

Cape Agulhas Municipality



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

2017/2018

FINANCIAL MANAGEMENT REPORT FOR PERIOD ENDING 31 DECEMBER 2017

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1. Council Resolution

To The Executive Mayor

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

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

Recommendations

- The content of the report and supporting documentation for period ending **31 December 2017** 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.

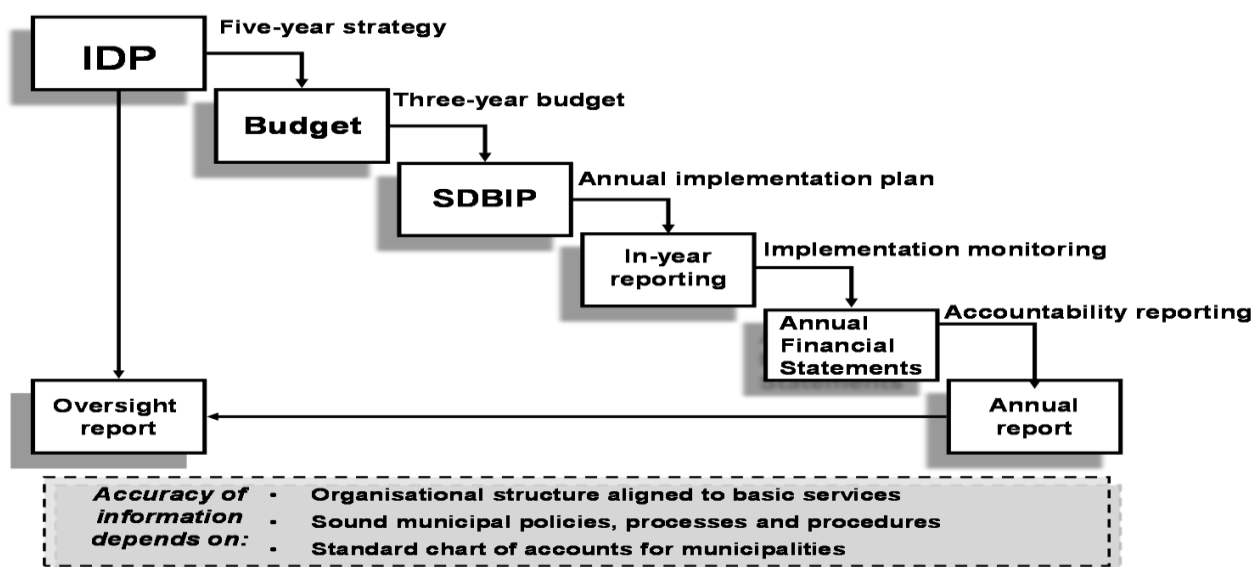
3.1 Budget Process:

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:

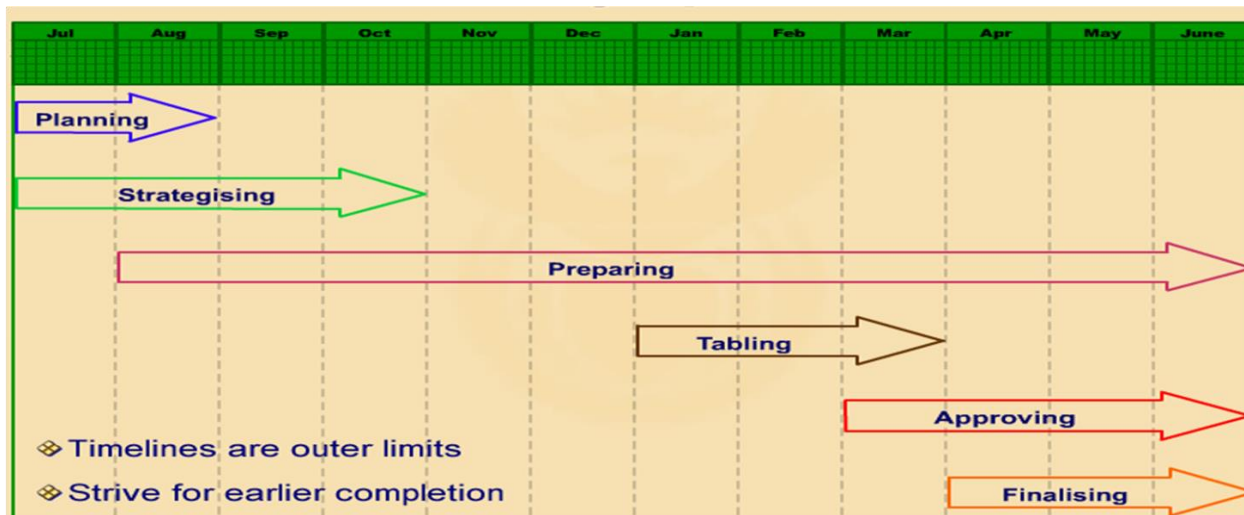
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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 Draft Budget 2018/19 is as follows:

<u>Activity</u>	<u>Planned date</u>	<u>Actual date</u>
Strategic Session (Councilors and managers)	13/14 November 2017	13/14 November 2017
Distribute Budget guide documents	22 nd November 2017	5 December 2018
National Treasury budget circular issued	2 nd week December 2017	8 th December 2017
Revised Budget guide document	14 December 2017	18 December 2017
Proposed budget workshop (1 st discussion)	9 January 2018	9 January 2017
Budget steering committee	22 January 2018	
Submission of information to BTO	29 January 2018	
Budget refinements / discussions	31 Jan 2018 – 9 Feb 2018	
First Draft budget 2018/19 MTREF	22 February 2018	
Budget workshop on Draft budget	01-02 March 2018	
Budget steering committee	22 March 2018	
Final Budget submission	27 March 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 4th consecutive "Clean Audit".

4. Executive Summary

The period ending 31 December 2017 represents the half-yearly mark of the municipal financial year. The municipal budget should be fully in process of being implemented and this period corresponds with the compilation of the Mid-year budget and performance assessment report, the Section 72 report. This reports inform the recommendations for the Adjustment budget of the municipality.

Numerous information and assessments is done at this point to ensure that the mandates of Council is achieved at year-end and recommendation to the Approved budget, Service delivery and budget implementation plan and Procurement plan are proposed to Council for consideration.

Performance for the quarter ending 31 December is a bit distorted and more information is provided below as to the specific reasons.

5. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M06 December

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
R thousands									
Financial Performance									
Property rates	-	60,143	-	3,002	43,744	43,179	565	1%	60,143
Service charges	-	152,857	-	12,002	79,381	78,801	579	1%	152,857
Investment revenue	-	2,060	-	147	1,113	1,183	(71)	-6%	2,060
Transfers and subsidies	-	55,134	-	10,179	43,546	41,136	2,410	6%	55,134
Other own revenue	-	23,571	-	(874)	9,033	11,552	(2,519)	-22%	23,571
Total Revenue (excluding capital transfers and contributions)	-	293,765	-	24,456	176,817	175,852	964	1%	293,765
Employee costs	-	117,179	-	-	48,873	60,265	(11,392)	-19%	117,179
Remuneration of Councillors	-	5,145	-	-	2,291	2,405	(114)	-5%	5,145
Depreciation & asset impairment	-	11,440	-	-	-	5,720	(5,720)	-100%	11,440
Finance charges	-	8,964	-	74	130	4,482	(4,352)	-97%	8,964
Materials and bulk purchases	-	115,928	-	13,700	72,005	56,957	15,048	26%	115,928
Transfers and subsidies	-	2,763	-	93	1,363	1,335	28	2%	2,763
Other expenditure	-	47,503	-	2,344	15,596	23,198	(7,602)	-33%	47,503
Total Expenditure	-	308,922	-	16,212	140,258	154,362	(14,103)	-9%	308,922
Surplus/(Deficit)	-	(15,157)	-	8,244	36,558	21,491	15,068	70%	(15,157)
Transfers and subsidies - capital (monetary alloc	-	12,969	-	-	1,999	4,057	(2,058)	-51%	12,969
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(2,187)	-	8,244	38,558	25,548	13,010	51%	(2,187)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	(2,187)	-	8,244	38,558	25,548	13,010	51%	(2,187)
Capital expenditure & funds sources									
Capital expenditure	-	27,665	-	2,351	8,406	8,003	403	5%	27,665
Capital transfers recognised	-	12,969	-	1,306	6,120	3,752	2,368	63%	12,969
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	5,661	-	401	568	1,638	(1,069)	-65%	5,661
Internally generated funds	-	9,034	-	645	1,718	2,613	(896)	-34%	9,034
Total sources of capital funds	-	27,665	-	2,351	8,406	8,003	403	5%	27,665
Financial position									
Total current assets	55,749	44,041	-	-	110,389	-	-	-	44,041
Total non current assets	417,517	432,259	-	-	425,922	-	-	-	432,259
Total current liabilities	34,442	37,817	-	-	56,812	-	-	-	37,817
Total non current liabilities	126,713	135,593	-	-	128,902	-	-	-	135,593
Community wealth/Equity	312,111	302,890	-	-	350,596	-	-	-	302,890
Cash flows									
Net cash from (used) operating	-	13,909	-	13,989	50,088	25,449	(24,639)	-97%	13,909
Net cash from (used) investing	-	(27,137)	-	(2,351)	(8,405)	(7,146)	1,258	-18%	(27,137)
Net cash from (used) financing	-	3,609	-	(207)	2,186	(836)	(3,023)	361%	3,609
Cash/cash equivalents at the month/year end	-	6,415	-	-	68,579	33,501	(35,078)	-105%	15,090
Debtors & creditors analysis									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis									
Total By Income Source	39,836	-	-	-	-	-	-	-	39,836
Creditors Age Analysis									
Total Creditors	17,730	-	-	-	-	-	-	-	17,730

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.

COMMENTS:

REVENUES

Property rates:

Property rates performance is on par with projections. With the implementation of mSCOA and the updating of the Long-term financial plan, numerous value added activities was identified that should assist and enhance municipal property rates collection. A healthy booming building activity is also experienced in the municipal areas. These developments once complete should enhance the municipal revenue base in terms of property rates assessments. This is in line with National Treasury recommendations of revenue enhancements as well as the municipal own Long term financial plan.

Year to date performance of 73% are recorded ending 2nd quarter. This is mainly a result of the yearly agreements in terms of property rates payments due and paid to date.

Services charges:

Service revenues totals R79,381m of a budget of R152,857m. This represents a total of 52%. The mid-year performance is on par with projections. Service revenues is on par with projections. Numerous of amendments and corrections on the billing side are also implemented continuously as a result of the mSCOA implementation.

As part of the long-term financial plan data cleansing projects was also identified to ensure integrity of municipal information. These initiatives will improve the performance of service charges once implemented.

Transfers and subsidies:

Transfer revenues is mainly impacted by the allocations received for Equitable share, the Housing allocation (agency performed on behalf of Province) and the other conditional grants as per National and Provincial Dora's. Historically the municipality managed to spend more than 95% of all grants received per conditions. Projections indicate that this will again be achieved in the financial year.

Other Own revenues:

Other revenues is below projections as at 31 December 2017. This is mainly a result of the Traffic fine revenues not accounted for to date. GRAP (financial statements) standards requires the municipality to account for income of traffic fines on a gross basis as billed. This in effect means that all fines issued

needs to be processed on a monthly basis. This is still challenging to the municipality and impact the performance of other own revenues. Year to date performance records at 38% of approved budgets.

EXPENDITURES

Employee costs:

With the implementation of mSCOA the municipality identified shortcoming in the main financial system in terms of payroll administration of the appointed vendor. After an assessment and discussions with the vendor the decision was made to change the payroll administration component to a new vendor. This new vendor **Payday Software Solutions** is also in partnership with the main vendor. The migration to Payday was complete in December and hiccups are now experienced with the integration of the information.

The effect is that the information for salary related expenditures in terms of December 2017 is not complete on the municipal financial system. This impact on the performance for salary related expenditure and in effect total actual expenditures. The municipality will ensure that these expenditures are include in the Mid-year assessment due to Council in January as per MFMA.

The effect of above is a performance of 41.7% for year to date employee cost excluding the December 2017 information.

Remuneration of Councilors:

The municipality received the latest Remuneration of Public bearers act in December 2017. This documents serves as the basis for the Council increases, required to be implemented. The impact of the increases will be catered for in the Adjustment budget. As per above explanation the information for December 2017 is outstanding. Municipality envisioned sufficient provision for the funding of the Council related remuneration

Depreciation and asset impairment:

MSCOA require municipality to fully integrate the municipal asset and account for the depreciation and impairment on a monthly basis. The municipality acquired and electronic asset register as part of RT25 tender. The integration of above is also not finalized and will be complete within the 3rd quarter of the financial year. For reporting purposes the S72 will reflect actuals for the mid-year information.

Finance charges:

The process of loan payments is done via debit directly deducted from the municipal bank account on the last day of the month. The December 2017

payments was there for processed on the 31st and recording of the transactions was only done in January 2018. These will be reflected in the next reporting cycle reporting.

Materials and bulk purchases:

Bulk purchases totals R58,302m that represents a total of 50.29% of budget. Bulk purchases is mostly electricity purchases from Eskom. Performance to date in terms of bulk purchases is on par.

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 R2,344m to date.

Other expenses:

Other operational expenditures records at 33% of budgeted information. Most of the municipal expenditures not specifically identified is recorded is under this category. The low expenditure is impacted by budgeting of items only accounted for at year-end, examples of these are provision and other non-cash items.

Debtor's age analysis

As communicated under service revenue category above the municipality is continuously embarking on addressing billing related activities to ensure improved data. To date we experience challenges with the financial system to ensure accurate age analysis information can be produced. This is being addressed continuously and we envisioned that this will be sorted before the end of the 3rd quarter of the financial year. These issues is also high priority issues with the system vendor and regular engagements to ensure adequate attention and execution of instructions is done.

Creditor's age analysis

The municipal practice is to ensure that creditor's payments is processed within 30 days of received of invoice. We record the date when the invoice is received at registration, and this practice is satisfactory as per municipal audit outcomes. To date we were unable to implement age analysis per creditor due to system challenges. This is being addressed as high priority with the vendor.

WC033 Cape Agulhas - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M06 December

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
R thousands	1									
Revenue - Functional										
Governance and administration		-	105,419	-	11,406	66,748	71,153	(4,405)	-6%	105,419
Executive and council		-	25,190	-	8,396	18,893	19,226	(333)	-2%	25,190
Finance and administration		-	80,229	-	3,010	47,855	51,927	(4,072)	-8%	80,229
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	34,571	-	642	29,091	23,472	5,619	24%	34,571
Community and social services		-	7,023	-	13	1,950	3,929	(1,978)	-50%	7,023
Sport and recreation		-	7,098	-	629	4,745	6,096	(1,351)	-22%	7,098
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	20,450	-	-	22,396	13,448	8,948	67%	20,450
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	12,731	-	402	3,410	6,074	(2,664)	-44%	12,731
Planning and development		-	874	-	145	816	525	290	55%	874
Road transport		-	11,857	-	257	2,595	5,549	(2,954)	-53%	11,857
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	154,014	-	12,006	79,567	79,210	357	0%	154,014
Energy sources		-	104,438	-	7,896	54,598	54,568	29	0%	104,438
Water management		-	24,344	-	1,443	8,809	11,901	(3,093)	-26%	24,344
Waste water management		-	9,508	-	1,073	6,374	4,918	1,457	30%	9,508
Waste management		-	15,723	-	1,594	9,786	7,822	1,964	25%	15,723
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	306,734	-	24,456	178,816	179,909	(1,093)	-1%	306,734
Expenditure - Functional										
Governance and administration		-	89,598	-	2,119	34,857	44,731	(9,874)	-22%	89,598
Executive and council		-	14,383	-	104	6,516	6,961	(445)	-6%	14,383
Finance and administration		-	73,628	-	1,962	27,685	36,965	(9,279)	-25%	73,628
Internal audit		-	1,587	-	53	656	805	(149)	-19%	1,587
Community and public safety		-	45,318	-	2,146	33,593	22,370	11,223	50%	45,318
Community and social services		-	12,217	-	136	4,261	6,270	(2,009)	-32%	12,217
Sport and recreation		-	10,956	-	274	4,511	5,536	(1,025)	-19%	10,956
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	22,145	-	1,737	24,821	10,564	14,257	135%	22,145
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	39,708	-	472	13,170	20,064	(6,893)	-34%	39,708
Planning and development		-	8,908	-	40	3,500	4,534	(1,034)	-23%	8,908
Road transport		-	30,800	-	432	9,670	15,530	(5,860)	-38%	30,800
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	134,297	-	11,474	58,638	67,197	(8,560)	-13%	134,297
Energy sources		-	88,085	-	10,519	43,652	44,089	(437)	-1%	88,085
Water management		-	16,834	-	398	6,531	8,439	(1,908)	-23%	16,834
Waste water management		-	10,311	-	232	3,398	5,164	(1,766)	-34%	10,311
Waste management		-	19,067	-	324	5,056	9,505	(4,448)	-47%	19,067
Other		-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	308,922	-	16,212	140,258	154,362	(14,103)	-9%	308,922
Surplus/ (Deficit) for the year		-	(2,187)	-	8,244	38,558	25,547	13,011	51%	(2,187)

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) - M06 December

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
R thousands										
Revenue by Vote										
Vote 1 - Executive and Council	1	-	28,496	-	8,480	19,475	21,127	(1,652)	-7.8%	28,496
Vote 2 - Financial Services & ICT		-	66,723	-	2,973	45,869	46,579	(710)	-1.5%	66,723
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	45,214	-	902	31,710	24,435	7,276	29.8%	45,214
Vote 5 - Engineering Services		-	166,301	-	12,102	81,762	83,767	(2,005)	-2.4%	166,301
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	306,734	-	24,457	178,817	175,909	2,909	1.7%	306,734
Expenditure by Vote										
Vote 1 - Executive and Council	1	-	41,823	-	926	17,940	20,908	(2,968)	-14.2%	41,823
Vote 2 - Financial Services & ICT		-	47,136	-	1,176	16,483	23,596	(7,113)	-30.1%	47,136
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	63,866	-	2,348	39,899	31,666	8,233	26.0%	63,866
Vote 5 - Engineering Services		-	156,097	-	11,764	65,938	78,192	(12,254)	-15.7%	156,097
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	308,922	-	16,213	140,260	154,362	(14,102)	-9.1%	308,922
Surplus/ (Deficit) for the year	2	-	(2,187)	-	8,244	38,558	21,547	17,011	78.9%	(2,187)

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) - M06 December

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	
R thousands											
Revenue By Source											
Property rates			60,143	-	3,002	43,744	43,179	565	1%	60,143	
Service charges - electricity revenue			103,306	-	7,892	54,431	54,175	256	0%	103,306	
Service charges - water revenue			24,342	-	1,443	8,790	8,900	(110)	-1%	24,342	
Service charges - sanitation revenue			9,486	-	1,073	6,374	6,404	(30)	0%	9,486	
Service charges - refuse revenue			15,723	-	1,594	9,786	9,322	464	5%	15,723	
Service charges - other			-	-	-	-	-	-	-	-	
Rental of facilities and equipment			2,056	-	46	455	691	(236)	-34%	2,056	
Interest earned - external investments			2,060	-	147	1,113	1,183	(71)	-6%	2,060	
Interest earned - outstanding debtors			1,496	-	181	406	667	(260)	-39%	1,496	
Dividends received			-	-	-	-	-	-	-	-	
Fines, penalties and forfeits			9,271	-	(1,587)	1,218	4,150	(2,933)	-71%	9,271	
Licences and permits			61	-	25	49	31	19	61%	61	
Agency services			2,419	-	67	1,258	1,289	(31)	-2%	2,419	
Transfers and subsidies			55,134	-	10,179	43,546	41,136	2,410	6%	55,134	
Other revenue			7,769	-	394	5,646	4,725	922	20%	7,769	
Gains on disposal of PPE			500	-	-	-	-	-	-	500	
Total Revenue (excluding capital transfers and contributions)			-	293,765	-	24,456	176,817	175,852	964	1%	293,765
Expenditure By Type											
Employee related costs			117,179	-	-	48,873	60,265	(11,392)	-19%	117,179	
Remuneration of councillors			5,145	-	-	2,291	2,405	(114)	-5%	5,145	
Debt impairment			7,833	-	-	-	3,917	(3,917)	-100%	7,833	
Depreciation & asset impairment			11,440	-	-	-	5,720	(5,720)	-100%	11,440	
Finance charges			8,964	-	74	130	4,482	(4,352)	-97%	8,964	
Bulk purchases			76,678	-	10,245	40,234	38,344	1,891	5%	76,678	
Other materials			39,250	-	3,455	31,770	18,613	13,157	71%	39,250	
Contracted services			18,208	-	897	4,219	9,104	(4,885)	-54%	18,208	
Transfers and subsidies			2,763	-	93	1,363	1,335	28	2%	2,763	
Other expenditure			21,461	-	1,447	11,377	10,178	1,200	12%	21,461	
Loss on disposal of PPE			-	-	-	-	-	-	-	-	
Total Expenditure			-	308,922	-	16,212	140,258	154,362	(14,103)	-9%	308,922
Surplus/(Deficit)			-	(15,157)	-	8,244	36,558	21,491	15,068	0	(15,157)
Transfers and subsidies - capital (municipality allocations) (National / Provincial and District)			12,969	-	-	1,999	4,057	(2,058)	(0)	12,969	
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)			-	-	-	-	-	-	-	-	
Transfers and subsidies - capital (in-kind - all)			-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions			-	(2,187)	-	8,244	38,558	25,548			(2,187)
Taxation			-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation			-	(2,187)	-	8,244	38,558	25,548			(2,187)
Attributable to minorities			-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality			-	(2,187)	-	8,244	38,558	25,548			(2,187)
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year			-	(2,187)	-	8,244	38,558	25,548			(2,187)

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 C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06
December

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
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	-	-	-	-	-	-	-	-
Vote 2 - Financial Services & ICT		-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	650	-	20	40	188	(148)	-79%	650
Vote 5 - Engineering Services		-	650	-	32	32	188	(156)	-83%	650
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	-	1,300	-	51	72	376	(304)	-81%	1,300
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	855	-	159	173	247	(74)	-30%	855
Vote 2 - Financial Services & ICT		-	2,505	-	113	710	724	(15)	-2%	2,505
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	2,964	-	216	917	857	60	7%	2,964
Vote 5 - Engineering Services		-	20,042	-	1,813	6,534	5,798	736	13%	20,042
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	-	26,365	-	2,300	8,334	7,627	707	9%	26,365
Total Capital Expenditure		-	27,665	-	2,351	8,406	8,003	403	5%	27,665
Capital Expenditure - Functional Classification										
Governance and administration		-	2,962	-	299	994	857	138	16%	2,962
Executive and council		-	254	-	143	150	74	77	104%	254
Finance and administration		-	2,708	-	156	844	783	61	8%	2,708
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	3,164	-	190	662	915	(254)	-28%	3,164
Community and social services		-	303	-	19	28	88	(60)	-69%	303
Sport and recreation		-	2,861	-	171	634	828	(194)	-23%	2,861
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	12,859	-	1,397	5,560	3,720	1,840	49%	12,859
Planning and development		-	539	-	-	-	156	(156)	-100%	539
Road transport		-	12,320	-	1,397	5,560	3,564	1,996	56%	12,320
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	8,680	-	466	1,190	2,511	(1,321)	-53%	8,680
Energy sources		-	2,548	-	260	563	737	(174)	-24%	2,548
Water management		-	3,255	-	206	326	942	(615)	-65%	3,255
Waste water management		-	877	-	-	300	254	46	18%	877
Waste management		-	2,000	-	-	-	579	(579)	-100%	2,000
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	-	27,665	-	2,351	8,406	8,003	403	5%	27,665
Funded by:										
National Government		-	12,108	-	1,220	5,891	3,503	2,388	68%	12,108
Provincial Government		-	862	-	86	229	249	(21)	-8%	862
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		-	12,969	-	1,306	6,120	3,752	2,368	63%	12,969
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	5,661	-	401	568	1,638	(1,069)	-65%	5,661
Internally generated funds		-	9,034	-	645	1,718	2,613	(696)	-34%	9,034
Total Capital Funding		-	27,665	-	2,351	8,406	8,003	403	5%	27,665

Comments:

The performance for municipal capital expenditures totals R8,406m of total budget. This represents a total of 31% of capital performance. The municipal capital budget is in process of being reviewed and this will be done as part of Adjustment budget.

WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M06 December

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		24,709	6,415	-	68,579	6,415
Call investment deposits		-	-	-	-	-
Consumer debtors		23,325	28,019	-	39,836	28,019
Other debtors		6,383	8,102	-	492	8,102
Current portion of long-term receivables		-	27	-	-	27
Inventory		1,331	1,478	-	1,482	1,478
Total current assets		55,749	44,041	-	110,389	44,041
Non current assets						
Long-term receivables		227	173	-	226	173
Investments		-	-	-	-	-
Investment property		40,240	40,232	-	40,240	40,232
Investments in Associate		-	-	-	-	-
Property, plant and equipment		373,950	390,091	-	381,778	390,091
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		3,100	1,763	-	3,678	1,763
Other non-current assets		-	-	-	-	-
Total non current assets		417,517	432,259	-	425,922	432,259
TOTAL ASSETS		473,266	476,300	-	536,311	476,300
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		684	2,310	-	475	2,310
Consumer deposits		4,291	4,377	-	4,497	4,377
Trade and other payables		22,662	15,334	-	45,601	15,334
Provisions		6,805	15,796	-	6,239	15,796
Total current liabilities		34,442	37,817	-	56,812	37,817
Non current liabilities						
Borrowing		2,548	6,651	-	4,737	6,651
Provisions		124,165	128,942	-	124,165	128,942
Total non current liabilities		126,713	135,593	-	128,902	135,593
TOTAL LIABILITIES		161,155	173,410	-	185,714	173,410
NET ASSETS	2	312,111	302,890	-	350,596	302,890
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		298,611	287,890	-	337,096	287,890
Reserves		13,500	15,000	-	13,500	15,000
TOTAL COMMUNITY WEALTH/EQUITY	2	312,111	302,890	-	350,596	302,890

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 - M06 December

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	
R thousands	1										
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates			57,979	-	2,987	32,847	35,124	(2,276)	-6%	57,979	
Service charges			147,357	-	11,121	70,841	73,147	(2,306)	-3%	147,357	
Other revenue			15,094	-	(1,281)	8,546	8,475	71	1%	15,094	
Government - operating			55,134	-	10,179	52,316	37,071	15,245	41%	55,134	
Government - capital			12,269	-	-	5,190	8,873	(3,683)	-42%	12,269	
Interest			3,502	-	327	1,519	1,504	15	1%	3,502	
Dividends			-	-	-	-	-	-		-	
Payments											
Suppliers and employees			(273,935)	-	(9,177)	(119,678)	(137,431)	(17,753)	13%	(273,935)	
Finance charges			(727)	-	(74)	(130)	(249)	(119)	48%	(727)	
Transfers and Grants			(2,763)	-	(93)	(1,363)	(1,065)	299	-28%	(2,763)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	13,909	-	13,989	50,088	25,449	(24,639)	-97%	13,909
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			500	-	-	-	-	-		500	
Decrease (Increase) in non-current debtors			27	-	-	-	14	(14)	-100%	27	
Decrease (increase) other non-current receivables			-	-	0	1	-	1	#DIV/0!	-	
Decrease (increase) in non-current investments			-	-	-	-	-	-		-	
Payments											
Capital assets			(27,665)	-	(2,351)	(8,406)	(7,160)	1,246	-17%	(27,665)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(27,137)	-	(2,351)	(8,405)	(7,146)	1,258	-18%	(27,137)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans			-	-	-	-	-	-		-	
Borrowing long term/refinancing			5,661	-	-	2,400	-	2,400	#DIV/0!	5,661	
Increase (decrease) in consumer deposits			188	-	40	206	94	112	119%	188	
Payments											
Repayment of borrowing			(2,240)	-	(247)	(420)	(931)	(511)	55%	(2,240)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	3,609	-	(207)	2,186	(836)	(3,023)	361%	3,609
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at beginning:			16,035	-	-	24,709	16,035			24,709	
Cash/cash equivalents at month/year end:			6,415	-	11,431	43,869	17,466			15,090	

The cash position of Council is positive at the end of the reporting period ending 31 December 2017.

6. Supporting Documents

WC033 Cape Agulhas - Supporting Table SC1 Material variance explanations - M06 December

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	Revenue By Source R thousands Fines, penalties and forfeits		Traffic fine needs to be included as part of the revenue items	Will be implemented before the end 3rd quarter
2	Expenditure By Type Employee related costs Remuneration of councillors		Information of December 2017 not included Information of December 2017 not included	Will be updated in January 2018 Will be updated in January 2018
3	Capital Expenditure			
4	Financial Position			
5	Cash Flow			
6	Measureable performance			
7	Municipal Entities			

Tale C1 – Monthly Budget Statement Summary have reference.

The finance department will distribute a memorandum during April 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:

Fines, penalties and forfeits

Explanation as per above information

Employee related costs

Explanation as per above information

Remuneration of councillors

Explanation as per above information

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M06 December

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
Borrowing Management							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		0.0%	6.6%	0.0%	0.1%	4.6%
Borrowed funding of 'own n' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	20.5%	0.0%	6.8%	20.5%
Safety of Capital							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		8.3%	8.0%	0.0%	14.5%	8.0%
Gearing	Long Term Borrowing/ Funds & Reserves		18.9%	44.3%	0.0%	35.1%	44.3%
Liquidity							
Current Ratio	Current assets/current liabilities	1	161.9%	116.5%	0.0%	194.3%	116.5%
Liquidity Ratio	Monetary Assets/Current Liabilities		71.7%	17.0%	0.0%	120.7%	17.0%
Revenue Management							
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%	0.0%	22.9%	12.4%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0.0%	0.0%	0.0%	0.0%	0.0%
Creditors Management							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
Funding of Provisions							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
Other Indicators							
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%	0.0%	27.6%	39.9%
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%	0.0%	0.1%	4.8%
IDP regulation financial viability indicators							
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 above ratios indicate that the municipality is financially stable and adequately funded to continue with its operations.

The level of employee's actual costs for the year to date is 38.1% which is slightly higher than the budgeted percentage of 37.6%. It is therefore important for council to monitor and managed the employee related cost effectively within the set norm between 35% and 40%.

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 - M06 December

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
R thousands										
RECEIPTS:										
Operating Transfers and Grants										
National Government:		-	27,881	-	8,396	19,366	18,902	1,785	9.4%	27,881
Local Government Equitable Share			25,190	-	8,396	18,893	17,108	1,785	10.4%	25,190
Energy Efficiency and Demand-side [Schedule 5B]			-	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,131	-	-	473	754	-	-	1,131
Local Government Financial Management Grant [Schedule 5B]			-	-	-	-	-	-	-	-
Municipal Infrastructure Grant [Schedule 5B]			1,560	-	-	-	1,040	-	-	1,560
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-	-	-	-
Provincial Government:		-	27,253	-	1,783	24,180	18,168	7,936	43.7%	27,253
Human Settlement Development			20,450	-	-	22,396	13,633	8,763	64.3%	20,450
Library Service Conditional Grant			5,423	-	1,783	1,783	3,615	-	-	5,423
Maintenance of Main Roads			84	-	-	-	56	-	-	84
Community Development Workers			56	-	-	-	37	-	-	56
Financial Management Support (WC_FMGS)			240	-	-	-	160	(160)	-100.0%	240
Greenest Municipality (Violence Protection)			1,000	-	-	-	667	(667)	-100.0%	1,000
Thusong Centre			-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
N/A			-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
National Skills Fund			-	-	-	-	-	-	-	-
Total Operating Transfers and Grants	5	-	55,134	-	10,179	43,546	37,071	9,721	26.2%	55,134
Capital Transfers and Grants										
National Government:		-	12,108	-	-	1,999	8,765	(5,690)	-64.9%	12,108
Municipal Infrastructure Grant [Schedule 5B]			9,558	-	-	1,375	7,065	(5,690)	-80.5%	9,558
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]			1,000	-	-	119	667	-	-	1,000
Local Government Financial Management Grant [Schedule 5B]			1,550	-	-	505	1,033	-	-	1,550
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-	-	-	-
Provincial Government:		-	162	-	-	-	108	(108)	-100.0%	162
Library Service			162	-	-	-	108	(108)	-100.0%	162
Development of Sport and Recreation Facilities			-	-	-	-	-	-	-	-
Thusong Centre			-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
N/A			-	-	-	-	-	-	-	-
Other grant providers:		-	-	-	-	-	-	-	-	-
N/A			-	-	-	-	-	-	-	-
Total Capital Transfers and Grants	5	-	12,269	-	-	1,999	8,873	(5,798)	-65.3%	12,269
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	67,403	-	10,179	45,545	45,943	3,923	8.5%	67,403

Reporting of grants is on a monthly basis reported to the relevant national and provincial departments. Grant funding is implemented as per specific conditions per stipulations in the agreements.

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.

Addressing the following items will significantly improve the implementation and these items are driven by the CFO directly with the system vendor:

- Issue log – Practical implementation items continuously identified as implementation progress.
- Training / handholding – Functionality related training that is still outstanding to ensure all officials able to optimally use the system.
- Helpdesk – initiative by vendor that can be used to address all related issues of the municipality
- General support – Frustrations in terms of accessing relevant responsible Vesta agents to assist the municipality with queries.
- Reporting – challenges experience with ensuring accurate available reports to ensure statistical information can be used.
- Integration – financial system integration with the various other system to ensure seamless integration.
-

A detailed progress report will be submitted to the Steering committee and Council reflecting the municipal mSCOA implementation performance.

7.2 Long-Term Financial Plan

The municipality reviewed and updated the Long-term financial plan. The plan was updated by INCA the service provider.

A detailed report needs to be compiled for submission to the portfolio and council. Some of the remarks as per the report is as follows:

- The Capital replacement reserve is not entire cash-backed.
- The financial position of the municipality remains stable.
- A continuous deteriorating liquidity ratio needs to be addressed.
- The cash generated at year-end was not as a result of improvements in the operational efficiencies, but rather as a result of the movement of working capital items (cash and creditors).
- Municipality needs to focus its efforts on decreasing its operational expenditures that will translate to cash.
- The low level of grant reliance of the municipality is positive and should assist the municipality to return to a positive financial position.
- The debtors book needs to be closely monitored and outstanding debt collection ratio should be maintained and improved.
- The municipality are considered financially stable but should improve the liquidity position.

An action plan was developed and action owners was identified to ensure that resolutions are implemented. A detailed report will be include in the next reporting cycle.

7. Municipal Quality Certificate

NAVRAE:
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 028 425 5798

VERW:
REF: 5/3/2017-18(M06)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 15 January 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 December 2017** (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 15/01/18