

# CAPE AGULHAS MUNICIPALITY



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CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

## **2018/2019**

### **FINANCIAL**

### **MANAGEMENT REPORT**

### **FOR PERIOD ENDING**

### **31 July 2018**

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## **1. Council Resolution**

### **To The Executive Mayor**

In accordance with Section 71(1) of the Municipal Finance Management Act, I submit the required statement on the state of Cape Agulhas Municipality's budget implementation and the financial state of the municipality's affairs reflecting the particulars up until the end of April 2017.

Section 54(1) of the MFMA requires the Mayor of a municipality to take certain actions on the receipt of this report to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan.

### **Recommendations**

- The content of the report and supporting documentation for period ending **31 July 2018** is noted.
- It be noted that the directors ensure that the budget is implemented in accordance with the Service Delivery and Budget Implementation Plan projections and in accordance with the approved budget;
- It be noted that any material variances will receive remedial or corrective steps.

## **2. INTRODUCTION**

### **2.1 PURPOSE**

The purpose of this report is to comply with section 71 of the MFMA and the requirements as promulgated in Government Gazette No 32141 of 17 April 2009 (Municipal budgeting and reporting requirements).

### **2.2 STRATEGIC OBJECTIVE**

“To comply with MFMA priorities as well as MFMA implementation plan”

### **2.3 BACKGROUND**

Section 71 of the MFMA and Section 28 of Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations” necessitate that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

“Section 52(d) of the MFMA states that, the executive mayor of a municipality must within 30 days of the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

However section 71 of the MFMA states that, 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 treasury a statement in the prescribed format on the implementation of the municipality’s approved budget”.

“Section 28 of the Government Notice 32141, the monthly budget statement of a municipality must be in the format specified in Schedule C and include all required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act”.

Section 54 of the MFMA requires the Mayor to consider the Section 71 report and take appropriate action to ensure that the approved budget is implemented in accordance with the SDBIP.

### 3. MAYOR'S REPORT

The Budget and Reporting regulations become effective during April 2009 and the municipality is obliged to report in the prescribed format to National & Provincial Treasury, the Executive Mayor and council accordingly.

Although the Cape Agulhas Municipality is fully compliant in respect of the monthly budget report to council, effective from March 2014, the quality of the report in terms of its completeness and usefulness for council decision making still needs improvement which will be addressed as an ongoing process.

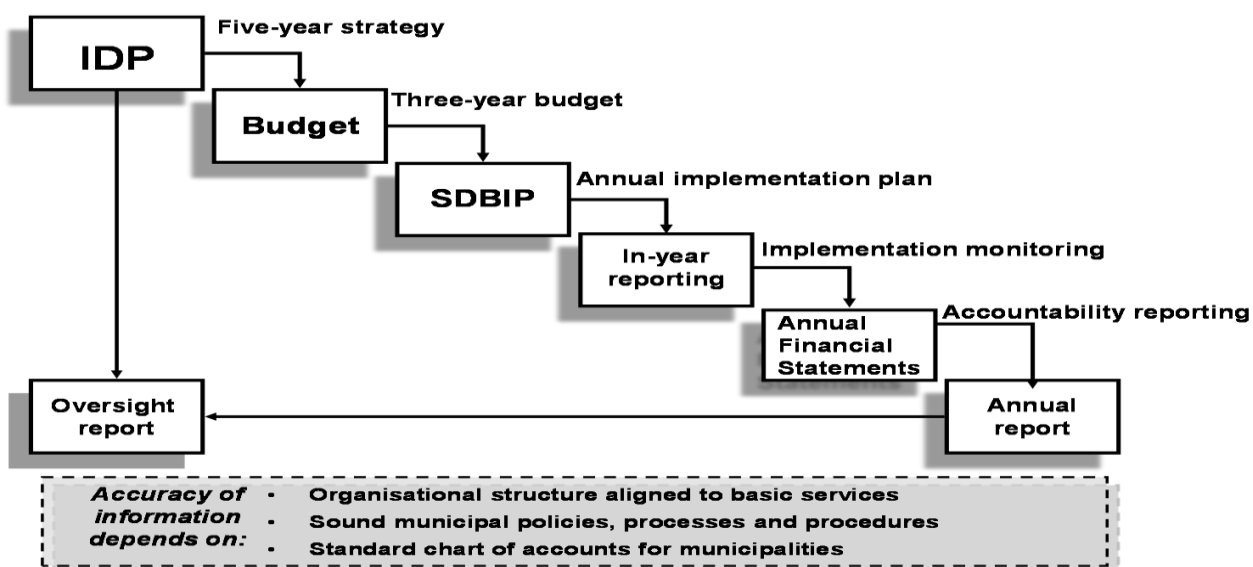
#### 3.1 Budget Process:

Section 53(1)(a) of the MFMA stipulates that the Executive Mayor of the Municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.

The flowchart on the budget process basically reflecting three different processes in the budget cycle at the same time, namely:

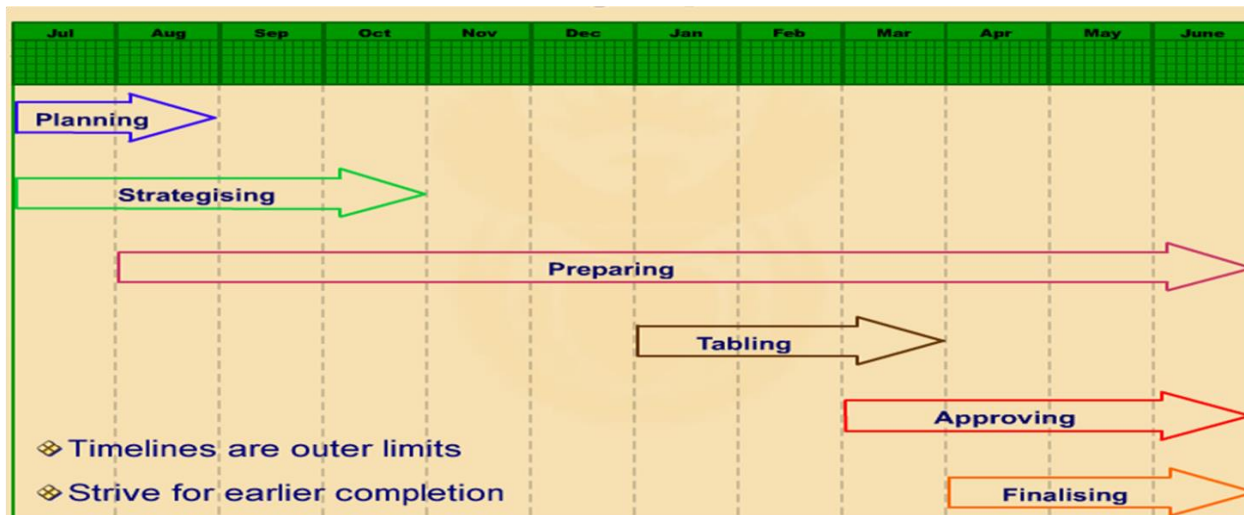
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

The municipal planning and budget cycle processes consist of the following:



## **Budget planning process 2019/2020**

The municipality is in the process of compiling the budget process plan for submission to Council as per the MFMA legislation. Budget timetable follows the below mentioned timeframes and activities:



**The proposed process plan with the compilation of the Draft Budget and Revised IDP plan for the 2019/20 MTREF period is as follows as per Budget and IDP implementation plan:**

<b><u>Planned activities</u></b>	<b><u>Timeframes / Dates</u></b>
AFS and Annual performance report	August 2018
Public participation with ward committees	September 2018
Strategic sessions (Management and Council)	October 2018
Budget preparation	November 2018
Mid-year budget assessment / Adjustment budget Steering committees	January 2019
Budget workshops / National budget speech	February 2019
Preparation of Draft budget processes / Draft IDP review / Draft Budget	March 2019
Community participation	April 2019
Final draft budget	May 2019

### **3.2 Monthly Reporting:**

Monthly financial reporting as per DoRA and MFMA requirements to Council, National & Provincial Departments and other stakeholders have been adequately adhered to for the month under review.

### **3.3 Financial Statements for the Year-ended 30 June 2018**

The municipality is in the process of compilation of the Annual Financial statements for the 2017/18. The process is currently being completed by the consultant, appointed in terms of the financial capacity reform programs. The proposed deadline for submission of the financial statements is as per MFMA due date of 31 August 2018.

## **4. Executive Summary**

The municipality is at the start of the financial year. This timeframe proves to be challenging with the implementation of the new mSCOA chart of accounts Version 6.2. The implementation compared to the old chart V6.1. The financial service provider Phoenix (Vesta) is experiencing various challenges with the new version given the effect of operational changes required. For the month under review limited information is available. More detailed reporting will be complete.

## 5. Council focus areas.

As part of the oversight responsibility of Council the municipal administration is required to table a report to council with recommendations for managing the municipal ratios in terms of **Circular 71 financial ratios.**

The financial ratios cover the following areas:

### Financial position:

- Asset Management
- Debtors management
- Liquidity management
- Liability management
- Sustainability

### Financial performance:

- Efficiency
- Distribution losses
- Revenue management
- Expenditure management
- Grant dependency

### Budget implementation:

Council identified the following ratios as main focus areas and these ratios will be monitored on a monthly basis and action plans developed to ensure the achievement of council's sustainability objectives.

### Liquidity management:

<b>Financial ratios</b>	<b>National norm</b>	<b>'30 June 2017</b>	<b>Previous month</b>	<b>Reporting month</b>
Cash / Cost coverage ratio (Excluding unspent conditional grants)	1-3 months	1 month	1,4 month	Not available
Current Ratio: Current assets / Current liabilities	1.5 – 2.1	1.27	2.41	1.55
Quick asset ratio: Monetary assets / Current liabilities	1 – 3		2.36	1.24

### Cash management / Capital replacement reserve (CRR):

<b>Financial ratios</b>	<b>National norm</b>	<b>'30 June 2017</b>	<b>Previous month</b>	<b>Reporting month</b>
Cash balance in the bank (actual / bank statement)	Positive balance	R24,345m	R43,7m	R26,56m
Capital replacement reserve (CRR)	Funded	R20m	R20,0m	R40,0m



### **More information / Details**

The Long-term financial plan is in the process of being implemented and monitored. Project champion was identified as the Manager Revenue within the finance department. This was identified to enable the streamlining of activities and ensuring that the benefits of these activities impact the financial revenue position and capacity of the municipality.

**Current ratio** – In order to achieve the outcome as determined in the long-term financial plan the municipality will need to ensure speedy interventions and actions to address the liquidity position. A more focused effort needs to be made to ensure the LTFP becomes a living document and improved communication is required to ensure achievement of the targets.

Council determined audacious targets with the liquidity improvement to achieve the national norm of 1 to 3 months. To date the target of 3 months cannot be achieved. The ratio do however improve over the reporting period.

**Quick asset ratio** – this ratio provided a more accurate determination of the ability of the municipality to repay its short-term obligations. Similar to the liquidity ratio above in determining, it excludes the effect of inventory in the calculation. This is done to provide a more “clearer” measurement of the ability to cover short-term obligation. This ratio improved from the previous month this indicating a positive sign.

These ratios normally improve by the following – reducing the obligations, or increasing the assets. Monitoring the debtor collecting ratio and implementing the credit control policy should significantly enhance the performance of these ratios over time. The implementation of the revised credit control and debt collection policy is also still outstanding and needs to be prioritized.

**Cash management / CRR** – The municipal bank balance totals R66.5m for the month ending **30 June 2018**. This is a slight improvement from the previous month. In order to ensure a funded CRR, administration is continuously monitoring the cash position of the municipality. The cash balance is boosted by the External loans that was incurred and paid before the end of the financial year.

The monitoring of the additional ratios as above and the cost containment measures as introduced by National Treasury will be reported in future reporting periods.

As part of the financial year-end and the compilation of the Annual Financial statements the municipality is required to compile these ratios as per regulation. A more “clearer” picture will therefore be available with the finalization of the AFS at 31 August that should assist and guide council in the progress made with the implementation of the Financial Long-term plan and Revenue Enhancement strategy.

## 6. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M01 July

Description	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>									
<b>Financial Performance</b>									
Property rates	-	63,981	63,981	(2)	(2)	19,194	(19,196)	-100%	63,981
Service charges	-	163,708	163,708	1,503	1,503	13,461	(11,959)	-89%	163,708
Investment revenue	-	2,286	2,286	168	168	58	110	190%	2,286
Transfers and subsidies	-	79,150	79,150	11,503	11,503	13,730	(2,227)	-16%	79,150
Other own revenue	-	32,106	32,106	570	570	1,506	(936)	-62%	32,106
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	<b>341,231</b>	<b>341,231</b>	<b>13,742</b>	<b>13,742</b>	<b>47,950</b>	<b>(34,208)</b>	<b>-71%</b>	<b>341,231</b>
Employee costs	-	123,373	123,373	8,686	8,686	9,468	(782)	-8%	123,373
Remuneration of Councillors	-	5,514	5,514	431	431	436	(5)	-1%	5,514
Depreciation & asset impairment	-	11,922	11,922	-	-	993	(993)	-100%	11,922
Finance charges	-	9,439	9,439	-	-	787	(787)	-100%	9,439
Materials and bulk purchases	-	140,175	140,175	8,923	8,923	10,474	(1,550)	-15%	140,175
Transfers and subsidies	-	1,920	1,920	169	169	155	14	9%	1,920
Other expenditure	-	58,112	58,112	2,116	2,116	3,109	(993)	-32%	58,112
<b>Total Expenditure</b>	-	<b>350,454</b>	<b>350,454</b>	<b>20,325</b>	<b>20,325</b>	<b>25,421</b>	<b>(5,096)</b>	<b>-20%</b>	<b>350,454</b>
<b>Surplus/(Deficit)</b>	-	<b>(9,223)</b>	<b>(9,223)</b>	<b>(6,582)</b>	<b>(6,582)</b>	<b>22,529</b>	<b>(29,111)</b>	<b>-129%</b>	<b>(9,223)</b>
Transfers and subsidies - capital (monetary allocation)	-	12,281	12,281	-	-	201	(201)	-100%	12,281
Contributions & Contributed assets	-	130	130	-	-	-	-	-	130
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	<b>3,188</b>	<b>3,188</b>	<b>(6,582)</b>	<b>(6,582)</b>	<b>22,730</b>	<b>(29,312)</b>	<b>-129%</b>	<b>3,188</b>
Share of surplus/ (deficit) of	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	-	<b>3,188</b>	<b>3,188</b>	<b>(6,582)</b>	<b>(6,582)</b>	<b>22,730</b>	<b>(29,312)</b>	<b>-129%</b>	<b>3,188</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	-	<b>30,946</b>	<b>30,946</b>	-	-	<b>506</b>	<b>(506)</b>	<b>-100%</b>	<b>30,946</b>
Capital transfers recognised	-	12,281	12,281	-	-	201	(201)	-100%	12,281
Public contributions & donations	-	130	130	-	-	2	(2)	-100%	130
Borrowing	-	7,622	7,622	-	-	125	(125)	-100%	7,622
Internally generated funds	-	10,913	10,913	-	-	178	(178)	-100%	10,913
<b>Total sources of capital funds</b>	-	<b>30,946</b>	<b>30,946</b>	-	-	<b>506</b>	<b>(506)</b>	<b>-100%</b>	<b>30,946</b>
<b>Financial position</b>									
Total current assets	80,719	60,671	60,671	-	84,357	-	-	-	83,616
Total non current assets	431,647	450,873	450,873	-	431,647	-	-	-	450,873
Total current liabilities	43,988	61,038	61,038	-	54,208	-	-	-	61,038
Total non current liabilities	140,172	140,181	140,181	-	140,172	-	-	-	140,181
Community wealth/Equity	328,206	310,325	310,325	-	321,624	-	-	-	333,270
<b>Cash flows</b>									
Net cash from (used) operating	-	11,968	11,968	16,923	16,923	13,692	(3,231)	-24%	11,968
Net cash from (used) investing	-	(22,985)	(22,985)	-	-	(503)	(503)	100%	(22,985)
Net cash from (used) financing	-	5,063	5,063	-	-	23	23	100%	5,063
Cash/cash equivalents at the month/year	-	19,620	19,620	-	65,442	38,786	(26,656)	-69%	42,565
<b>Debtors &amp; creditors analysis</b>									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
<b>Debtors Age Analysis</b>									
Total By Income Source	14,388	-	-	-	-	-	-	-	14,388
<b>Creditors Age Analysis</b>									
Total Creditors	21,680	-	-	-	-	-	-	-	21,680

The table provides a high level summary of council's financial performance – operating & capital, financial position, cash flows, debtors and creditors age analysis which reflecting in more detail as from table C2 onwards.

**EXPLANATIONS:**

*The being the beginning of the financial year, limited information is available to report. The municipality is still experiencing challenge with implementing of the financial year, due to system related issues. Finalizing these should assist in the compilation of credible information for oversight purposes to Council.*

**REVENUES**

None

**EXPENDITURES**

None

**Debtor's age analysis**

Currently the system cannot provide debtors age analysis per period.

**Creditor's age analysis**

None

**WC033 Cape Agulhas - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M01 July**

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		-	118,609	118,609	11,498	11,498	25,096	(13,598)	-54%	118,609
Executive and council		-	27,606	27,606	11,503	11,503	4,957	6,546	132%	27,606
Finance and administration		-	91,003	91,003	(5)	(5)	20,140	(20,144)	-100%	91,003
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	50,257	50,257	215	215	7,972	(7,757)	-97%	50,257
Community and social services		-	8,679	8,679	16	16	1,490	(1,474)	-99%	8,679
Sport and recreation		-	6,893	6,893	199	199	255	(56)	-22%	6,893
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	34,685	34,685	-	-	6,228	(6,228)	-100%	34,685
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	13,900	13,900	520	520	1,166	(646)	-55%	13,900
Planning and development		-	1,364	1,364	98	98	45	53	119%	1,364
Road transport		-	12,536	12,536	422	422	1,121	(699)	-62%	12,536
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	170,876	170,876	1,508	1,508	13,916	(12,407)	-89%	170,876
Energy sources		-	118,012	118,012	1,457	1,457	9,726	(8,269)	-85%	118,012
Water management		-	25,949	25,949	(46)	(46)	1,976	(2,022)	-102%	25,949
Waste water management		-	10,148	10,148	99	99	823	(725)	-88%	10,148
Waste management		-	16,766	16,766	(2)	(2)	1,390	(1,392)	-100%	16,766
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	353,642	353,642	13,742	13,742	48,151	(34,408)	-71%	353,642
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		-	93,678	93,678	5,552	5,552	6,449	(896)	-14%	93,678
Executive and council		-	15,002	15,002	2,031	2,031	1,067	964	90%	15,002
Finance and administration		-	76,963	76,963	3,450	3,450	5,290	(1,839)	-35%	76,963
Internal audit		-	1,714	1,714	71	71	92	(21)	-23%	1,714
<b>Community and public safety</b>		-	62,938	62,938	1,520	1,520	4,196	(2,676)	-64%	62,938
Community and social services		-	13,780	13,780	808	808	1,002	(194)	-19%	13,780
Sport and recreation		-	12,303	12,303	578	578	874	(296)	-34%	12,303
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	36,855	36,855	134	134	2,320	(2,186)	-94%	36,855
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	41,953	41,953	2,060	2,060	2,942	(883)	-30%	41,953
Planning and development		-	8,610	8,610	675	675	607	68	11%	8,610
Road transport		-	33,267	33,267	1,385	1,385	2,330	(945)	-41%	33,267
Environmental protection		-	77	77	-	-	5	(5)	-100%	77
<b>Trading services</b>		-	151,175	151,175	11,193	11,193	11,784	(592)	-5%	151,175
Energy sources		-	99,944	99,944	9,371	9,371	8,202	1,169	14%	99,944
Water management		-	18,968	18,968	856	856	1,386	(530)	-38%	18,968
Waste water management		-	11,245	11,245	494	494	830	(337)	-41%	11,245
Waste management		-	21,018	21,018	472	472	1,366	(894)	-65%	21,018
<b>Other</b>		-	710	710	-	-	50	(50)	-100%	710
<b>Total Expenditure - Functional</b>	3	-	350,454	350,454	20,325	20,325	25,421	(5,096)	-20%	350,454
<b>Surplus/ (Deficit) for the year</b>		-	3,188	3,188	(6,582)	(6,582)	22,730	(29,312)	-129%	3,188

Explanation for any deviation in excess of 10% will be provided as part of an ongoing process to ensure that information is relevant and useful for council's decision making. (Table SC 1 have reference)

**WC033 Cape Agulhas - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M01 July**

Vote Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Revenue by Vote</b>										
Vote 1 - Executive and Council	1	-	30,803	30,803	11,377	11,377	5,270	6,107	115.9%	30,803
Vote 2 - Financial Services & ICT		-	78,166	78,166	160	160	19,518	(19,358)	-99.2%	78,166
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
Vote 4 - Management Services		-	61,445	61,445	644	644	8,873	(8,228)	-92.7%	61,445
Vote 5 - Engineering Services		-	183,227	183,227	1,561	1,561	14,490	(12,930)	-89.2%	183,227
<b>Total Revenue by Vote</b>	<b>2</b>	<b>-</b>	<b>353,642</b>	<b>353,642</b>	<b>13,742</b>	<b>13,742</b>	<b>48,151</b>	<b>(34,408)</b>	<b>-71.5%</b>	<b>353,642</b>
<b>Expenditure by Vote</b>										
Vote 1 - Executive and Council	1	-	42,994	42,994	3,859	3,859	3,090	769	24.9%	42,994
Vote 2 - Financial Services & ICT		-	50,710	50,710	1,887	1,887	3,521	(1,634)	-46.4%	50,710
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
Vote 4 - Management Services		-	84,039	84,039	2,365	2,365	5,540	(3,174)	-57.3%	84,039
Vote 5 - Engineering Services		-	172,712	172,712	12,214	12,214	13,270	(1,057)	-8.0%	172,712
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>-</b>	<b>350,454</b>	<b>350,454</b>	<b>20,325</b>	<b>20,325</b>	<b>25,421</b>	<b>(5,096)</b>	<b>-20.0%</b>	<b>350,454</b>
<b>Surplus/ (Deficit) for the year</b>	<b>2</b>	<b>-</b>	<b>3,188</b>	<b>3,188</b>	<b>(6,582)</b>	<b>(6,582)</b>	<b>22,730</b>	<b>(29,312)</b>	<b>-129.0%</b>	<b>3,188</b>

Explanation for any deviation in excess of 10% will be provided as part of an ongoing process to ensure that information is relevant and useful for council's decision making.

Section 71(1)(g) of the MFMA requires that the Accounting Officer must, when necessary, provide explanation of –

- Any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
- Any material variances from the service delivery and budget implementation plan; and
- Any remedial or corrective steps taken or to be taken to ensure that the projected revenue and expenditure remain within the municipality's approved budget.

**WC033 Cape Agulhas - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M12 June**

Description	Ref	2016/17	Budget Year 2017/18								
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast	
<b>R thousands</b>											
<b>Revenue By Source</b>											
Property rates			60,143	60,143	2,616	60,732	60,143	589	1%	60,143	
Service charges - electricity revenue			103,306	103,306	8,037	104,042	103,306	736	1%	103,306	
Service charges - water revenue			24,342	24,342	1,904	23,323	24,342	(1,019)	-4%	24,342	
Service charges - sanitation revenue			9,486	9,486	705	10,624	9,486	1,138	12%	9,486	
Service charges - refuse revenue			15,723	15,723	(59)	15,555	15,723	(168)	-1%	15,723	
Service charges - other			-	-	-	-	-	-		-	
Rental of facilities and equipment			2,056	2,056	76	2,292	2,056	237	12%	2,056	
Interest earned - external investments			2,060	2,060	440	2,795	2,060	735	36%	2,060	
Interest earned - outstanding debtors			1,496	1,496	219	1,327	1,496	(169)	-11%	1,496	
Dividends received			-	-	-	-	-	-		-	
Fines, penalties and forfeits			9,271	9,268	324	2,492	9,268	(6,776)	-73%	9,268	
Licences and permits			61	61	0	54	61	(6)	-10%	61	
Agency services			2,419	2,419	288	3,124	2,419	706	29%	2,419	
Transfers and subsidies			55,134	58,299	1,018	54,359	58,299	(3,940)	-7%	58,299	
Other revenue			7,769	12,611	1,412	10,760	12,611	(1,850)	-15%	12,611	
Gains on disposal of PPE			500	1,700	-	-	1,700	(1,700)	-100%	1,700	
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>-</b>	<b>293,765</b>	<b>302,969</b>	<b>16,981</b>	<b>291,480</b>	<b>302,969</b>	<b>(11,489)</b>	<b>-4%</b>	<b>302,969</b>
<b>Expenditure By Type</b>											
Employee related costs			117,179	116,603	9,233	111,179	116,603	(5,424)	-5%	116,603	
Remuneration of councillors			5,145	5,145	428	5,374	5,145	229	4%	5,145	
Debt impairment			7,833	7,833	-	5,875	7,833	(1,958)	-25%	7,833	
Depreciation & asset impairment			11,440	10,232	-	6,144	10,232	(4,088)	-40%	10,232	
Finance charges			8,964	9,666	335	3,927	9,666	(5,739)	-59%	9,666	
Bulk purchases			76,678	76,798	4,859	63,670	76,798	(13,128)	-17%	76,798	
Other materials			39,250	44,467	6,101	48,324	44,467	3,856	9%	44,467	
Contracted services			18,208	17,766	747	8,984	17,766	(8,782)	-49%	17,766	
Transfers and subsidies			2,763	2,808	379	2,400	2,808	(409)	-15%	2,808	
Other expenditure			21,461	22,940	2,066	19,986	22,940	(2,954)	-13%	22,940	
Loss on disposal of PPE			-	-	-	-	-	-		-	
<b>Total Expenditure</b>			<b>-</b>	<b>308,922</b>	<b>314,261</b>	<b>24,148</b>	<b>275,863</b>	<b>314,261</b>	<b>(38,397)</b>	<b>-12%</b>	<b>314,261</b>
<b>Surplus/(Deficit)</b>			<b>-</b>	<b>(15,157)</b>	<b>(11,292)</b>	<b>(7,168)</b>	<b>15,616</b>	<b>(11,292)</b>	<b>26,909</b>	<b>(0)</b>	<b>(11,292)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			12,969	18,104	1,517	12,328	18,104	(5,776)	(0)	18,104	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			-	-	-	-	-	-		-	
Transfers and subsidies - capital (in-kind - all)			-	1,582	-	-	1,582	(1,582)	(0)	1,582	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>			<b>-</b>	<b>(2,187)</b>	<b>8,395</b>	<b>(5,651)</b>	<b>27,944</b>	<b>8,395</b>			<b>8,395</b>
Taxation			-	-	-	-	-	-		-	
<b>Surplus/(Deficit) after taxation</b>			<b>-</b>	<b>(2,187)</b>	<b>8,395</b>	<b>(5,651)</b>	<b>27,944</b>	<b>8,395</b>			<b>8,395</b>
Attributable to minorities			-	-	-	-	-	-		-	
<b>Surplus/(Deficit) attributable to municipality</b>			<b>-</b>	<b>(2,187)</b>	<b>8,395</b>	<b>(5,651)</b>	<b>27,944</b>	<b>8,395</b>			<b>8,395</b>
Share of surplus/ (deficit) of associate			-	-	-	-	-	-		-	
<b>Surplus/ (Deficit) for the year</b>			<b>-</b>	<b>(2,187)</b>	<b>8,395</b>	<b>(5,651)</b>	<b>27,944</b>	<b>8,395</b>			<b>8,395</b>

Explanation for any deviation in excess of 10% will be provided as part of an ongoing process to ensure that information is relevant and useful for council's decision making. (Table SC 1 have reference)

**SERVICE REVENUES:**

**Service charges: Electricity**

None reported for this reported month

**Service charges: Water**

None reported for this reported month

**Service charges: Sanitation**

None reported for this reported month

**Service charges: Refuse**

None reported for this reported month



**WC033 Cape Agulhas - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M01 July**

Vote Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>	1									
<b>Multi-Year expenditure appropriation</b>	2									
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services & ICT		-	1,815	1,815	-	-	30	(30)	-100%	1,815
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	900	900	-	-	15	(15)	-100%	900
Vote 5 - Engineering Services		-	5,465	5,465	-	-	89	(89)	-100%	5,465
<b>Total Capital Multi-year expenditure</b>	4,7	-	<b>8,180</b>	<b>8,180</b>	-	-	<b>134</b>	<b>(134)</b>	<b>-100%</b>	<b>8,180</b>
<b>Single Year expenditure appropriation</b>	2									
Vote 1 - Executive and Council		-	750	750	-	-	12	(12)	-100%	750
Vote 2 - Financial Services & ICT		-	764	764	-	-	12	(12)	-100%	764
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	3,551	3,551	-	-	58	(58)	-100%	3,551
Vote 5 - Engineering Services		-	17,701	17,701	-	-	289	(289)	-100%	17,701
<b>Total Capital single-year expenditure</b>	4	-	<b>22,766</b>	<b>22,766</b>	-	-	<b>372</b>	<b>(372)</b>	<b>-100%</b>	<b>22,766</b>
<b>Total Capital Expenditure</b>		-	<b>30,946</b>	<b>30,946</b>	-	-	<b>506</b>	<b>(506)</b>	<b>-100%</b>	<b>30,946</b>
<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		-	<b>2,861</b>	<b>2,861</b>	-	-	<b>47</b>	<b>(47)</b>	<b>-100%</b>	<b>2,861</b>
Executive and council			47	47	-	-	1	(1)	-100%	47
Finance and administration			2,813	2,813	-	-	46	(46)	-100%	2,813
Internal audit			2	2	-	-	0	(0)	-100%	2
<b>Community and public safety</b>		-	<b>4,559</b>	<b>4,559</b>	-	-	<b>74</b>	<b>(74)</b>	<b>-100%</b>	<b>4,559</b>
Community and social services			742	742	-	-	12	(12)	-100%	742
Sport and recreation			3,813	3,813	-	-	62	(62)	-100%	3,813
Public safety			-	-	-	-	-	-	-	-
Housing			5	5	-	-	0	(0)	-100%	5
Health			-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	<b>13,186</b>	<b>13,186</b>	-	-	<b>215</b>	<b>(215)</b>	<b>-100%</b>	<b>13,186</b>
Planning and development			47	47	-	-	1	(1)	-100%	47
Road transport			13,139	13,139	-	-	215	(215)	-100%	13,139
Environmental protection			-	-	-	-	-	-	-	-
<b>Trading services</b>		-	<b>10,340</b>	<b>10,340</b>	-	-	<b>169</b>	<b>(169)</b>	<b>-100%</b>	<b>10,340</b>
Energy sources			4,924	4,924	-	-	80	(80)	-100%	4,924
Water management			2,070	2,070	-	-	34	(34)	-100%	2,070
Waste water management			331	331	-	-	5	(5)	-100%	331
Waste management			3,015	3,015	-	-	49	(49)	-100%	3,015
<b>Other</b>			-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional Classification</b>	3	-	<b>30,946</b>	<b>30,946</b>	-	-	<b>506</b>	<b>(506)</b>	<b>-100%</b>	<b>30,946</b>
<b>Funded by:</b>										
National Government			11,332	11,332	-	-	185	(185)	-100%	11,332
Provincial Government			949	949	-	-	16	(16)	-100%	949
District Municipality			-	-	-	-	-	-	-	-
Other transfers and grants			-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		-	<b>12,281</b>	<b>12,281</b>	-	-	<b>201</b>	<b>(201)</b>	<b>-100%</b>	<b>12,281</b>
<b>Public contributions &amp; donations</b>	5		130	130	-	-	2	(2)	-100%	130
<b>Borrowing</b>	6		7,622	7,622	-	-	125	(125)	-100%	7,622
<b>Internally generated funds</b>			10,913	10,913	-	-	178	(178)	-100%	10,913
<b>Total Capital Funding</b>		-	<b>30,946</b>	<b>30,946</b>	-	-	<b>506</b>	<b>(506)</b>	<b>-100%</b>	<b>30,946</b>

**Comments:**

No comments at this stage of the reporting cycle. The procurement plan is in process be being finalized. This document should guide the capital spending of the budget. All relevant SCM processes is also governed and covered in this document.

**WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M01 July**

Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		33,518	19,620	19,620	25,442	42,565
Call investment deposits		15,000	–	–	40,000	–
Consumer debtors		29,339	33,775	33,775	14,388	33,775
Other debtors		1,557	5,918	5,918	3,338	5,918
Current portion of long-term receivables		–	31	31	–	31
Inventory		1,304	1,326	1,326	1,189	1,326
<b>Total current assets</b>		<b>80,719</b>	<b>60,671</b>	<b>60,671</b>	<b>84,357</b>	<b>83,616</b>
<b>Non current assets</b>						
Long-term receivables		225	134	134	225	134
Investments		–	–	–	–	–
Investment property		40,864	40,853	40,853	40,864	40,853
Investments in Associate		–	–	–	–	–
Property, plant and equipment		386,957	405,477	405,477	386,957	405,477
Agricultural		–	–	–	–	–
Biological		–	–	–	–	–
Intangible		3,601	4,409	4,409	3,601	4,409
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		<b>431,647</b>	<b>450,873</b>	<b>450,873</b>	<b>431,647</b>	<b>450,873</b>
<b>TOTAL ASSETS</b>		<b>512,366</b>	<b>511,544</b>	<b>511,544</b>	<b>516,004</b>	<b>534,489</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		1,659	2,875	2,875	1,659	2,875
Consumer deposits		4,507	4,821	4,821	4,507	4,821
Trade and other payables		28,014	41,226	41,226	38,251	41,226
Provisions		9,807	12,116	12,116	9,791	12,116
<b>Total current liabilities</b>		<b>43,988</b>	<b>61,038</b>	<b>61,038</b>	<b>54,208</b>	<b>61,038</b>
<b>Non current liabilities</b>						
Borrowing		17,600	8,451	8,451	17,600	8,451
Provisions		122,572	131,731	131,731	122,572	131,731
<b>Total non current liabilities</b>		<b>140,172</b>	<b>140,181</b>	<b>140,181</b>	<b>140,172</b>	<b>140,181</b>
<b>TOTAL LIABILITIES</b>		<b>184,160</b>	<b>201,219</b>	<b>201,219</b>	<b>194,380</b>	<b>201,219</b>
<b>NET ASSETS</b>	2	<b>328,206</b>	<b>310,325</b>	<b>310,325</b>	<b>321,624</b>	<b>333,270</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		308,206	295,325	295,325	301,624	318,270
Reserves		20,000	15,000	15,000	20,000	15,000
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>328,206</b>	<b>310,325</b>	<b>310,325</b>	<b>321,624</b>	<b>333,270</b>

With the implementation of the new financial systems the administration is experiencing various small challenges related to extracting information from the system. These challenges will be finalized within the next reporting cycle and improved information submitted for discussions.

The cash position of Council is **positive** at the end of the reporting period ending **31 July 2018**. The positive position is a result of outstanding cash balance items needed to be processed. The process of completing bank reconciliations is still outstanding, and the cash position differs under the liquidity ratios reported is as a result of processed transactions that still needs to be done to ensure accurate recordkeeping.

## 7. Supporting Documents

**WC033 Cape Agulhas - Supporting Table SC1 Material variance explanations - M01 July**

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
	R thousands			
1	<b><u>Revenue By Source</u></b>			
	None required		None required	NA
2	<b><u>Expenditure By Type</u></b>			
	None required		None required	NA
3	<b><u>Capital Expenditure</u></b>			
	None required		None required	NA
4	<b><u>Financial Position</u></b>			
	None required		None required	NA
5	<b><u>Cash Flow</u></b>			
	None required		None required	NA
6	<b><u>Measureable performance</u></b>			
	None required		None required	NA
7	<b><u>Municipal Entities</u></b>			
	None required		None required	NA

Tale C1 – Monthly Budget Statement Summary have reference.

The finance department will distribute a memorandum during May to address various issues in terms of the implementation of the budget. This should improve performance over the last quarter of the financial year.

### **EXPLANTION:**

None for the reporting period

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M01 July

Description of financial indicator	Basis of calculation	Ref	2017/18	Budget Year 2018/19			
			Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>Borrowing Management</b>							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		0.0%	6.1%	6.1%	0.0%	4.3%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	24.6%	24.6%	0.0%	24.6%
<b>Safety of Capital</b>							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		14.4%	16.9%	16.9%	17.9%	15.8%
Gearing	Long Term Borrowing/ Funds & Reserves		88.0%	56.3%	56.3%	88.0%	56.3%
<b>Liquidity</b>							
Current Ratio	Current assets/current liabilities	1	183.5%	99.4%	99.4%	155.6%	137.0%
Liquidity Ratio	Monetary Assets/Current Liabilities		110.3%	32.1%	32.1%	120.7%	69.7%
<b>Revenue Management</b>							
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing						
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue		0.0%	11.7%	11.7%	130.6%	11.7%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0.0%	0.0%	0.0%	0.0%	0.0%
<b>Creditors Management</b>							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
<b>Funding of Provisions</b>							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
<b>Other Indicators</b>							
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	2					
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	2					
Employee costs	Employee costs/Total Revenue - capital revenue		0.0%	36.2%	36.2%	63.2%	36.2%
Repairs & Maintenance	R&M/Total Revenue - capital revenue		0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Depreciation	I&D/Total Revenue - capital revenue		0.0%	6.3%	6.3%	0.0%	4.4%
<b>IDP regulation financial viability indicators</b>							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year						
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services						
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure						

The level of employee's actual costs for the year to date is 38.1% which is within budgeted projections. The monitoring of employee related cost effectively should be maintain to ensure it stay within the set norm of between 35% and 40%.

Care should be taken as to the parameters used in the calculation of % employee related cost in this diagram versus Council proposal in terms of the long term financial plan.

The calculation in the diagram based employee related cost against the **total revenues**, whereas the % reported and monitored in terms of the Long-term financial plan (LTFP) is comparing employee related cost against **total expenditures**. This will result in different results and ratios being calculated.

The Capital Replacement Reserve will require minor adjustments at year end in order to ensure that it is cash backed. The "Cash & Cash Equivalents" are sufficient to cover outstanding debt with specific reference to any unspent grant funding.

## Transfers and Grants

WC033 Cape Agulhas - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M01 July

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>RECEIPTS:</b>	1,2									
<b>Operating Transfers and Grants</b>										
<b>National Government:</b>		-	36,089	36,089	12,703	12,703	11,827	-		36,089
Local Government Equitable Share			27,606	27,606	11,503	11,503	11,503	-		27,606
Energy Efficiency and Demand-side [Schedule 5B]			5,000	5,000	-	-	-			5,000
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,141	1,141	1,200	1,200	226			1,141
Local Government Financial Management Grant [Schedule 5B]			550	550	-	-	98			550
Municipal Infrastructure Grant [Schedule 5B]			1,792	1,792	-	-	-			1,792
Other transfers and grants [insert description]										
<b>Provincial Government:</b>		-	43,060	43,060	1,903	1,903	1,903	-		43,060
Human Settlement Development			34,560	34,560	-	-	-			34,560
Library Service Conditional Grant			7,001	7,001	1,903	1,903	1,903			7,001
Maintenance of Main Roads			83	83	-	-	-			83
Community Development Workers			56	56	-	-	-			56
Financial Management Support (WC_FMGSG)			360	360	-	-	-			360
Greenest Municipality (Violence Protection)			1,000	1,000	-	-	-			1,000
<b>District Municipality:</b>		-	-	-	-	-	-			-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-			-
[insert description]										
<b>Total Operating Transfers and Grants</b>	5	-	79,150	79,150	14,606	14,606	13,730	-		79,150
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		-	12,082	12,082	9,917	9,917	4,027	5,890	146.2%	12,082
Municipal Infrastructure Grant [Schedule 5B]			9,082	9,082	8,917	8,917	3,027	5,890	194.6%	9,082
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]			2,000	2,000	1,000	1,000	667	333		2,000
Local Government Financial Management Grant [Schedule 5B]			1,000	1,000	-	-	333	(333)		1,000
Other capital transfers [insert description]										
<b>Provincial Government:</b>		-	199	199	-	-	66	(66)	-100.0%	199
Library Service			91	91	-	-	30	(30)	-100.0%	91
Development of Sport and Recreation Facilities			108	108	-	-	36			108
<b>Total Capital Transfers and Grants</b>	5	-	12,281	12,281	9,917	9,917	4,094	5,823	142.3%	12,281
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	-	91,430	91,430	24,523	24,523	17,824	5,823	32.7%	91,430

Municipality received all allocation as per the grant conditions from National and Provincial departments.

## **Other Information**

### **7.1 SCOA Implementation**

The key objectives of the Regulations on a Standard Chart of Accounts (SCOA) is to enable the alignment of budget information with information captured in the course of the implementation of the budget; improve data quality and credibility; achieve a greater level of standardization; improve transparency, accountability and governance through uniform recording of transactions at posting account level; enable deeper data analysis and sector comparisons to improve financial performance and the standardization of the account classification to facilitate mobility in financial skills within local government in order to enhance the ability to attract and retain skilled personnel.

In terms of the operational aspects and transacting on the 7 segments as required by the regulation. The municipality complies and transact in an mSCOA regulated environment. Numerous challenges is still being experienced as mentioned in the executive summary. With the implementation of a new financial system as well as new reform, it is common practice to experience teething issues and this should be resolved with the growth and general acceptance of the changes. Continuous monitoring of these changes is done by the office of the CFO.

The following outstanding modules is required to be implemented by the core and 3<sup>rd</sup> party system for full compliance:

#### **Phoenix (Vesta) system**

- Investments
- Grant management
- Cemetery

#### **3<sup>rd</sup> party systems (Integration)**

- Assets – Market Demand
- Insurance – Demand management
- Time management – Kronos / Payday
- Geographical Information systems (GIS) – OVIOO / Metgovis
- Financial Integrated reporting – Caseware Africa

## **7.2 Long-Term Financial Plan**

The long-term financial plan was reviewed. An action plan to address the recommendations and challenges as identified was compiled. The monitoring of the actions is the responsibility of the manager: Revenue services.

A detail status quo report will be tabled to ensure council can execute its oversight responsibilities in terms of the action plan.

The manager Revenue as part of his monthly report will report on the implementation of the Long-term financial plan and related activities.

## 8. Municipal Quality Certificate

NAVRAE:  
ENQUIRIES: S Stanley

KONTAKNR  
CONTACT NO 028 425 5798

VERW:  
REF: 5/3/2018-19 (M01)

KANTOOR:  
OFFICES: Bredasdorp

DATUM  
DATE 15 August 2018



### QUALITY CERTIFICATE

I, **DEAN O NEILL**, the accounting officer / chief financial officer of **CAPE AGULHAS MUNICIPALITY WC033** (name of municipality), hereby certify that –

(mark as appropriate)

**The monthly budget statement**

- Quarterly report on the implementation of the budget and financial state affairs of the municipality
- Mid- year budget and performance assessment

For the month ending **31 July 2018** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name P.S. van der Merwe

Accounting Officer / Chief Financial Officer of **CAPE AGULHAS MUNICIPALITY WC033** (name and demarcation of municipality)

Signature [Handwritten Signature]

Date 15/08/2018