Capital expenditure & funds sources									
Capital expenditure	18 683	52 626	55 972	488	5 823	23 225	(17 402)	-75%	55 972
Capital transfers recognised	16 125	52 236	55 482	437	5 759	23 021	(17 262)	-75%	55 482
Public contributions & donations	—	—	—	—	—	—	—	—	—
Borrowing	—	—	—	—	—	—	—	—	—
Internally generated funds	985	390	490	52	64	204	(140)	-69%	490
Total sources of capital funds	17 111	52 626	55 972	488	5 823	23 225	(17 402)	-75%	55 972
Financial position									
Total current assets	(15 205)	(96 715)	(205 706)	—	2 423	—	—	—	(205 706)
Total non current assets	(7 507)	52 626	67 164	—	488	—	—	—	67 164
Total current liabilities	(5 271)	(134 040)	(263 875)	—	4 497	—	—	—	(263 875)
Total non current liabilities	2 567	(1 157)	(2 657)	—	(15)	—	—	—	(2 657)
Community wealth/Equity	(645)	—	—	—	(0)	—	—	—	—
Cash flows									
Net cash from (used) operating	(38 095)	15 325	20 270	4 944	28 483	19 039	(9 444)	-50%	20 270
Net cash from (used) investing	(743)	(52 626)	(55 972)	—	—	(23 225)	(23 225)	100%	(55 972)
Net cash from (used) financing	11	(720)	(720)	4	51	(300)	(351)	117%	(720)
Cash/cash equivalents at the month/year end	(38 829)	(38 022)	(36 422)	—	28 534	(4 486)	(33 021)	736%	(36 422)
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
Debtors Age Analysis									
Total By Income Source	6 690	1 682	3 431	1 410	2	1 199	7 862	51 947	74 222
Creditors Age Analysis									
Total Creditors	4 250	1 162	760	3 562	4 903	146	3 154	12 851	30 788

17 Capital expenditure and Revenue

17.1 Table C5 Capital expenditure

WC041 Kannaland - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M05 November

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	-	-	271	(271)	-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	-	-	271	(271)	-100%	650
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-		-
Vote 2 - CORPORATE SERVICES		3 161	3 733	3 733	(0)	1 005	1 459	(455)	-31%	3 733
Vote 3 - FINANCIAL SERVICES		2 003	360	610	-	-	254	(254)	-100%	610
Vote 4 - TECHNICAL SERVICES		13 520	47 883	50 979	488	4 818	21 241	(16 423)	-77%	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	18 683	51 976	55 322	488	5 823	22 954	(17 132)	-75%	55 322

18 ANNEXURE D

18.1 Implementation of the Supply Chain Management policy

No deviations for November 2019