

# CAPE AGULHAS MUNICIPALITY



KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

## **2017/2018**

### **FINANCIAL**

### **MANAGEMENT REPORT**

### **FOR PERIOD ENDING**

### **30 JUNE 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 **30 June 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.

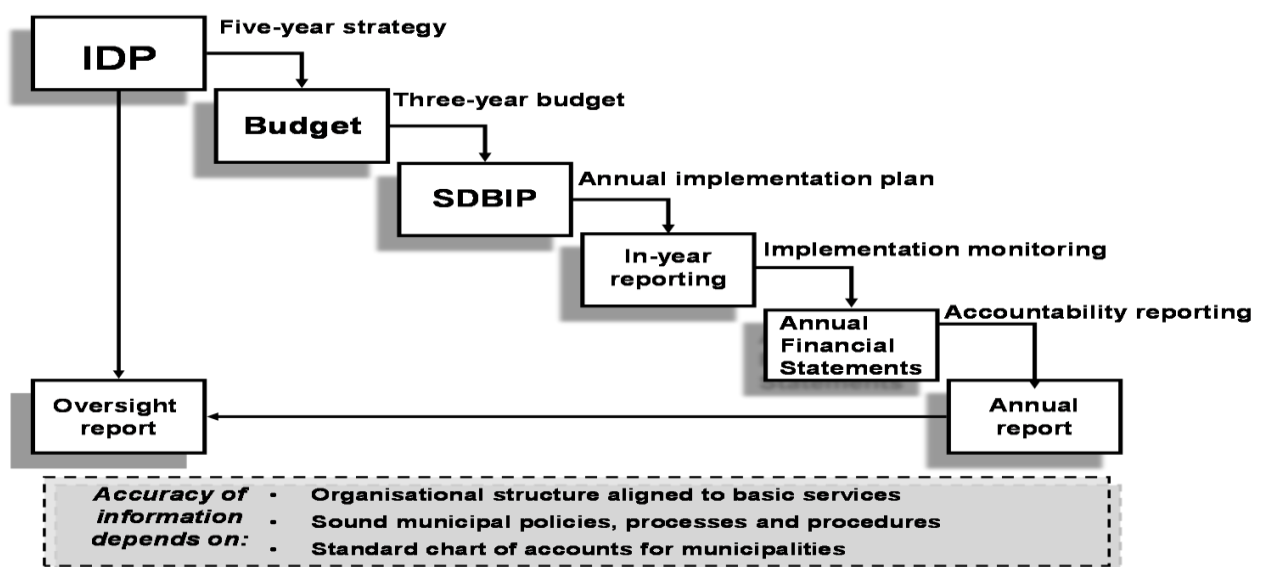
#### 3.1 Budget Process:

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:

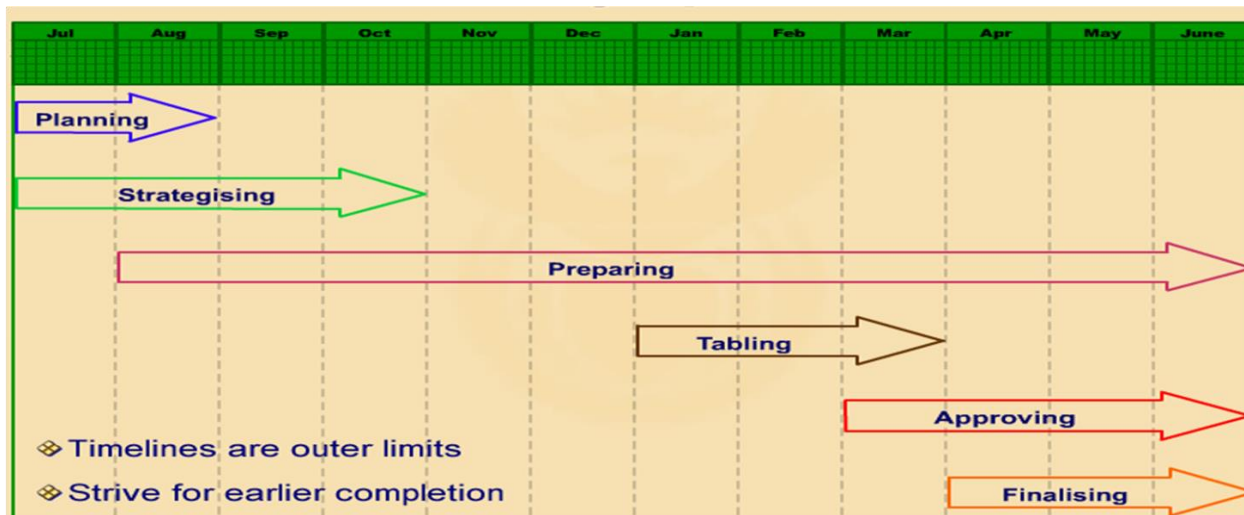
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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



## **Budget planning process 2018/2019**

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 Final Budget 2018/19 is as follows:**

<b><u>Activity</u></b>	<b><u>Planned date</u></b>	<b><u>Actual date</u></b>
Draft Budget tabled to Council	27 March 2018	27 March 2018
Community participation process	4 April 2018 – 26 April 2018	4 April 2018 – 26 April 2018
Due date for Budget / IDP inputs	4 May 2018	4 May 2018
Consolidation of Budget inputs	9 May 2018	10 May 2018
Budget Workshop – Managers	11 May 2018	10 May 2018
Budget workshop – Executive	15 May 2018	N/A
Budget workshop – Council	18 May 2018	22 May 2018
Finalization of budget documents	21 – 23 May 2018	23 May 2018
Budget – Agenda preparation	25 May 2018	25 May 2018
Council meeting	29 May 2018	29 May 2018

### **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 2017**

The auditing of the annual Financial Statements was concluded in November 2017. The municipality received a 4<sup>th</sup> consecutive “Clean Audit”.

### **4. Executive Summary**

The municipality reach the end of another financial year end 30 June 2018. This financial year represents the first municipalities across South Africa was required to transact on the mSCOA regulations. This year provided challenging in many respects due to numerous new reforms implemented as well additional pressure on delivery service to the community in access of the basic services. Implementation the budget and staying within budgeted parameters was difficult and frustrating for most operational managers due to the new reforms and no history of operating in the mSCOA environment.

The municipality also decided to part with the old financial system, a system who has been in operating since amalgamation of municipalities and appointed Phoenix (Vesta) an mSCOA compliant system.

Notwithstanding all these new change we arrived at the end of the financial year. Administration limited the tabling of revised budgets to two, a feat which is plausible giving the changing environment and all reforms implemented.

For the period 30 June 2018 the summarized financial preliminary performance is as follows. Operational revenues of R291,480m against a revised June 2018 budget of R302,969 and expenditures of R275,863m totaling 87.7% of budget. Revenue performance totals 96.2% to date.

The information is preliminary as communicated and numerous year-end transactions is outstanding that needs to be finalized.

The revised capital performance totals R21,690m for and total spending of 63.4%. These spending is below projections and the spending levels will increase with the processing of year-end transactions.

More details further in the report.

## 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	1.9 months
Current Ratio: Current assets / Current liabilities	1.5 – 2.1	1.27	2.06	2.41
Quick asset ratio: Monetary assets / Current liabilities	1 – 3		0.92	2.36

### 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	R43,5m	R43,7m
Capital replacement reserve (CRR)	Funded	R20m	R20,0m	R20m



### **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 R43,5m 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 monitoring of the additional ratios as above and the cost containment measures as introduced by National Treasury will be reported in future reporting periods.

## 6. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M12 June

Description	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>Financial Performance</b>									
Property rates	-	60,143	60,143	2,616	60,732	60,143	589	1%	60,143
Service charges	-	152,857	152,857	10,587	153,543	152,857	686	0%	152,857
Investment revenue	-	2,060	2,060	440	2,795	2,060	735	36%	2,060
Transfers and subsidies	-	55,134	58,299	1,018	54,359	58,299	(3,940)	-7%	58,299
Other own revenue	-	23,571	29,610	2,320	20,051	29,610	(9,558)	-32%	29,610
<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>
Employee 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
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
Materials and bulk purchases	-	115,928	121,265	10,960	111,994	121,265	(9,271)	-8%	121,265
Transfers and subsidies	-	2,763	2,808	379	2,400	2,808	(409)	-15%	2,808
Other expenditure	-	47,503	48,540	2,814	34,846	48,540	(13,695)	-28%	48,540
<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>-238%</b>	<b>(11,292)</b>
Transfers and subsidies - capital (monetary allocations)	-	12,969	18,104	1,517	12,328	18,104	(5,776)	-32%	18,104
Contributions & Contributed assets	-	-	1,582	-	-	1,582	(1,582)	-100%	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>19,550</b>	<b>233%</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>19,550</b>	<b>233%</b>	<b>8,395</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>-</b>	<b>27,665</b>	<b>34,217</b>	<b>2,107</b>	<b>21,690</b>	<b>34,217</b>	<b>(12,527)</b>	<b>-37%</b>	<b>34,217</b>
Capital transfers recognised	-	12,969	18,073	587	12,377	18,073	(5,695)	-32%	18,073
Public contributions & donations	-	-	1,582	-	-	1,582	(1,582)	-100%	1,582
Borrowing	-	5,661	5,473	428	4,355	5,473	(1,117)	-20%	5,473
Internally generated funds	-	9,034	9,089	1,092	4,957	9,089	(4,132)	-45%	9,089
<b>Total sources of capital funds</b>	<b>-</b>	<b>27,665</b>	<b>34,217</b>	<b>2,107</b>	<b>21,690</b>	<b>34,217</b>	<b>(12,527)</b>	<b>-37%</b>	<b>34,217</b>
<b>Financial position</b>									
Total current assets	62,317	44,041	41,845		79,633				41,845
Total non current assets	415,891	432,259	431,880		431,466				431,880
Total current liabilities	48,899	37,817	44,194		33,078				44,194
Total non current liabilities	119,252	135,593	129,151		125,810				129,151
<b>Community wealth/Equity</b>	<b>310,058</b>	<b>302,890</b>	<b>300,380</b>		<b>352,210</b>				<b>300,380</b>
<b>Cash flows</b>									
Net cash from (used) operating	-	13,909	11,790	(7,765)	29,292	11,790	(17,501)	-148%	11,790
Net cash from (used) investing	-	(27,137)	(32,486)	(2,107)	(21,687)	(32,486)	(10,799)	33%	(32,486)
Net cash from (used) financing	-	3,609	4,096	14,852	16,281	4,096	(12,185)	-297%	4,096
<b>Cash/cash equivalents at the month/year end</b>	<b>-</b>	<b>6,415</b>	<b>7,762</b>	<b>-</b>	<b>48,247</b>	<b>7,762</b>	<b>(40,485)</b>	<b>-522%</b>	<b>7,762</b>
<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	32,802	-	-	-	-	-	-	-	32,802
<b>Creditors Age Analysis</b>									
Total Creditors	7,254	-	-	-	-	-	-	-	7,254

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**

#### **Property rates:**

The performance for property rates totals 100.9% of total budget. This is in line with projected amounts to date and the municipality should achieved the projections as per tabled budget.

#### **Service revenues (water / electricity /sanitation /refuse):**

Revenues from services totals 104.5% of budgeted amounts. Although this is on par with revised budgeted information the performance is screwed and influenced by over performance of individual items. Finance needs to ensure that the information is scrutinized individually to ensure targets is achieved as per planned processes. More details provide below with Table C4.

#### **Transfers and subsidies:**

Transfers and subsidies reflect the allocations from National and Provincial government. The municipality recognized a liability when the conditional grant is received and the revenue is only recognized as and when expenditures is incurred. To date all grants as per DORA's has been received and none is outstanding.

Performance total 83% of revised budgeted. Projections is that all municipal grants will be recognized by 30 June.

#### **Other own revenues:**

Performance to date reflects at 67.7% of budgeted amounts. Most of the items recorded under this category represents income from the resorts, traffic department as well as town planning and building plan application fees to name a few. In future reporting periods more detail information in terms of individual items will be provided for clarification purposes.

## **EXPENDITURES**

### **Employee related costs:**

The employee related cost of June 2018 totals R111,179m of revised budget amounts. Numerous vacancies budgeted at the start of the financial year, was not filled to date. This will result in a savings on the employee related cost ending June 2018.

### **Remuneration of Councilors:**

Projections for council remuneration is on par with revised budget. Totals of R5,374m recorded at the end of June 2018 reported.

### **Depreciation and asset impairment:**

With the implementation of the new asset management system still outstanding the municipality is experiencing challenges with accounting for depreciation and asset impairment. Journal entries was processed to ensure updated information is available, but due to the implementation being in an advance stage of completion, a decision was taken to withhold the journals to enable electronic processing of transactions.

This is however impacting the operational expenditures recorded to date of Council and as soon as implemented should improve the total expenditures. This will be conclude before the end of the financial year. The positive spin-off is that these expenditures is not actual cash transactions impacting the liquidity of the municipality.

### **Finance charges:**

Budgeted allocation recorded against this category consist of the finance charges in terms of loan repayments, as well as the finance component of the post-retirement benefits (employees) as well as the landfill site restoration cost (capital). There are non-cash items of the municipal budgeted expenditures.

### **Materials and bulk purchases:**

Bulk purchases recorded expenditures totals 92.4% of budget. This is mainly the purchases of bulk electricity and a limited actual expenditures on water purchases. There is a direct correlation between the budget for bulk electricity and sale of electricity revenues. The municipality is projecting better that budgeted performance for the electricity revenues. This will correlate with the performance of bulk purchases at the end of the financial year.

### **Transfers and expenditures:**

Transfer expenditures relates to the allocation the municipality make towards outside organization. The municipal budget for this category of expenditures totals R2,763m with a spending of R2,021m to date.

### **Other expenses:**

Other operational expenditures records at 60.7% of budgeted amounts. These category corresponds to the non-prioritized spending of council. Numerous cost saving measurements are being implemented to ensure that the municipality can ensure decreasing trends for these cost items and expenditures.

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

The outstanding debtors for the period ending 30 June 2018 totals R32,802m.

This is a slight improvement of the information reported for June 2018.

The municipality is in the process of implementing the revised Credit control and debt collection policy. The implementation of the policy will significantly improve the collection of outstanding debts and also impact on the liquidity ratios of the municipality.

Current debt collecting levels of 94% reported for the period ending June 2018.

### **Creditor's age analysis**

The municipality pay creditors within 30 days of received of invoice. Creditors outstanding reflect work in progress as well as liability not finalized due to administrative procedures, for example outstanding items on the order or queries between the municipality and the suppliers.

Totals recorded for the period ending June 2018 totals R7,254m.

**WC033 Cape Agulhas - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - 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>	1									
<b>Revenue - Functional</b>										
<b>Governance and administration</b>		-	105,419	111,354	4,951	104,807	111,354	(6,547)	-6%	111,354
Executive and council		-	25,190	25,190	0	25,190	25,190	0	0%	25,190
Finance and administration		-	80,229	86,164	4,951	79,617	86,164	(6,547)	-8%	86,164
Internal audit		-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	34,571	42,571	1,097	34,803	42,571	(7,767)	-18%	42,571
Community and social services		-	7,023	6,023	1,071	5,977	6,023	(46)	-1%	6,023
Sport and recreation		-	7,098	7,098	26	6,430	7,098	(667)	-9%	7,098
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	20,450	29,450	-	22,396	29,450	(7,054)	-24%	29,450
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	12,731	13,134	934	7,601	13,134	(5,533)	-42%	13,134
Planning and development		-	874	1,277	356	1,889	1,277	612	48%	1,277
Road transport		-	11,857	11,857	579	5,711	11,857	(6,145)	-52%	11,857
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	154,014	155,596	11,515	156,596	155,596	1,000	1%	155,596
Energy sources		-	104,438	105,438	8,933	107,494	105,438	2,056	2%	105,438
Water management		-	24,344	24,927	2,017	23,401	24,927	(1,526)	-6%	24,927
Waste water management		-	9,508	9,508	595	10,096	9,508	588	6%	9,508
Waste management		-	15,723	15,723	(30)	15,605	15,723	(118)	-1%	15,723
<b>Other</b>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	306,734	322,655	18,497	303,808	322,655	(18,847)	-6%	322,655
<b>Expenditure - Functional</b>										
<b>Governance and administration</b>		-	89,598	90,916	7,168	76,916	90,916	(14,000)	-15%	90,916
Executive and council		-	14,383	14,467	1,139	13,398	14,467	(1,070)	-7%	14,467
Finance and administration		-	73,628	74,851	5,932	62,279	74,851	(12,572)	-17%	74,851
Internal audit		-	1,587	1,598	97	1,239	1,598	(359)	-22%	1,598
<b>Community and public safety</b>		-	45,318	48,333	5,636	52,852	48,333	4,519	9%	48,333
Community and social services		-	12,217	11,380	884	9,658	11,380	(1,722)	-15%	11,380
Sport and recreation		-	10,956	10,931	840	10,662	10,931	(269)	-2%	10,931
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	22,145	26,021	3,913	32,532	26,021	6,511	25%	26,021
Health		-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	39,708	39,595	2,750	35,331	39,595	(4,264)	-11%	39,595
Planning and development		-	8,908	8,930	764	8,172	8,930	(758)	-8%	8,930
Road transport		-	30,800	30,665	1,986	27,159	30,665	(3,506)	-11%	30,665
Environmental protection		-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	134,297	135,416	8,594	110,764	135,416	(24,652)	-18%	135,416
Energy sources		-	88,085	88,086	5,825	73,516	88,086	(14,569)	-17%	88,086
Water management		-	16,834	18,234	1,243	16,534	18,234	(1,700)	-9%	18,234
Waste water management		-	10,311	10,600	746	9,262	10,600	(1,338)	-13%	10,600
Waste management		-	19,067	18,497	780	11,451	18,497	(7,045)	-38%	18,497
<b>Other</b>		-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	308,922	314,261	24,148	275,863	314,261	(38,397)	-12%	314,261
<b>Surplus/ (Deficit) for the year</b>		-	(2,187)	8,395	(5,651)	27,944	8,395	19,550	233%	8,395

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) - M12 June**

Vote Description	Ref	2016/17	Budget Year 2017/18							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	-	28,496	27,790	140	27,873	27,790	83	0.3%	27,790
Vote 2 - Financial Services & ICT		-	66,723	72,358	4,209	68,097	72,358	(4,261)	-5.9%	72,358
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
Vote 4 - Management Services		-	45,214	54,214	2,059	41,827	54,214	(12,387)	-22.8%	54,214
Vote 5 - Engineering Services		-	166,301	168,293	12,089	166,012	168,293	(2,281)	-1.4%	168,293
<b>Total Revenue by Vote</b>	2	-	<b>306,734</b>	<b>322,655</b>	<b>18,497</b>	<b>303,809</b>	<b>322,655</b>	<b>(18,846)</b>	<b>-5.8%</b>	<b>322,655</b>
<b>Expenditure by Vote</b>										
Vote 1 - Executive and Council	1	-	41,823	41,249	4,198	38,155	41,249	(3,094)	-7.5%	41,249
Vote 2 - Financial Services & ICT		-	47,136	48,520	2,779	37,959	48,520	(10,561)	-21.8%	48,520
Vote 3 - Corporate Services		-	-	-	335	681	-	681	#DIV/0!	-
Vote 4 - Management Services		-	63,866	67,644	6,881	70,865	67,644	3,221	4.8%	67,644
Vote 5 - Engineering Services		-	156,097	156,848	9,954	128,205	156,848	(28,643)	-18.3%	156,848
<b>Total Expenditure by Vote</b>	2	-	<b>308,922</b>	<b>314,261</b>	<b>24,148</b>	<b>275,865</b>	<b>314,261</b>	<b>(38,396)</b>	<b>-12.2%</b>	<b>314,261</b>
<b>Surplus/ (Deficit) for the year</b>	2	-	<b>(2,187)</b>	<b>8,395</b>	<b>(5,651)</b>	<b>27,944</b>	<b>8,395</b>	<b>19,550</b>	<b>232.9%</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.

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**

Performance for revenue totals R104,042m of a budget of R103,306m. This record a performance of 100.7% for period ending June 2018. The municipality is entering the winter period, where traditionally due to the weather conditions an increase in electricity usage is expected. These factors will contribute to achievement of the targets as projected.

#### **Service charges: Water**

Water revenue records at 95.8% for the period ending 30 June 2018. This is also the poorest performing service for the main service revenue categories. Various factors contributes towards this, especially the water crises and restrictions. Projections therefore indicate that the municipality will not achieve the budget at year-end. Service revenue for the period totals R23,323m.

#### **Service charges: Sanitation**

The budget for sanitation reflects an over performance of 111.9%. This is mainly due to a more cost reflective tariff for the septic tanks that was introduced in the financial year. The budget was conservatively estimate and this contributes to the better than improved performance.

#### **Service charges: Refuse**

Refuse year to date totals R15,555m of a budget of R15,723m. The category of revenue is on par with performance and all indications that budget targets will be achieved.

WC033 Cape Agulhas - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M12 June

Vote 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>	1									
<b>Multi-Year expenditure appropriation</b>	2									
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services & ICT		-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	650	650	35	141	650	(509)	-78%	650
Vote 5 - Engineering Services		-	650	650	80	562	650	(88)	-14%	650
<b>Total Capital Multi-year expenditure</b>	4,7	-	<b>1,300</b>	<b>1,300</b>	<b>115</b>	<b>703</b>	<b>1,300</b>	<b>(597)</b>	<b>-46%</b>	<b>1,300</b>
<b>Single Year expenditure appropriation</b>	2									
Vote 1 - Executive and Council		-	855	238	24	217	238	(21)	-9%	238
Vote 2 - Financial Services & ICT		-	2,505	2,943	110	2,296	2,943	(646)	-22%	2,943
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	2,964	2,355	182	1,503	2,355	(852)	-36%	2,355
Vote 5 - Engineering Services		-	20,042	27,381	1,677	16,970	27,381	(10,411)	-38%	27,381
<b>Total Capital single-year expenditure</b>	4	-	<b>26,365</b>	<b>32,917</b>	<b>1,993</b>	<b>20,987</b>	<b>32,917</b>	<b>(11,930)</b>	<b>-36%</b>	<b>32,917</b>
<b>Total Capital Expenditure</b>		-	<b>27,665</b>	<b>34,217</b>	<b>2,107</b>	<b>21,690</b>	<b>34,217</b>	<b>(12,527)</b>	<b>-37%</b>	<b>34,217</b>
<b>Capital Expenditure - Functional Classification</b>										
<b>Governance and administration</b>		-	<b>2,962</b>	<b>3,138</b>	<b>132</b>	<b>2,614</b>	<b>3,138</b>	<b>(524)</b>	<b>-17%</b>	<b>3,138</b>
Executive and council			254	176	23	176	176	(0)	0%	176
Finance and administration			2,708	2,962	110	2,439	2,962	(524)	-18%	2,962
<b>Community and public safety</b>		-	<b>3,164</b>	<b>3,021</b>	<b>217</b>	<b>1,328</b>	<b>3,021</b>	<b>(1,693)</b>	<b>-56%</b>	<b>3,021</b>
Community and social services			303	258	158	336	258	78	30%	258
Sport and recreation			2,861	2,763	59	992	2,763	(1,771)	-64%	2,763
<b>Economic and environmental services</b>		-	<b>12,859</b>	<b>15,975</b>	<b>872</b>	<b>11,082</b>	<b>15,975</b>	<b>(4,893)</b>	<b>-31%</b>	<b>15,975</b>
Planning and development			539	26	2	19	26	(6)	-25%	26
Road transport			12,320	15,949	871	11,062	15,949	(4,887)	-31%	15,949
Environmental protection			-	-	-	-	-	-	-	-
<b>Trading services</b>		-	<b>8,680</b>	<b>12,083</b>	<b>886</b>	<b>6,666</b>	<b>12,083</b>	<b>(5,417)</b>	<b>-45%</b>	<b>12,083</b>
Energy sources			2,548	3,525	383	2,375	3,525	(1,150)	-33%	3,525
Water management			3,255	3,778	406	1,492	3,778	(2,286)	-61%	3,778
Waste water management			877	2,178	96	877	2,178	(1,301)	-60%	2,178
Waste management			2,000	2,602	-	1,922	2,602	(680)	-26%	2,602
<b>Other</b>			-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional C</b>	3	-	<b>27,665</b>	<b>34,217</b>	<b>2,107</b>	<b>21,690</b>	<b>34,217</b>	<b>(12,527)</b>	<b>-37%</b>	<b>34,217</b>
<b>Funded by:</b>										
National Government			12,108	11,990	481	11,894	11,990	(96)	-1%	11,990
Provincial Government			862	6,083	106	484	6,083	(5,600)	-92%	6,083
District Municipality			-	-	-	-	-	-	-	-
Other transfers and grants			-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>		-	<b>12,969</b>	<b>18,073</b>	<b>587</b>	<b>12,377</b>	<b>18,073</b>	<b>(5,695)</b>	<b>-32%</b>	<b>18,073</b>
<b>Public contributions &amp; donations</b>	5		-	1,582	-	-	1,582	(1,582)	-100%	1,582
<b>Borrowing</b>	6		5,661	5,473	428	4,355	5,473	(1,117)	-20%	5,473
<b>Internally generated funds</b>			9,034	9,089	1,092	4,957	9,089	(4,132)	-45%	9,089
<b>Total Capital Funding</b>		-	<b>27,665</b>	<b>34,217</b>	<b>2,107</b>	<b>21,690</b>	<b>34,217</b>	<b>(12,527)</b>	<b>-37%</b>	<b>34,217</b>

**Comments:**

The implementation of the municipal capital program proof particular challenging with numerous issues experienced throughout the financial year. At the forefront of these challenges and one of the main contributing factors

is planning and integration of budgeting and business activities. Budget holders to date still struggle to properly plan projects, integrate these projects into operational activities and execute accordingly.

Capital spending is a measurement of municipal investment in infrastructure in the community. Non achievement of the implementation of the budget can over the long-term compromise service delivery.

**WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M12 June**

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<b>R thousands</b>	1					
<b>ASSETS</b>						
<b>Current assets</b>						
Cash		24,361	6,415	7,762	48,247	7,762
Call investment deposits		–	–	–	–	–
Consumer debtors		22,028	28,019	27,691	32,802	27,691
Other debtors		14,571	8,102	5,034	(2,731)	5,034
Current portion of long-term receivables		31	27	31	–	31
Inventory		1,326	1,478	1,326	1,315	1,326
<b>Total current assets</b>		<b>62,317</b>	<b>44,041</b>	<b>41,845</b>	<b>79,633</b>	<b>41,845</b>
<b>Non current assets</b>						
Long-term receivables		196	173	165	225	165
Investments		–	–	–	–	–
Investment property		40,870	40,232	40,862	40,864	40,862
Investments in Associate		–	–	–	–	–
Property, plant and equipment		371,253	390,091	386,389	385,181	386,389
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		3,572	1,763	4,464	5,196	4,464
Other non-current assets		–	–	–	–	–
<b>Total non current assets</b>		<b>415,891</b>	<b>432,259</b>	<b>431,880</b>	<b>431,466</b>	<b>431,880</b>
<b>TOTAL ASSETS</b>		<b>478,209</b>	<b>476,300</b>	<b>473,725</b>	<b>511,098</b>	<b>473,725</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		–	–	–	–	–
Borrowing		684	2,310	1,659	722	1,659
Consumer deposits		4,291	4,377	4,548	4,507	4,548
Trade and other payables		33,141	15,334	26,557	19,404	26,557
Provisions		10,783	15,796	11,430	8,444	11,430
<b>Total current liabilities</b>		<b>48,899</b>	<b>37,817</b>	<b>44,194</b>	<b>33,078</b>	<b>44,194</b>
<b>Non current liabilities</b>						
Borrowing		2,012	6,651	4,876	3,575	4,876
Provisions		117,240	128,942	124,274	122,236	124,274
<b>Total non current liabilities</b>		<b>119,252</b>	<b>135,593</b>	<b>129,151</b>	<b>125,811</b>	<b>129,151</b>
<b>TOTAL LIABILITIES</b>		<b>168,151</b>	<b>173,410</b>	<b>173,345</b>	<b>158,888</b>	<b>173,345</b>
<b>NET ASSETS</b>	2	<b>310,058</b>	<b>302,890</b>	<b>300,380</b>	<b>352,210</b>	<b>300,380</b>
<b>COMMUNITY WEALTH/EQUITY</b>						
Accumulated Surplus/(Deficit)		290,058	287,890	285,380	332,210	285,380
Reserves		20,000	15,000	15,000	20,000	15,000
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	2	<b>310,058</b>	<b>302,890</b>	<b>300,380</b>	<b>352,210</b>	<b>300,380</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.

**WC033 Cape Agulhas - Table C7 Monthly Budget Statement - Cash Flow - 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>	1										
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates			57,979	57,646	4,256	56,051	57,646	(1,595)	-3%	57,646	
Service charges			147,357	146,510	11,841	146,614	146,510	104	0%	146,510	
Other revenue			15,094	17,617	1,759	17,385	17,617	(233)	-1%	17,617	
Government - operating			55,134	72,809	-	76,140	72,809	3,331	5%	72,809	
Government - capital			12,269	12,238	-	11,990	12,238	(249)	-2%	12,238	
Interest			3,502	3,494	660	4,122	3,494	628	18%	3,494	
Dividends			-	-	-	-	-	-		-	
<b>Payments</b>											
Suppliers and employees			(273,935)	(294,990)	(25,568)	(276,682)	(294,990)	(18,308)	6%	(294,990)	
Finance charges			(727)	(770)	(335)	(3,927)	(770)	3,157	-410%	(770)	
Transfers and Grants			(2,763)	(2,763)	(379)	(2,400)	(2,763)	(364)	13%	(2,763)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>			<b>-</b>	<b>13,909</b>	<b>11,790</b>	<b>(7,765)</b>	<b>29,292</b>	<b>11,790</b>	<b>(17,501)</b>	<b>-148%</b>	<b>11,790</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE			500	1,700	-	-	1,700	(1,700)	-100%	1,700	
Decrease (Increase) in non-current debtors			27	31	-	-	31	(31)	-100%	31	
Decrease (increase) other non-current receivables			-	-	0	2	-	2	#DIV/0!	-	
Decrease (increase) in non-current investments			-	-	-	-	-	-		-	
<b>Payments</b>											
Capital assets			(27,665)	(34,217)	(2,107)	(21,690)	(34,217)	(12,527)	37%	(34,217)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>			<b>-</b>	<b>(27,137)</b>	<b>(32,486)</b>	<b>(2,107)</b>	<b>(21,687)</b>	<b>(32,486)</b>	<b>(10,799)</b>	<b>33%</b>	<b>(32,486)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans			-	-	-	-	-	-		-	
Borrowing long term/refinancing			5,661	5,473	15,000	17,400	5,473	11,927	218%	5,473	
Increase (decrease) in consumer deposits			188	257	22	216	257	(42)	-16%	257	
<b>Payments</b>											
Repayment of borrowing			(2,240)	(1,634)	(170)	(1,335)	(1,634)	(299)	18%	(1,634)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>			<b>-</b>	<b>3,609</b>	<b>4,096</b>	<b>14,852</b>	<b>16,281</b>	<b>4,096</b>	<b>(12,185)</b>	<b>-297%</b>	<b>4,096</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>			<b>-</b>	<b>(9,619)</b>	<b>(16,599)</b>	<b>4,980</b>	<b>23,885</b>	<b>(16,599)</b>			<b>(16,599)</b>
Cash/cash equivalents at beginning:			16,035	24,361		24,361	24,361				24,361
Cash/cash equivalents at month/year end:			6,415	7,762		48,247	7,762				7,762

The cash position of Council is **positive** at the end of the reporting period ending **30 June 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 - M12 June

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

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.

#### **EXPLANATION:**

The finance department in order to streamline and report the effect that the implementation of mSCOA had on the municipal performance tabled a revised budget to council in June 2018 to give effect to these challenges. This budget address all related veriments, adjustments and allocations in-kind received as well as required corrections.

Based on the above no remedial actions is required to execute.

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M12 June

Description of financial indicator	Basis of calculation	Ref	2016/17	Budget Year 2017/18			
			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%	6.6%	6.3%	1.4%	4.7%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	20.5%	16.0%	20.1%	16.0%
<b>Safety of Capital</b>							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		11.6%	8.0%	11.0%	6.7%	11.0%
Gearing	Long Term Borrowing/ Funds & Reserves		10.1%	44.3%	32.5%	17.9%	32.5%
<b>Liquidity</b>							
Current Ratio	Current assets/current liabilities	1	127.4%	116.5%	94.7%	240.7%	94.7%
Liquidity Ratio	Monetary Assets/Current Liabilities		49.8%	17.0%	17.6%	145.9%	17.6%
<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%	12.4%	10.9%	10.4%	10.9%
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%	39.9%	38.5%	38.1%	38.5%
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%	6.9%	6.6%	1.3%	4.9%
<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 - M12 Jur

Description	Ref	Budget Year 2017/18								
		2016/17 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>		-	27,881	27,999	-	27,999	27,999	-		27,999
Local Government Equitable Share			25,190	25,190	-	25,190	25,190	-		25,190
Energy Efficiency and Demand-side [Schedule 5B]			-	-	-	-	-			-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,131	1,131	-	1,131	1,131			1,131
Local Government Financial Management Grant [Schedule 5B]			-	118	-	118	118			118
Municipal Infrastructure Grant [Schedule 5B]			1,560	1,560	-	1,560	1,560			1,560
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-			-
<b>Provincial Government:</b>	3	-	27,253	44,810	-	45,909	44,810	862	1.9%	44,810
Human Settlement Development			20,450	38,764	-	39,626	38,764	862	2.2%	38,764
Library Service Conditional Grant			5,423	5,336	-	5,584	5,336			5,336
Maintenance of Main Roads			84	84	-	73	84			84
Community Development Workers			56	56	-	56	56			56
Financial Management Support (WC_FMGSG)			240	570	-	570	570			570
Greenest Municipality (Violence Protection)	4		1,000	-	-	-	-			-
Thusong Centre			-	-	-	-	-			-
<b>District Municipality:</b>		-	-	-	-	-	-			-
N/A			-	-	-	-	-			-
<b>Other grant providers:</b>		-	-	-	-	2,834	-	2,834	#DIV/0!	-
National Skills Fund			-	-	-	2,834	-	2,834	#DIV/0!	-
<b>Total Operating Transfers and Grants</b>	5	-	55,134	72,809	-	76,742	72,809	3,696	5.1%	72,809
<b>Capital Transfers and Grants</b>										
<b>National Government:</b>		-	12,108	11,990	-	11,990	11,990	-		11,990
Municipal Infrastructure Grant [Schedule 5B]			9,558	9,558	-	9,558	9,558	-		9,558
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]			1,000	1,000	-	1,000	1,000			1,000
Local Government Financial Management Grant [Schedule 5B]			1,550	1,432	-	1,432	1,432			1,432
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-			-
<b>Provincial Government:</b>		-	162	249	-	-	249	(249)	-100.0%	249
Library Service			162	249	-	-	249	(249)	-100.0%	249
Development of Sport and Recreation Facilities			-	-	-	-	-			-
Thusong Centre			-	-	-	-	-			-
<b>District Municipality:</b>		-	-	-	-	-	-			-
N/A			-	-	-	-	-			-
<b>Other grant providers:</b>		-	-	-	-	-	-			-
N/A			-	-	-	-	-			-
<b>Total Capital Transfers and Grants</b>	5	-	12,269	12,238	-	11,990	12,238	(249)	-2.0%	12,238
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	-	67,403	85,047	-	88,732	85,047	3,448	4.1%	85,047

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: 5/3/2017-18 (M12)

KANTOOR:  
OFFICES: Bredasdorp

DATUM  
DATE 7 July 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 **30 June 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 Biesou

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

Signature [Signature]

Date 10/07/2018