

# CAPE AGULHAS MUNICIPALITY



KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

## **2018/2019**

### **FINANCIAL**

# **MANAGEMENT REPORT**

## **FOR PERIOD ENDING**

### **Consolidate - 31 July &**

### **August 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 **August 2018**.

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 the consolidated period ending **31 July 2018 and 31 August 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.

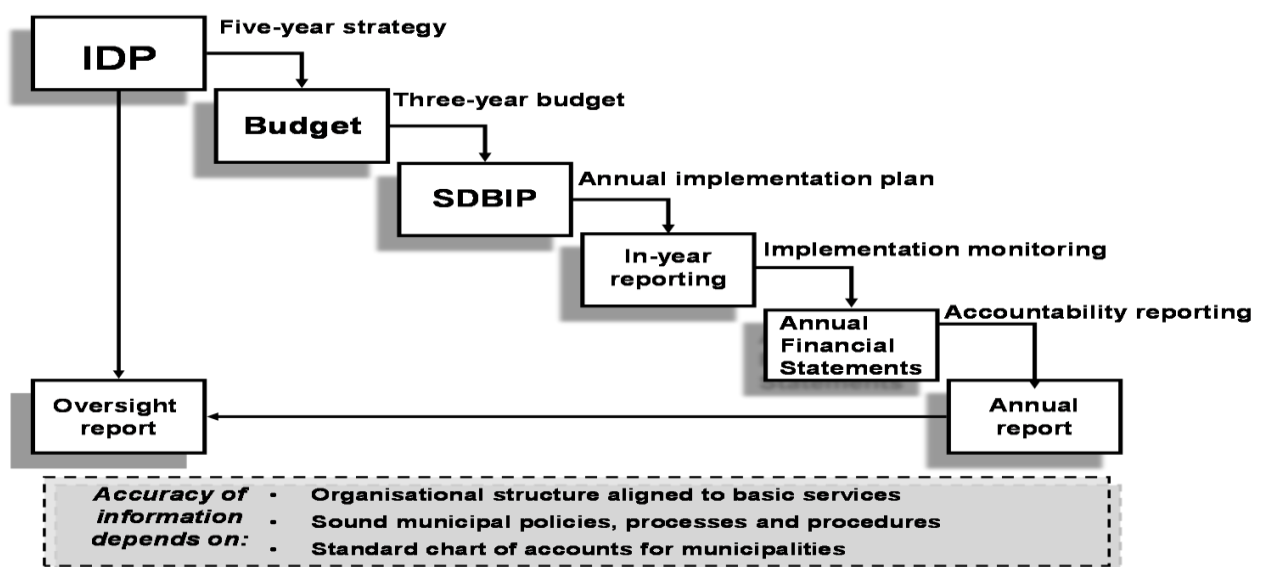
#### 3.1 Budget Process:

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:

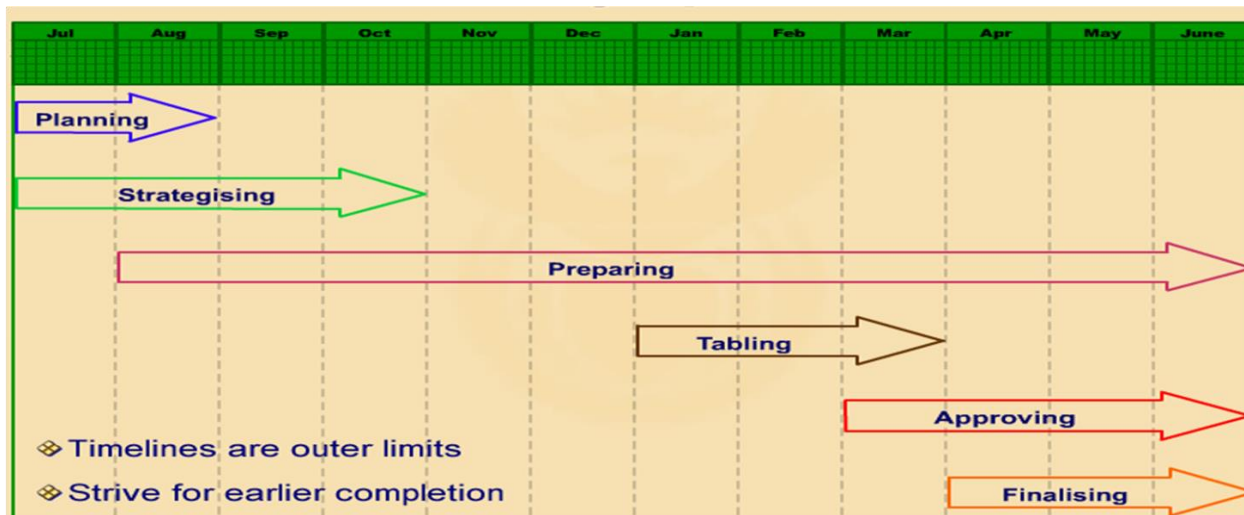
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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



## Budget planning process 2019/2020

The Budget and IDP process plan was tabled and approved by Council during the meeting in August 2018. This plan is guidance the process of compiling the budget 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:

<u>Planned activities</u>	<u>Timeframes / Dates</u>	<u>Targets / Achieved</u>
AFS and Annual performance report	August 2018	Achieved
Public participation with ward committees	September 2018	In process
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 financial statements was completed and submitted to the Auditor General as per legislated on the 31<sup>st</sup> of August. The AFS was submitted to the Audit committee and the Provincial treasury for review. This process was followed to enhance the credibility and ensure the information submitted to the Auditor General is of the highest possible standards.

## **4. Executive Summary**

Whereas the first reporting period was challenging and it was difficult to produce the financial information timeously. The second period showed significant improvement and the information was more readily available. This proved that the financial system is more stable and the municipality is starting to experience the improvements as envisioned with the acquisition of the financial system.

The second month shows limited expenditures for the reporting period, this being the first phase / quarter of the financial year. The municipality received the allocated amount for equitable share as per National treasury payment schedule, as well as other grants as legislated.

On the expenditure side, the Capital budget shows spending against the Capital project – Stormwater pipeline – Area F, this is the biggest Capital project funded from the MIG grant.

## 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 2018</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	1.55	2.06
Quick asset ratio: Monetary assets / Current liabilities	1 – 3		1.24	0.94

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

<b>Financial ratios</b>	<b>National norm</b>	<b>'30 June 2018</b>	<b>Previous month</b>	<b>Reporting month</b>
Cash balance in the bank (actual / bank statement)	Positive balance	R28,78m	R26,56m	R28,76m
Capital replacement reserve (CRR) [investments]	Funded	R15m	R40,0m	R25,0m



### **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 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.

For the year to date ending August 2018 the ratio reported positively as 2.06. This is mainly influence by the investments as well as positive cash balance. Care must be taken reading the ratio in context. During the month of June the municipality take-up various loans as funding for the Capital budget. These funds was received and invested in the short-term until required for utilization. This external funding significantly boost the performance of the ratio although the funds is not available for utilization of operational spending.

**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.

The ratio redress from the previous month this indicating an increase in short-term liabilities for the reporting period. This should serve as warning signals that the municipality needs to ensure that cash flow management over the short-term are managed. In the light of the impact of the loan funded investment also included as part of the cash and cash equivalents.

Taken into account the effect of the loan funded investments, there should be even more cause for concern given the lower performance for the month of August. Traditionally payments of outstanding creditors are processed in August this positively enhancing the calculation.

The impact of the implementation of credit control and debt collections should significantly boost these ratios. However internal expenditure tightening should be institute to ensure that cash reserves are not depleted.

**Cash management / CRR** – The municipal consolidated bank balance totals R53.76m for the year to date period ending **31 August 2018**. The impact of the loan funded investments significant boost this figure and should be excluded to establish the true picture of short-term cash resources.

Additional ratios will be included in the future reporting periods to ensure that the municipality fully implement the section 71 financial ratio's analysis as required. These ratios should be use as warning signs to ensure proactive measures are implement to ensure the liquidity and sustainability of Council.

## 6. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M02 August

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	-	34,483	34,482	31,991	2,491	8%	63,981
Service charges	-	163,708	-	27,412	28,915	27,285	1,630	6%	163,708
Investment revenue	-	2,286	-	324	492	381	111	29%	2,286
Transfers and subsidies	-	79,150	-	-	11,503	13,192	(1,689)	-13%	79,150
Other own revenue	-	32,106	-	1,516	2,085	5,351	(3,266)	-61%	32,106
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	<b>341,231</b>	-	<b>63,735</b>	<b>77,477</b>	<b>78,199</b>	<b>(722)</b>	<b>-1%</b>	<b>341,231</b>
Employee costs	-	123,373	-	9,825	18,511	18,938	(427)	-2%	123,373
Remuneration of Councillors	-	5,514	-	431	862	860	2	0%	5,514
Depreciation & asset impairment	-	11,922	-	-	-	1,987	(1,987)	-100%	11,922
Finance charges	-	9,439	-	-	-	1,573	(1,573)	-100%	9,439
Materials and bulk purchases	-	140,175	-	11,171	20,094	21,356	(1,262)	-6%	140,175
Transfers and subsidies	-	1,920	-	155	323	309	14	5%	1,920
Other expenditure	-	58,112	-	3,268	5,384	7,119	(1,735)	-24%	58,112
<b>Total Expenditure</b>	-	<b>350,454</b>	-	<b>24,850</b>	<b>45,174</b>	<b>52,142</b>	<b>(6,968)</b>	<b>-13%</b>	<b>350,454</b>
<b>Surplus/(Deficit)</b>	-	<b>(9,223)</b>	-	<b>38,885</b>	<b>32,303</b>	<b>26,057</b>	<b>6,246</b>	<b>24%</b>	<b>(9,223)</b>
Transfers and subsidies - capital (monetary allocation)	-	12,281	-	-	-	2,047	(2,047)	-100%	12,281
Contributions & Contributed assets	-	130	-	-	-	22	(22)	-100%	130
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	<b>3,188</b>	-	<b>38,885</b>	<b>32,303</b>	<b>28,125</b>	<b>4,178</b>	<b>15%</b>	<b>3,188</b>
Share of surplus/ (deficit) of	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	-	<b>3,188</b>	-	<b>38,885</b>	<b>32,303</b>	<b>28,125</b>	<b>4,178</b>	<b>15%</b>	<b>3,188</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	-	<b>30,946</b>	-	<b>7,429</b>	<b>7,429</b>	<b>506</b>	<b>6,924</b>	<b>1369%</b>	<b>30,946</b>
Capital transfers recognised	-	12,281	-	7,200	7,200	2,047	5,153	252%	12,281
Public contributions & donations	-	130	-	-	-	22	(22)	-100%	130
Borrowing	-	7,622	-	-	-	1,270	(1,270)	-100%	7,622
Internally generated funds	-	10,913	-	230	230	1,819	(1,589)	-87%	10,913
<b>Total sources of capital funds</b>	-	<b>30,946</b>	-	<b>7,429</b>	<b>7,429</b>	<b>5,158</b>	<b>2,272</b>	<b>44%</b>	<b>30,946</b>
<b>Financial position</b>									
Total current assets	80,719	60,671	-	-	118,850	-	-	-	83,616
Total non current assets	431,647	450,873	-	-	440,913	-	-	-	450,873
Total current liabilities	43,988	61,038	-	-	57,595	-	-	-	61,038
Total non current liabilities	140,172	140,181	-	-	138,325	-	-	-	140,181
Community wealth/Equity	328,206	310,325	-	-	363,843	-	-	-	333,270
<b>Cash flows</b>									
Net cash from (used) operating	-	11,968	-	(2,836)	14,087	14,115	28	0%	11,968
Net cash from (used) investing	-	(22,985)	-	(7,429)	(7,429)	(1,598)	5,831	-365%	(22,985)
Net cash from (used) financing	-	5,063	-	19	19	45	27	59%	5,063
Cash/cash equivalents at the month/year	-	19,620	-	-	54,445	38,136	(16,309)	-43%	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	61,438	-	-	-	-	-	-	-	61,438
<b>Creditors Age Analysis</b>									
Total Creditors	30,622	-	-	-	-	-	-	-	30,622

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:**

### **REVENUES**

Limited revenue information available at this stage of the reporting period. No trend analysis can be performed due to the timeframe being end of August 2018. The municipality received its allocation for the equitable share grant, and all other related grants was received as legislated.

The property roll was also implemented as required and this information is reflected above. Year to date revenues of R77,477m recorded against budget.

### **EXPENDITURES**

Expenditure of R44,1m recorded for the reporting period. The salary related expenses account for a big component of these expenditures to date. As can be seen from the table A1, challenges is still experienced with the reporting of depreciation on a monthly basis. The municipality is still in the process of implementing the electronic asset management system. Once implemented this should improve the reporting on a monthly basis.

### **Debtor's age analysis**

The information for the debtor age analysis per age category is available. The credibility of the information is not adequate and therefor excluded in the report for the reporting period and will be included in the next cycle. Total debtors ending 31 August is R61,438m

### **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	-	35,125	46,623	31,545	15,079	48%	118,609
Executive and council		-	27,606	-	-	11,503	6,376	5,127	80%	27,606
Finance and administration		-	91,003	-	35,125	35,120	25,169	9,951	40%	91,003
Internal audit		-	-	-	-	-	-	-		-
<b>Community and public safety</b>		-	50,257	-	442	657	11,181	(10,524)	-94%	50,257
Community and social services		-	8,679	-	42	58	1,896	(1,838)	-97%	8,679
Sport and recreation		-	6,893	-	400	599	1,274	(675)	-53%	6,893
Public safety		-	-	-	-	-	-	-		-
Housing		-	34,685	-	-	-	8,011	(8,011)	-100%	34,685
Health		-	-	-	-	-	-	-		-
<b>Economic and environmental services</b>		-	13,900	-	753	1,273	2,257	(983)	-44%	13,900
Planning and development		-	1,364	-	243	341	251	90	36%	1,364
Road transport		-	12,536	-	510	932	2,006	(1,073)	-54%	12,536
Environmental protection		-	-	-	-	-	-	-		-
<b>Trading services</b>		-	170,876	-	27,415	28,924	28,419	505	2%	170,876
Energy sources		-	118,012	-	18,358	19,815	19,977	(162)	-1%	118,012
Water management		-	25,949	-	3,643	3,598	4,006	(408)	-10%	25,949
Waste water management		-	10,148	-	2,006	2,105	1,655	449	27%	10,148
Waste management		-	16,766	-	3,408	3,406	2,781	626	22%	16,766
<b>Other</b>	4	-	-	-	-	-	-	-		-
<b>Total Revenue - Functional</b>	2	-	353,642	-	63,735	77,477	73,401	4,076	6%	353,642
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		-	93,678	-	6,990	12,542	13,434	(891)	-7%	93,678
Executive and council		-	15,002	-	986	3,017	2,188	829	38%	15,002
Finance and administration		-	76,963	-	5,867	9,318	11,031	(1,714)	-16%	76,963
Internal audit		-	1,714	-	137	208	214	(7)	-3%	1,714
<b>Community and public safety</b>		-	62,938	-	1,934	3,455	8,621	(5,166)	-60%	62,938
Community and social services		-	13,780	-	997	1,805	1,923	(119)	-6%	13,780
Sport and recreation		-	12,303	-	780	1,358	1,795	(437)	-24%	12,303
Public safety		-	-	-	-	-	-	-		-
Housing		-	36,855	-	158	292	4,902	(4,610)	-94%	36,855
Health		-	-	-	-	-	-	-		-
<b>Economic and environmental services</b>		-	41,953	-	2,430	4,489	6,117	(1,628)	-27%	41,953
Planning and development		-	8,610	-	707	1,382	1,254	128	10%	8,610
Road transport		-	33,267	-	1,718	3,103	4,853	(1,750)	-36%	33,267
Environmental protection		-	77	-	5	5	10	(5)	-52%	77
<b>Trading services</b>		-	151,175	-	13,495	24,688	23,868	820	3%	151,175
Energy sources		-	99,944	-	10,969	20,341	16,426	3,915	24%	99,944
Water management		-	18,968	-	1,224	2,080	2,817	(737)	-26%	18,968
Waste water management		-	11,245	-	649	1,142	1,685	(543)	-32%	11,245
Waste management		-	21,018	-	653	1,125	2,941	(1,816)	-62%	21,018
<b>Other</b>		-	710	-	-	-	102	(102)	-100%	710
<b>Total Expenditure - Functional</b>	3	-	350,454	-	24,850	45,174	52,142	(6,968)	-13%	350,454
<b>Surplus/ (Deficit) for the year</b>		-	3,188	-	38,885	32,303	21,259	11,044	52%	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							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
<b>R thousands</b>										
<b>Revenue by Vote</b>										
Vote 1 - Executive and Council	1	-	30,803	-	150	11,527	6,882	4,645	67.5%	30,803
Vote 2 - Financial Services & ICT		-	78,166	-	35,044	35,205	24,028	11,177	46.5%	78,166
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	61,445	-	944	1,588	12,897	(11,309)	-87.7%	61,445
Vote 5 - Engineering Services		-	183,227	-	27,597	29,157	29,595	(438)	-1.5%	183,227
<b>Total Revenue by Vote</b>	<b>2</b>	<b>-</b>	<b>353,642</b>	<b>-</b>	<b>63,735</b>	<b>77,477</b>	<b>73,401</b>	<b>4,076</b>	<b>5.6%</b>	<b>353,642</b>
<b>Expenditure by Vote</b>										
Vote 1 - Executive and Council	1	-	42,994	-	3,570	7,429	6,267	1,162	18.5%	42,994
Vote 2 - Financial Services & ICT		-	50,710	-	3,571	5,458	7,323	(1,866)	-25.5%	50,710
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	84,039	-	2,984	5,350	11,588	(6,238)	-53.8%	84,039
Vote 5 - Engineering Services		-	172,712	-	14,724	26,938	26,964	(26)	-0.1%	172,712
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>-</b>	<b>350,454</b>	<b>-</b>	<b>24,850</b>	<b>45,174</b>	<b>52,142</b>	<b>(6,968)</b>	<b>-13.4%</b>	<b>350,454</b>
<b>Surplus/ (Deficit) for the year</b>	<b>2</b>	<b>-</b>	<b>3,188</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>21,259</b>	<b>11,044</b>	<b>51.9%</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) - 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>Revenue By Source</b>											
Property rates			63,981	-	34,483	34,482	23,266	11,216	48%	63,981	
Service charges - electricity revenue			110,871	-	18,355	19,807	19,014	792	4%	110,871	
Service charges - water revenue			25,946	-	3,643	3,598	4,005	(408)	-10%	25,946	
Service charges - sanitation revenue			10,125	-	2,006	2,105	1,651	454	27%	10,125	
Service charges - refuse revenue			16,766	-	3,408	3,406	2,781	626	22%	16,766	
Service charges - other			-	-	-	-	-	-	-	-	
Rental of facilities and equipment			1,710	-	107	(57)	158	(214)	-136%	1,710	
Interest earned - external investments			2,286	-	324	492	217	275	126%	2,286	
Interest earned - outstanding debtors			1,591	-	162	152	174	(22)	-13%	1,591	
Dividends received			-	-	-	-	-	-	-	-	
Fines, penalties and forfeits			9,854	-	140	361	1,570	(1,209)	-77%	9,854	
Licences and permits			64	-	0	0	10	(10)	-98%	64	
Agency services			2,572	-	369	573	431	142	33%	2,572	
Transfers and subsidies			79,150	-	-	11,503	17,959	(6,456)	-36%	79,150	
Other revenue			8,514	-	737	1,056	1,529	(473)	-31%	8,514	
Gains on disposal of PPE			7,800	-	-	-	-	-	-	7,800	
<b>Total Revenue (excluding capital transfers and contributions)</b>			<b>-</b>	<b>341,231</b>	<b>-</b>	<b>63,735</b>	<b>77,477</b>	<b>72,765</b>	<b>4,712</b>	<b>6%</b>	<b>341,231</b>
<b>Expenditure By Type</b>											
Employee related costs			123,373	-	9,825	18,511	18,938	(427)	-2%	123,373	
Remuneration of councillors			5,514	-	431	862	860	2	0%	5,514	
Debt impairment			9,339	-	-	-	1,557	(1,557)	-100%	9,339	
Depreciation & asset impairment			11,922	-	-	-	1,987	(1,987)	-100%	11,922	
Finance charges			9,439	-	-	-	1,573	(1,573)	-100%	9,439	
Bulk purchases			82,398	-	10,253	19,028	13,722	5,307	39%	82,398	
Other materials			57,778	-	918	1,066	7,635	(6,569)	-86%	57,778	
Contracted services			24,189	-	434	580	2,313	(1,733)	-75%	24,189	
Transfers and subsidies			1,920	-	155	323	309	14	5%	1,920	
Other expenditure			24,584	-	2,835	4,804	3,249	1,555	48%	24,584	
Loss on disposal of PPE			-	-	-	-	-	-	-	-	
<b>Total Expenditure</b>			<b>-</b>	<b>350,454</b>	<b>-</b>	<b>24,850</b>	<b>45,174</b>	<b>52,142</b>	<b>(6,968)</b>	<b>-13%</b>	<b>350,454</b>
<b>Surplus/(Deficit)</b>											
			<b>-</b>	<b>(9,223)</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>20,623</b>	<b>11,680</b>	<b>0</b>	<b>(9,223)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			12,281	-	-	-	636	(636)	(0)	12,281	
Transfers and subsidies - capital (in-kind - all)			130	-	-	-	-	-	-	130	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>			<b>-</b>	<b>3,188</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>21,259</b>			<b>3,188</b>
Taxation			-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) after taxation</b>			<b>-</b>	<b>3,188</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>21,259</b>			<b>3,188</b>
Attributable to minorities			-	-	-	-	-	-	-	-	
<b>Surplus/(Deficit) attributable to municipality</b>			<b>-</b>	<b>3,188</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>21,259</b>			<b>3,188</b>
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	
<b>Surplus/ (Deficit) for the year</b>			<b>-</b>	<b>3,188</b>	<b>-</b>	<b>38,885</b>	<b>32,303</b>	<b>21,259</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. (Table SC 1 have reference)

## **REVENUES**

### **Service charges: Electricity**

Electricity tariffs was amended based on the outcomes of the NERSA tariff increase process. Totals for period totals 16.5% of budgeted amounts. The winter period significantly contributes to the higher usage periods due to the cold weather periods.

### **Service charges: Water**

Water services for the period ending 31 August totals R3.6m of budget.

### **Service charges: Sanitation**

Sanitation charges for the period ending 31 August totals R2.0m of budget.

### **Service charges: Refuse**

Refuse charges for the period ending 31 August totals R3.4m of budget.

## **EXPENDITURES**

### **Salary related expenditures**

Salary related expenditures accounts for one of the major expenditure categories spending to date. Year to date totals of R18.5m reported.

### **Bulk purchases**

Bulk purchases mostly account for the electricity purchases from Eskom. The correlation between the Income (Electricity charges) and payments needs to be taken into account when analysing the category. Total for the period ending August totals R19,m.

### **Other expenditures categories**

Most of the other expenditure categories record low spending. The majority of these categories is depended on planned activities, projects as well as contractual obligations. More detailed reporting will only be achieved as the budget are implemented. Monitoring of the above is in terms of the Service Delivery and Budget Implementation plan (SDBIP) document.



**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	-	-	-	94	(94)	-100%	1,815
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	900	-	-	-	47	(47)	-100%	900
Vote 5 - Engineering Services		-	5,465	-	-	-	283	(283)	-100%	5,465
<b>Total Capital Multi-year expenditure</b>	4,7	-	<b>8,180</b>	-	-	-	<b>424</b>	<b>(424)</b>	<b>-100%</b>	<b>8,180</b>
<b>Single Year expenditure appropriation</b>	2									
Vote 1 - Executive and Council		-	750	-	-	-	39	(12)	-32%	750
Vote 2 - Financial Services & ICT		-	764	-	113	113	40	(12)	-32%	764
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	3,551	-	12	12	184	(58)	-32%	3,551
Vote 5 - Engineering Services		-	17,701	-	7,304	7,304	917	(289)	-32%	17,701
<b>Total Capital single-year expenditure</b>	4	-	<b>22,766</b>	-	<b>7,429</b>	<b>7,429</b>	<b>1,179</b>	<b>(372)</b>	<b>-32%</b>	<b>22,766</b>
<b>Total Capital Expenditure</b>		-	<b>30,946</b>	-	<b>7,429</b>	<b>7,429</b>	<b>1,603</b>	<b>(796)</b>	<b>-50%</b>	<b>30,946</b>
<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		-	<b>2,861</b>	-	<b>113</b>	<b>113</b>	<b>148</b>	<b>(35)</b>	<b>-24%</b>	<b>-</b>
Executive and council			47	-	-	-	2	(2)	-100%	-
Finance and administration			2,813	-	113	113	146	(33)	-22%	-
Internal audit			2	-	-	-	0	(0)	-100%	-
<b>Community and public safety</b>		-	<b>4,559</b>	-	<b>12</b>	<b>12</b>	<b>236</b>	<b>(224)</b>	<b>-95%</b>	<b>-</b>
Community and social services			742	-	-	-	38	(38)	-100%	-
Sport and recreation			3,813	-	12	12	198	(185)	-94%	-
Public safety			-	-	-	-	-	-	-	-
Housing			5	-	-	-	0	(0)	-100%	-
Health			-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	<b>13,186</b>	-	<b>7,304</b>	<b>7,304</b>	<b>683</b>	<b>6,621</b>	<b>969%</b>	<b>-</b>
Planning and development			47	-	-	-	2	(2)	-100%	-
Road transport			13,139	-	7,304	7,304	681	6,623	973%	-
Environmental protection			-	-	-	-	-	-	-	-
<b>Trading services</b>		-	<b>10,340</b>	-	<b>-</b>	<b>-</b>	<b>536</b>	<b>(536)</b>	<b>-100%</b>	<b>-</b>
Energy sources			4,924	-	-	-	255	(255)	-100%	-
Water management			2,070	-	-	-	107	(107)	-100%	-
Waste water management			331	-	-	-	17	(17)	-100%	-
Waste management			3,015	-	-	-	156	(156)	-100%	-
<b>Other</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional Classification</b>	3	-	<b>30,946</b>	-	<b>7,429</b>	<b>7,429</b>	<b>1,603</b>	<b>5,826</b>	<b>363%</b>	<b>-</b>
<b>Funded by:</b>										
National Government			11,332	-	7,200	7,200	587	6,613	1126%	-
Provincial Government			949	-	-	-	49	(49)	-100%	-
District Municipality			-	-	-	-	-	-	-	-
Other transfers and grants			-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		-	<b>12,281</b>	-	<b>7,200</b>	<b>7,200</b>	<b>636</b>	<b>6,563</b>	<b>1032%</b>	<b>-</b>
<b>Public contributions &amp; donations</b>	5		130	-	-	-	7	(7)	-100%	-
<b>Borrowing</b>	6		7,622	-	-	-	395	(395)	-100%	-
<b>Internally generated funds</b>			10,913	-	230	230	565	(336)	-59%	-
<b>Total Capital Funding</b>		-	<b>30,946</b>	-	<b>7,429</b>	<b>7,429</b>	<b>1,603</b>	<b>5,826</b>	<b>363%</b>	<b>-</b>

## Comments:

The only capital expenditures reported are the Stormwater Pipeline area F MIG funded project. The municipality will need to ensure that the SCM procurement plan are implemented as per target dates set to ensure services can be delivered to the community as required.

### **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	–	29,445	41,815
Call investment deposits		15,000	–	–	25,000	–
Consumer debtors		29,339	33,775	–	61,438	33,775
Other debtors		1,557	5,918	–	1,659	5,918
Current portion of long-term receivables		–	31	–	7	31
Inventory		1,304	1,326	–	1,301	1,326
<b>Total current assets</b>		<b>80,719</b>	<b>60,671</b>	<b>–</b>	<b>118,850</b>	<b>82,866</b>
<b>Non current assets</b>						
Long-term receivables		225	134	–	211	134
Investments		–	–	–	–	–
Investment property		40,864	40,853	–	40,553	40,853
Investments in Associate		–	–	–	–	–
Property, plant and equipment		386,957	405,477	–	395,283	405,477
Agricultural		–	–	–	–	–
Biological		–	–	–	–	–
Intangible		3,601	4,409	–	4,865	4,409
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		<b>431,647</b>	<b>450,873</b>	<b>–</b>	<b>440,913</b>	<b>450,873</b>
<b>TOTAL ASSETS</b>		<b>512,366</b>	<b>511,544</b>	<b>–</b>	<b>559,763</b>	<b>533,739</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		1,659	2,875	–	3,506	2,875
Consumer deposits		4,507	4,821	–	4,526	4,821
Trade and other payables		28,014	41,226	–	38,116	41,226
Provisions		9,807	12,116	–	11,447	12,116
<b>Total current liabilities</b>		<b>43,988</b>	<b>61,038</b>	<b>–</b>	<b>57,595</b>	<b>61,038</b>
<b>Non current liabilities</b>						
Borrowing		17,600	8,451	–	15,753	8,451
Provisions		122,572	131,731	–	122,572	131,731
<b>Total non current liabilities</b>		<b>140,172</b>	<b>140,181</b>	<b>–</b>	<b>138,325</b>	<b>140,181</b>
<b>TOTAL LIABILITIES</b>		<b>184,160</b>	<b>201,219</b>	<b>–</b>	<b>195,920</b>	<b>201,219</b>
<b>NET ASSETS</b>	2	<b>328,206</b>	<b>310,325</b>	<b>–</b>	<b>363,843</b>	<b>332,520</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		308,206	295,325	–	333,843	317,520
Reserves		20,000	15,000	–	30,000	15,000
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>328,206</b>	<b>310,325</b>	<b>–</b>	<b>363,843</b>	<b>332,520</b>

With the implementation of the new financial systems the administration is experiencing various challenges related to extracting information from the system. These challenges are in the process of being address and numerous progress was achieved to date to ensure full optimize use of the system.

The cash position of Council is **positive** at the end of the reporting period ending **31 August 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 - M02 August

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

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	-	12,336	12,336	11,827	-		36,089
Local Government Equitable Share			27,606	-	11,503	11,503	11,503	-		27,606
Energy Efficiency and Demand-side [Schedule 5B]			5,000	-	-	-	-	-		5,000
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,141	-	283	283	226	-		1,141
Local Government Financial Management Grant [Schedule 5B]			550	-	550	550	98	-		550
Municipal Infrastructure Grant [Schedule 5B]			1,792	-	-	-	-	-		1,792
Other transfers and grants [insert description]			-	-	-	-	-	-		-
<b>Provincial Government:</b>		-	43,060	-	1,903	1,903	1,903	-		43,060
Human Settlement Development			34,560	-	-	-	-	-		34,560
Library Service Conditional Grant			7,001	-	1,903	1,903	1,903	-		7,001
Maintenance of Main Roads			83	-	-	-	-	-		83
Community Development Workers			56	-	-	-	-	-		56
Financial Management Support (WC_FMGSG)			360	-	-	-	-	-		360
Greenest Municipality (Violence Protection)			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	-	14,239	14,239	13,730	-		79,150
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		-	12,082	-	10,917	10,917	-	10,917	#DIV/0!	12,082
Municipal Infrastructure Grant [Schedule 5B]			9,082	-	8,917	8,917	-	8,917	#DIV/0!	9,082
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]			2,000	-	1,000	1,000	-	1,000		2,000
Local Government Financial Management Grant [Schedule 5B]			1,000	-	1,000	1,000	-	1,000		1,000
Other capital transfers [insert description]			-	-	-	-	-	-		-
<b>Provincial Government:</b>		-	199	-	108	108	-	108	#DIV/0!	199
Library Service			91	-	-	-	-	-		91
Development of Sport and Recreation Facilities			108	-	108	108	-	-		108
			-	-	-	-	-	-		-
			-	-	-	-	-	-		-
<b>Total Capital Transfers and Grants</b>	5	-	12,281	-	11,025	11,025	-	11,025	#DIV/0!	12,281
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	-	91,430	-	25,264	25,264	13,730	11,025	80.3%	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 MSCOA implementation plan was reviewed and updated. This is to ensure that the municipality will be able to deliver on all mandatory requirements. The updated plan together with a detailed report will be submitted to steering committee.

## **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 (M02)

KANTOOR:  
OFFICES: Bredasdorp

DATUM  
DATE 12 September 2018



KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

### 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 August 2018** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name DEAN O'NEILL

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

Signature Dean O'Neill

Date 12/09/18