

CAPE AGULHAS MUNICIPALITY



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

2021/2022

**SECTION 71 REPORT FOR THE MONTH
ENDING 28 FEBRUARY 2022**

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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 **28 February 2022**.

52. The mayor of a municipality—

(d) 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.

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 **monthly report** and supporting documentation for the consolidated period ending **28 February 2022** 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.

1. 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 particular 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 SUMMARY

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.

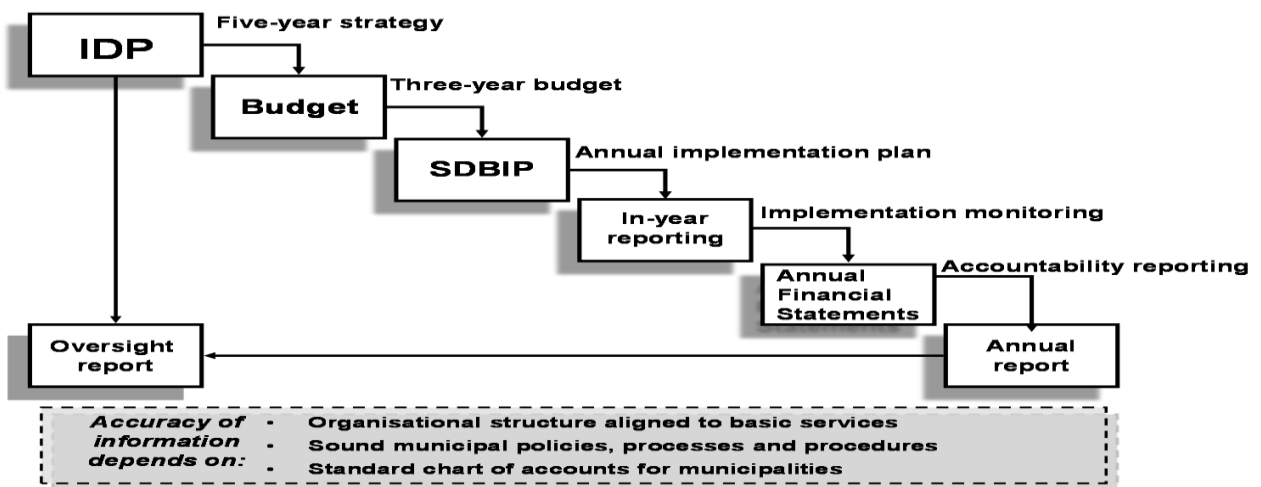
3.1 Budget Process:

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:

- Reporting on the previous year budget.
- Current year budget implementation; and
- 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:



Council has approved the Mid-Year Adjustment Budget 2021/22 with continuous monitoring . Administration is currently busy with the preparation of the Draft Budget and Revised IDP process for the 2022/23 financial year.

4. SUMMARY FINANCIAL PERFORMANCE

Revenue performance

The performance of revenue reflects as R260,2m which is equivalent to 66% of budgeted amounts. The Council approved the Mid-Year Adjustment budget 2021/22 on 28 February 2022. Revenue was adjusted upwards from R385,4m to R392,0m. This is due to additional grants that was received as part of the Provincial Government mid-year adjustments. Some of these grants were received in February 2022. In general, current overall actual performance is satisfactory with 3% variance compared to budget to date.

Expenditure performance

To date actual expenditure records as R231,4m of budgeted amounts. Expenditure budget was also adjusted upwards from R394, 9m to R398,2m. The major cost components driving the expenditures are the Employee Costs and Bulk Purchases. These expenditures reflect at 46% and 36% respectively for the period up to end of February 2022. An upward adjustment of about R5m in bulk purchases has been provided during the adjustment budget.

Capital performance

Capital performance to date amounts to R13m to date of budgeted amount R56,9m which is equivalent to 22.85%. Capital commitments on 28 February 2022 amounted to R4,6m. More than 70% of top 10 capital projects are in its implementation phase with more capital spending to come in next few reporting periods. Just to reiterate the capital spending at this stage that pose the biggest risk for municipal spending for the financial year ending 30 June 2022 are as follows:

To date the following actions is being implemented to ensure capital spending of budgeted amounts can be achieved –

- Weekly Director's meeting with the BTO and SCM unit to evaluate the Capital budget implementation.
- Meeting with management where the Capital projects and implementation challenges are addressed to ensure successful spending by 30 June 2022.
- Continuous monitoring from the office of the Chief Financial officer of capital spending.

5. VARIANCE ANALYSIS BASED ON C1 BUDGET SUMMARY

Analysis of variance on the C1 report with a 10% variance on the performance of the municipality.

Financial Performances

Revenue items

Transfers and Subsidies (-22%)

The main contributor of this variance is the Housing GAP allocations to implement housing scheme projects. Revenue is recognized as expenditures incurred based on the Grap accounting principles. The slow spending on Grant projects correlates to the negative variance reported for the Transfers and Subsidies. Additional funding was received, and spending will accordingly increase over the next few months. This should improve the performances over the second period of the financial year.

Other own revenue (-16%)

Other revenues consist mostly of Traffic fines / Resorts income as the main contributors. The municipality as part of the mid-year assessment review the categories and downwards adjustments were processed against the Fine revenue. The Directorate Management services is in process of compiling a detailed Operational report for the Traffic department. This should address the operational challenges of the department and positively reflects on performances.

Expenditure items

Finance charges (-78%)

The finance charges represent the cost associated with post employee benefits, external borrowings, finance leases and major cost component rehabilitation provision. External loans are payable during December and June yearly and rehabilitation provisions at year end. A big component of the budget for finance charges relates to the Post employee retirement provision calculation. This transaction is only accounted for at year-end and this negatively impact the overall performance during the monthly reporting cycles.

Remuneration of Councillors (-20%)

The is mostly due to the impact of the Election process that was during 2021.

Other expenditures (-22%)

Other expenditure is well below budget to date amount. A big contributor is materials on GAP Housing which will be spend later in the budget year; also spending on other expenditure will gradually pick up over the next few reporting cycles. The municipality adjust the category of expenses with the Mid-year adjustment budget process. This information will reflect with the February reporting period onwards.

6. COUNCIL FOCUS AREAS (CASH FLOW / LIQUIDITY)

The financial ratios need to be complete and updated in the report. This is also a requirement in terms of the Circular 71 communicated by National Treasury. Administration endeavour due to the impact of available funds to ensure reporting included as part of the quarterly information to Council.

Budget implementation:

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

7. INVESTMENT PORTFOLIO

CASH FLOW INFORMATION IN TERMS OF PROVINCIAL CIRCULAR 10 & 50								
DETAILS	Balance as at 01 Feb 2022	Movements for the month			Balance as at 28 Feb 2022	Interest earned	Interest earned	
		Investments matured	Investments made	Interest capitalised		Month	Year to date	
Municipality								
<i>Interest Received YTD</i>					-			
<i>Standard Bank</i>	-	-	-		-	-	387 616	
<i>FNB</i>	-	-	-		-	-	-	
<i>ABSA (CRR)</i>	15 000 000	15 000 000	15 000 000		15 000 000	45 501	204 205	
<i>ABSA (ESKOM Deposit)</i>	1 254 000	-	-		1 254 000	-	-	
<i>ABSA (ESKOM Deposit)</i>	2 535 000	-	-		2 535 000	-	-	
<i>Nedbank</i>	-	-	-		-	-	256 772	
<i>Nedbank (CRR)</i>	20 000 000	20 000 000	30 000 000		30 000 000	91 132	353 493	
<i>Investec</i>	-	-	-		-	-	65 227	
	-				-			
BANK DEPOSITS	38 789 000	35 000 000	45 000 000	-	48 789 000	136 633	1 267 314	

8. EXTERNAL BORROWING PORTFOLIO

CASH FLOW REPORT IN TERMS OF PROVINCIAL CIRCULAR 10 & 50

Name of municipality

Cape Agulhas Municipality

SUMMARY OF EXTERNAL LOANS FOR MONTH

Lending Institution	Loan Number	Loan start date	Loan settlement date	Loan Amount	Repayment installment	Balance 01 February 22	New loans raised	Repayment 28 February 22	Balance 28 February 22
ABSA - Infrastr. (Old Nostra)	3044713107	30 June 2016	30 June 2026	1 200 000,00	200 389,14	664 751,46	-	-	664 751,46
ABSA - Various	3046537820	06 July 2017	30 June 2027	2 400 000,00	385 310,66	1 527 047,07	-	-	1 527 047,07
Nedbank - Infrastructure Medium Term	INFRA 4	27 June 2019	30 June 2024	4 120 000,00	1 034 895,46	2 060 000,00	-	-	2 060 000,00
Nedbank - Infrastructure Long Term	INFRA 2	26 June 2018	30 June 2028	7 000 000,00	1 189 186,37	4 550 000,00	-	-	4 550 000,00
Nedbank	Asset Finance	26 June 2019	30 June 2024	2 880 000,00	723 422,07	1 440 000,00	-	-	1 440 000,00
Nedbank - Infrastructure	INFRA 1	26 June 2018	30 June 2023	3 000 000,00	701 338,85	900 000,00	-	-	900 000,00
Nedbank - Infrastructure	INFRA 3	27 June 2019	30 June 2029	10 000 000,00	1 769 003,84	7 500 000,00	-	-	7 500 000,00
Std Bank - Motor Vehicle Fleet	Medium (655414)	29 June 2021	30 June 2024	4 800 000,00	1 776 574,16	4 600 209,00	-	-	4 600 209,00
Std Bank - New and Upgrade Infrastructure	Asset (655433)	29 June 2021	30 June 2026	2 318 000,00	548 085,44	1 579 092,00	-	-	1 579 092,00
Std Bank - New and Upgrade Infrastructure	Long (655414)	29 June 2021	30 June 2031	27 082 000,00	3 631 866,70	26 081 420,00	-	-	26 081 420,00
Total					11 960 072,69	50 902 519,53	-	-	50 902 519,53

9. DEBTORS MANAGEMENT / INTERVENTIONS

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days -1 Year	Over 1 Year	Total
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	3 668 086	1 126 794	656 723	2 122 111	488 547	584 517	2 162 938	3 636 005	14 445 721
Trade and Other Receivables from Exchange Transactions - Electricity	10 086 664	1 909 158	615 637	1 814 464	458 383	311 109	1 198 105	1 346 972	17 740 492
Receivables from Non-exchange Transactions - Property Rates	4 206 089	960 060	526 983	2 084 916	302 387	792 374	3 319 641	3 269 924	15 462 374
Receivables from Exchange Transactions - Waste Water Management	1 418 099	580 987	383 088	1 186 728	307 184	331 424	1 278 587	2 215 235	7 701 332
Receivables from Exchange Transactions - Water Management	2 124 710	769 043	501 936	1 632 242	406 127	487 252	1 758 980	2 920 662	10 600 952
Receivables from Exchange Transactions - Property Rental Debtors	92 387	44 810	41 935	624 370	27 130	234 963	1 486 807	305 913	2 858 315
Interest on Arrear Debtor Accounts	252 746	218 448	194 645	853 481	164 759	137 570	819 864	1 067 445	3 708 958
Recoverable unauthorised or irregular or fruitless and wasteful Expenditure	-	-	-	-	-	-	-	-	-
Other	- 2 850 237	77 788	21 763	270 175	7 917	11 372	469 457	673 446	- 1 318 319
Total By Income Source	18 998 544	5 687 088	2 942 710	10 588 487	2 162 434	2 890 581	12 494 379	15 435 602	71 199 825
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days -1 Year	Over 1 Year	Total
Debtors Age Analysis By Customer Group									
Organs of State	192 298	303 156	258 887	237 311	193 773	163 836	786 913	1 357 960	3 494 134
Commercial	6 788 123	968 976	298 645	1 553 398	284 217	658 889	3 403 568	472 986	14 428 802
Households	12 023 930	4 409 676	2 384 277	8 796 861	1 683 521	2 066 953	8 281 985	13 567 125	53 214 328
Other	- 5 807	5 280	901	917	923	903	21 913	37 531	62 561
Total By Customer Group	18 998 544	5 687 088	2 942 710	10 588 487	2 162 434	2 890 581	12 494 379	15 435 602	71 199 825

The age analysis for debtors reported that a total of **R71.2m** of debt is outstanding for the reporting period.

Currently the municipality implemented the following initiatives in terms of debt collection:

- All outstanding debt longer than 90 days has been handed over to the external service provider to collect as per the new SCM tender awarded.
- Debt older than 30 to 90 days is being pursued internally by the Income department (Masakhane)

The collection for the month of February 2022 totals **96.05%** that is slightly above the National norm of 95%.

Analysis of the debtor's book of the municipality reflects the following:

The biggest RISK relating to the increase of outstanding debt is the increase in the balance of the household debt from the category 90 – 120 from the previous month. This indicate that the municipality is experiencing challenges with the collection of current accounts to date. Investigations is needed to address this challenge.

10. mSCOA IMPLEMENTATION

As part of the Budget meeting the MSCOA steering committee meetings will commence with the new Draft budget process for the 2022/23 financial year to ensure that the municipality complies with all requirements relating to mSCOA implementation.

The steering committee will commence as processes unfold with the compilation of the New Draft budget.

With the updating of the financial system to ensure the Latest National Treasury mSCOA charts can be accommodated the municipality experience challenges with generating the C schedule with the required information updated. This is in the process of being addressed and a updated FMR report will be submitted as soon as finalized.

The update to the New version 6.6 resulted in breakage of old audited information and this impacted the current cycle of reporting figures.

11. COST CONTAINMENT REGULATION AND CIRCULAR REQUIREMENTS

National Treasury as part of the drive for more efficient use of government resources introduced the **Local Government: Municipal Cost Containment regulation (MCCR)** promulgated on the 7 June 2019 with effective date of **1 July 2019**.

As part of the regulation municipalities is required to report as part of the in-year reporting mechanisms of the MFMA to the municipal council's relating to **COST CONTAINMENT** initiatives implemented. Numerous other requirements were also introduced that enforce reviewed of municipal policies and documentation as well as business processes. These will be implemented by the Chief Financial Officer as required.

Below the standardised report relating to **Cost containment measures** implemented by the municipality.

Total cost saving disclosure in the In-year report - 28 February 2022								
COST CONTAINMENT IN-YEAR REPORT								
MEASURES	APPROVED BUDGET	Q1 - 30 Sept	Q2 - 31 Dec	Q3 - 31 Mrch	Q4 - June	YTD TOTAL	SAVINGS	% Spent
<i>Use of Consultants</i>	7 491 800,00	709 229,40	683 375,45	134 840,88	-	1 527 445,73	5 964 354,27	20,4%
<i>Use of RME contractors</i>	9 632 900,00	1 026 385,24	1 499 077,62	726 980,27	-	3 252 443,13	6 380 456,87	33,8%
<i>Travel and subsistence</i>	329 500,00	30 053,93	45 595,45	36 336,76	-	111 986,14	217 513,86	34,0%
<i>Domestic accommodation</i>	206 100,00	23 546,31	47 642,66	7 680,22	-	78 869,19	127 230,81	38,3%
<i>Sponsorship, events and catering</i>	204 800,00	27 121,91	52 648,63	21 263,57	-	101 034,11	103 765,89	49,3%
<i>Communication</i>	382 300,00	25 629,59	54 436,61	10 798,48	-	90 864,68	291 435,32	23,8%
<i>Other related expenditures</i>	1 037 100,00	101 695,47	179 355,74	115 070,29	-	396 121,50	640 978,50	38,2%
Total	19 284 500,00	1 943 661,85	2 562 132,16	1 052 970,47	-	5 558 764,48	13 725 735,52	28,8%

In order to generate value and adhere to the spirit of the Regulation with related to the cost containment reporting, management will need to interrogate each individual cost item and determine whether value for money was received when procuring or incurring the necessary expenses.

PART B

12. LEGISLATED INFORMATION

UPDATED FMR WILL BE PROVIDED, PLEASE REFER TO POINT 10 ABOVE

13. QUALITY CERTIFICATE

NAVRAE:
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 028 425 5798

VERW:
REF: 5/3/2021-22 (M08_S71)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 10 March 2022



KAAP AGULHAS MUNISIPALITEIT
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QUALITY CERTIFICATE

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

(mark as appropriate)

The monthly budget statements.

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

For the month ended **28 February 2022** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name -----

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

Signature: _____

Date: 10 March 2022