

Cape Agulhas Municipality



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

2017/2018

FINANCIAL MANAGEMENT REPORT FOR PERIOD ENDING 28 FEBRUARY 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 **28 February 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.

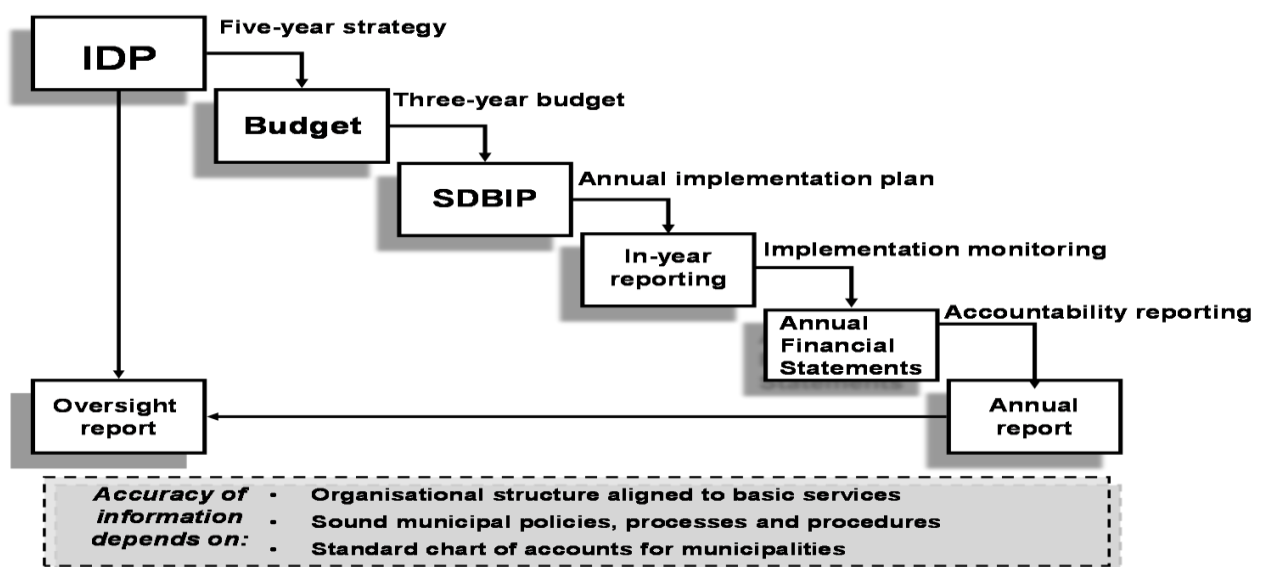
3.1 Budget Process:

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:

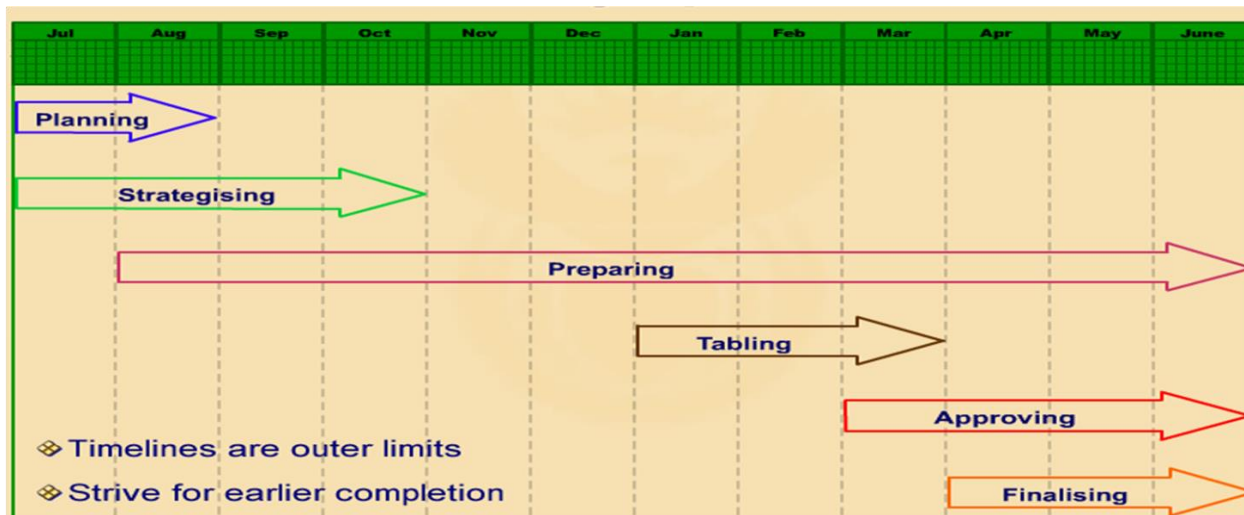
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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 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 2018
Budget steering committee	22 January 2018	22 January 2018
Submission of information to BTO	9 February 2018	
Budget refinements / discussions	13 Feb – 17 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 28 February 2018 represents the first period after the Adjustment budget was approved. This in effect means only 4 months of the financial year is left until 30 June 2018. This corresponds with the first period of mSCOA implementation. The period proof tedious with lots of learning experiences and applications required to ensure successful completion of mSCOA and the approved budget of Council.

Revenue performance totals R214,553m of a Revised budget of R304,606m. This corresponds to a budgeted performance of 70.4% to date. This is a positive situation for council and on par with projections.

Total expenditure records spending of 58.8% or R188,550 of a budget of R320,464m. These amounts needs to be considered in the context of various items only accounted for at year-end and therefor reducing the performance to date.

More details further in the report.

5. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M08 February

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	60,143	2,855	49,527	42,646	6,881	16%	60,143
Service charges	-	152,857	152,857	12,838	107,022	103,609	3,413	3%	152,857
Investment revenue	-	2,060	2,060	137	1,591	1,101	490	45%	2,060
Transfers and subsidies	-	55,134	64,365	-	43,546	40,916	2,630	6%	64,365
Other own revenue	-	23,571	25,181	1,830	12,867	17,940	(5,072)	-28%	25,181
Total Revenue (excluding capital transfers and contributions)	-	293,765	304,606	17,660	214,553	206,211	8,342	4%	304,606
Employee costs	-	117,179	117,028	26,331	75,227	84,104	(8,877)	-11%	117,028
Remuneration of Councillors	-	5,145	5,145	1,347	3,638	3,473	164	5%	5,145
Depreciation & asset impairment	-	11,440	11,440	4,411	4,411	9,533	(5,122)	-54%	11,440
Finance charges	-	8,964	9,007	5	175	7,462	(7,287)	-98%	9,007
Materials and bulk purchases	-	115,928	126,787	3,032	79,475	78,571	904	1%	126,787
Transfers and subsidies	-	2,763	2,763	189	1,557	1,771	(214)	-12%	2,763
Other expenditure	-	47,503	48,295	6,718	24,069	33,181	(9,112)	-27%	48,295
Total Expenditure	-	308,922	320,464	42,033	188,550	218,095	(29,545)	-14%	320,464
Surplus/(Deficit)	-	(15,157)	(15,859)	(24,373)	26,003	(11,884)	37,887	-319%	(15,859)
Transfers and subsidies - capital (monetary alloc	-	12,969	12,938	-	1,999	5,793	(3,794)	-65%	12,938
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(2,187)	(2,921)	(24,373)	28,002	(6,091)	34,093	-560%	(2,921)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	(2,187)	(2,921)	(24,373)	28,002	(6,091)	34,093	-560%	(2,921)
Capital expenditure & funds sources									
Capital expenditure	-	27,665	27,460	2,148	12,863	10,432	2,431	23%	27,460
Capital transfers recognised	-	12,969	12,938	891	7,015	4,727	2,288	48%	12,938
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	5,661	5,473	720	3,514	2,031	1,483	73%	5,473
Internally generated funds	-	9,034	9,049	537	2,335	3,674	(1,340)	-36%	9,049
Total sources of capital funds	-	27,665	27,460	2,148	12,863	10,432	2,431	23%	27,460
Financial position									
Total current assets	62,317	44,041	48,602		114,712				48,602
Total non current assets	415,891	432,259	431,880		424,608				431,880
Total current liabilities	48,899	37,817	44,194		82,559				44,194
Total non current liabilities	119,252	135,593	129,151		122,705				129,151
Community wealth/Equity	310,058	302,890	307,137		334,056				307,137
Cash flows									
Net cash from (used) operating	-	13,909	11,790	765	69,654	46,884	(22,770)	-49%	11,790
Net cash from (used) investing	-	(27,137)	(25,729)	(2,147)	(12,862)	(8,698)	4,163	-48%	(25,729)
Net cash from (used) financing	-	3,609	4,096	8	1,527	2,202	674	31%	4,096
Cash/cash equivalents at the month/year end	-	6,415	14,519	-	82,682	64,749	(17,933)	-28%	14,519
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	34,374	-	-	-	-	-	-	-	34,374
Creditors Age Analysis									
Total Creditors	52,542	-	-	-	-	-	-	-	52,542

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:

The performance for property rates totals 82.3% of total budget. This is in line with projected amounts to date and the municipality should achieved the budget as per tabled budget.

Service revenues (water / electricity /sanitation /refuse:

Service revenues totals 70% of budgeted amounts. From the month of February the municipality restart their credit control procedures and debt collection. The service provider appointed also perform positively and this impact on the municipal cash position and improved liquidity.

Transfers and subsidies:

The municipality received the full allocation of their equitable share grant. The Housing allocation is also another major contributor towards the performed allocation. This is mainly due to the various housing projects underway in the Cape Agulhas municipal area.

Performance records on par with projected revenues.

Other own revenues:

Other own revenues refer to the budgeted items, where council's own revenue initiatives are recorded. Income from rentals, sale of land and resorts income as well as traffic fines will be classified under this category. Municipality in process of implementing the recommendations of the Long-term financial plan. The positive outcomes will be reflected under this category in future reports.

EXPENDITURES

Employee costs:

The integration of the salary related information into the main financial system was finalized in February. As mentioned above the new mSCOA regulating resulted in various learning and challenging experiences encountered and this impact on the availability of information for reporting purposes. Corrective entries may still be outstanding to ensure more accurate information is reflected and this is continuously being implemented to ensure credible information is presented.

To date performance of 64.3% reported up to the end of February 2018.

Remuneration of Councilors:

The increases as required in the Remuneration of public officers bearers act was finalized and processed in February. Information for council related information is updated.

Depreciation and asset impairment:

Journals was processed for depreciation and asset impairment to date to ensure reflective information is available. The implementation of the Asset Management system is still outstanding.

Finance charges:

Finance charges and loan outstanding balances is paid to date. The budget reflects non-cash items that will only be accounted at the end financial year.

Materials and bulk purchases:

Bulk purchases totals 62.7% of budget. This is mainly the purchases of bulk electricity and small expenditures on water purchases. The performance directly relates and impacted by electricity sales.

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 R1,557m to date.

Other expenses:

Other operational expenditures records at 49.84% 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

The implementation of the age analysis for debtors is still outstanding. This is being addressed with the vendor urgently. Finance is in process of manually ensuring the implementation of credit control to ensure that the outstanding debt of Council is not escalating to such an extent that this will impact the financial and liquidity positions of council

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) - M08 February

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										
<i>Governance and administration</i>		-	105,419	107,369	3,362	74,137	70,290	3,847	5%	107,369
Executive and council		-	25,190	25,190	-	18,893	15,713	3,180	20%	25,190
Finance and administration		-	80,229	82,179	3,362	55,244	54,577	667	1%	82,179
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	34,571	42,571	475	30,419	27,363	3,056	11%	42,571
Community and social services		-	7,023	6,023	23	2,000	4,341	(2,341)	-54%	6,023
Sport and recreation		-	7,098	7,098	451	6,023	4,724	1,299	28%	7,098
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	20,450	29,450	-	22,396	18,298	4,098	22%	29,450
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	12,731	13,140	981	4,783	10,014	(5,231)	-52%	13,140
Planning and development		-	874	1,283	198	1,136	925	211	23%	1,283
Road transport		-	11,857	11,857	783	3,647	9,089	(5,443)	-60%	11,857
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	154,014	154,464	12,843	107,213	104,336	2,877	3%	154,464
Energy sources		-	104,438	104,438	8,478	72,756	70,963	1,793	3%	104,438
Water management		-	24,344	24,544	1,631	12,718	17,545	(4,827)	-28%	24,544
Waste water management		-	9,508	9,508	1,117	8,722	5,916	2,805	47%	9,508
Waste management		-	15,723	15,973	1,616	13,017	9,912	3,105	31%	15,973
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	306,734	317,544	17,660	216,552	212,004	4,548	2%	317,544
Expenditure - Functional										
<i>Governance and administration</i>		-	89,598	90,842	14,442	50,326	63,651	(13,325)	-21%	90,842
Executive and council		-	14,383	14,448	2,714	9,353	9,659	(306)	-3%	14,448
Finance and administration		-	73,628	74,800	11,504	40,086	52,864	(12,778)	-24%	74,800
Internal audit		-	1,587	1,594	225	887	1,128	(241)	-21%	1,594
<i>Community and public safety</i>		-	45,318	53,448	1,550	36,695	32,223	4,472	14%	53,448
Community and social services		-	12,217	11,337	2,059	6,361	8,147	(1,787)	-22%	11,337
Sport and recreation		-	10,956	10,958	1,958	6,764	7,641	(877)	-11%	10,958
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	22,145	31,152	(2,466)	23,570	16,434	7,136	43%	31,152
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	39,708	40,113	10,501	24,291	29,175	(4,885)	-17%	40,113
Planning and development		-	8,908	8,944	1,856	5,404	6,385	(982)	-15%	8,944
Road transport		-	30,800	31,169	8,645	18,887	22,790	(3,903)	-17%	31,169
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	134,297	136,062	15,539	77,240	93,046	(15,807)	-17%	136,062
Energy sources		-	88,085	88,063	7,539	52,863	58,806	(5,943)	-10%	88,063
Water management		-	16,834	18,182	4,268	11,223	12,618	(1,395)	-11%	18,182
Waste water management		-	10,311	10,497	1,699	5,351	7,495	(2,145)	-29%	10,497
Waste management		-	19,067	19,319	2,033	7,803	14,127	(6,324)	-45%	19,319
<i>Other</i>		-	-	-	-	-	-	-	-	-
Total Expenditure - Functional	3	-	308,922	320,464	42,033	188,550	218,095	(29,545)	-14%	320,464
Surplus/ (Deficit) for the year		-	(2,187)	(2,921)	(24,373)	28,002	(6,091)	34,093	-560%	(2,921)

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) - M08 February

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	1									
Vote 1 - Executive and Council		-	28,496	27,796	274	20,218	18,080	2,138	11.8%	27,796
Vote 2 - Financial Services & ICT		-	66,723	68,373	3,139	52,582	46,669	5,913	12.7%	68,373
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	45,214	54,214	1,257	34,095	36,224	(2,129)	-5.9%	54,214
Vote 5 - Engineering Services		-	166,301	167,161	12,990	109,659	111,031	(1,372)	-1.2%	167,161
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	-	306,734	317,544	17,660	216,554	212,004	4,550	2.1%	317,544
Expenditure by Vote	1									
Vote 1 - Executive and Council		-	41,823	41,562	6,850	25,148	28,462	(3,314)	-11.6%	41,562
Vote 2 - Financial Services & ICT		-	47,136	47,669	7,224	24,354	34,083	(9,729)	-28.5%	47,669
Vote 3 - Corporate Services		-	-	-	766	766	-	766	#DIV/0!	-
Vote 4 - Management Services		-	63,866	73,347	7,607	49,272	46,744	2,529	5.4%	73,347
Vote 5 - Engineering Services		-	156,097	157,886	19,585	89,012	108,807	(19,795)	-18.2%	157,886
Vote 6 - Electricity		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	-	308,922	320,464	42,033	188,552	218,095	(29,543)	-13.5%	320,464
Surplus/ (Deficit) for the year	2	-	(2,187)	(2,921)	(24,373)	28,002	(6,091)	34,093	-559.7%	(2,921)

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) - M08 February

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	60,143	2,855	49,527	42,646	6,881	16%	60,143	
Service charges - electricity revenue			103,306	103,306	8,474	72,583	70,402	2,181	3%	103,306	
Service charges - water revenue			24,342	24,342	1,631	12,699	17,482	(4,783)	-27%	24,342	
Service charges - sanitation revenue			9,486	9,486	1,117	8,722	5,896	2,826	48%	9,486	
Service charges - refuse revenue			15,723	15,723	1,616	13,017	9,829	3,189	32%	15,723	
Service charges - other			-	-	-	-	-	-	-	-	
Rental of facilities and equipment			2,056	2,056	233	1,145	2,095	(950)	-45%	2,056	
Interest earned - external investments			2,060	2,060	137	1,591	1,101	490	45%	2,060	
Interest earned - outstanding debtors			1,496	1,496	95	648	1,038	(390)	-38%	1,496	
Dividends received			-	-	-	-	-	-	-	-	
Fines, penalties and forfeits			9,271	9,271	168	1,549	7,367	(5,819)	-79%	9,271	
Licences and permits			61	61	1	53	35	18	52%	61	
Agency services			2,419	2,419	619	1,985	1,618	367	23%	2,419	
Transfers and subsidies			55,134	64,365	-	43,546	40,916	2,630	6%	64,365	
Other revenue			7,769	8,179	716	7,488	5,786	1,702	29%	8,179	
Gains on disposal of PPE			500	1,700	-	-	-	-	-	1,700	
Total Revenue (excluding capital transfers and contributions)			-	293,765	304,606	17,660	214,553	206,211	8,342	4%	304,606
Expenditure By Type											
Employee related costs			117,179	117,028	26,331	75,227	84,104	(8,877)	-11%	117,028	
Remuneration of councillors			5,145	5,145	1,347	3,638	3,473	164	5%	5,145	
Debt impairment			7,833	7,833	5,222	5,222	6,528	(1,306)	-20%	7,833	
Depreciation & asset impairment			11,440	11,440	4,411	4,411	9,533	(5,122)	-54%	11,440	
Finance charges			8,964	9,007	5	175	7,462	(7,287)	-98%	9,007	
Bulk purchases			76,678	76,798	4,484	46,292	50,579	(4,288)	-8%	76,798	
Other materials			39,250	49,989	(1,451)	33,183	27,992	5,191	19%	49,989	
Contracted services			18,208	18,483	308	5,275	13,763	(8,488)	-62%	18,483	
Transfers and subsidies			2,763	2,763	189	1,557	1,771	(214)	-12%	2,763	
Other expenditure			21,461	21,979	1,188	13,572	12,890	682	5%	21,979	
Loss on disposal of PPE			-	-	-	-	-	-	-	-	
Total Expenditure			-	308,922	320,464	42,033	188,550	218,095	(29,545)	-14%	320,464
Surplus/(Deficit)											
Transfers and subsidies - capital (inter-entity allocations)			-	(15,157)	(15,859)	(24,373)	26,003	(11,884)	37,887	(0)	(15,859)
(National / Provincial and District)			12,969	12,938	-	1,999	5,793	(3,794)	(0)	12,938	
(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)	(2,921)	(24,373)	28,002	(6,091)			(2,921)
Taxation			-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation			-	(2,187)	(2,921)	(24,373)	28,002	(6,091)			(2,921)
Attributable to minorities			-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality			-	(2,187)	(2,921)	(24,373)	28,002	(6,091)			(2,921)
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year			-	(2,187)	(2,921)	(24,373)	28,002	(6,091)			(2,921)

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) - M08
February

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	650	3	44	276	(232)	-84%	650
Vote 5 - Engineering Services		-	650	650	28	60	277	(217)	-78%	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	1,300	32	104	553	(450)	-81%	1,300
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	855	346	(0)	172	124	49	39%	346
Vote 2 - Financial Services & ICT		-	2,505	2,409	491	1,201	942	258	27%	2,409
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	2,964	2,477	19	971	941	30	3%	2,477
Vote 5 - Engineering Services		-	20,042	20,928	1,606	10,416	7,872	2,544	32%	20,928
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	26,160	2,116	12,760	9,879	2,881	29%	26,160
Total Capital Expenditure		-	27,665	27,460	2,148	12,863	10,432	2,431	23%	27,460
Capital Expenditure - Functional Classification										
Governance and administration		-	2,962	2,871	491	1,485	1,100	386	35%	2,871
Executive and council		-	254	254	-	150	89	62	70%	254
Finance and administration		-	2,708	2,616	491	1,335	1,011	324	32%	2,616
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	3,164	2,637	21	706	1,048	(342)	-33%	2,637
Community and social services		-	303	390	0	27	165	(138)	-83%	390
Sport and recreation		-	2,861	2,247	20	679	883	(204)	-23%	2,247
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	12,859	13,000	919	6,534	4,835	1,699	35%	13,000
Planning and development		-	539	27	-	-	12	(12)	-100%	27
Road transport		-	12,320	12,974	919	6,534	4,823	1,711	35%	12,974
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		-	8,680	8,952	717	4,137	3,450	687	20%	8,952
Energy sources		-	2,548	2,548	373	1,245	1,023	221	22%	2,548
Water management		-	3,255	3,255	344	671	1,104	(433)	-39%	3,255
Waste water management		-	877	877	-	300	337	(37)	-11%	877
Waste management		-	2,000	2,272	-	1,922	985	936	95%	2,272
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	-	27,665	27,460	2,148	12,863	10,432	2,431	23%	27,460
Funded by:										
National Government		-	12,108	11,990	873	6,764	4,349	2,415	56%	11,990
Provincial Government		-	862	949	18	251	378	(128)	-34%	949
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		-	12,969	12,938	891	7,015	4,727	2,288	48%	12,938
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	5,661	5,473	720	3,514	2,031	1,483	73%	5,473
Internally generated funds		-	9,034	9,049	537	2,335	3,674	(1,340)	-36%	9,049
Total Capital Funding		-	27,665	27,460	2,148	12,863	10,432	2,431	23%	27,460

Comments:

Performance in term of capital spending is below par at 46.8% of revised budget. The office of the Municipal Manager in consultation with finance is in process of

implementing numerous interventions to ensure compliance and achieving of budgeted targets as required. This should improve performance until the end of June 2018. To date performance is a concern and will impact on overall service delivery if maintained.

WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M08 February

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		24,361	6,415	14,519	82,682	14,519
Call investment deposits		-	-	-	-	-
Consumer debtors		22,028	28,019	27,691	34,374	27,691
Other debtors		14,571	8,102	5,034	(3,658)	5,034
Current portion of long-term receivables		31	27	31	-	31
Inventory		1,326	1,478	1,326	1,314	1,326
Total current assets		62,317	44,041	48,602	114,712	48,602
Non current assets						
Long-term receivables		196	173	165	226	165
Investments		-	-	-	-	-
Investment property		40,870	40,232	40,862	40,865	40,862
Investments in Associate		-	-	-	-	-
Property, plant and equipment		371,253	390,091	386,389	379,368	386,389
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		3,572	1,763	4,464	4,150	4,464
Other non-current assets		-	-	-	-	-
Total non current assets		415,891	432,259	431,880	424,608	431,880
TOTAL ASSETS		478,209	476,300	480,482	539,320	480,482
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		684	2,310	1,659	779	1,659
Consumer deposits		4,291	4,377	4,548	4,541	4,548
Trade and other payables		33,141	15,334	26,557	68,757	26,557
Provisions		10,783	15,796	11,430	8,482	11,430
Total current liabilities		48,899	37,817	44,194	82,559	44,194
Non current liabilities						
Borrowing		2,012	6,651	4,876	3,730	4,876
Provisions		117,240	128,942	124,274	118,975	124,274
Total non current liabilities		119,252	135,593	129,151	122,705	129,151
TOTAL LIABILITIES		168,151	173,410	173,345	205,264	173,345
NET ASSETS	2	310,058	302,890	307,137	334,056	307,137
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		290,058	287,890	287,137	314,056	287,137
Reserves		20,000	15,000	20,000	20,000	20,000
TOTAL COMMUNITY WEALTH/EQUITY	2	310,058	302,890	307,137	334,056	307,137

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 - M08 February

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	57,646	4,351	41,522	36,537	4,985	14%	57,646	
Service charges			147,357	146,510	16,132	99,778	82,140	17,637	21%	146,510	
Other revenue			15,094	17,617	1,368	12,564	10,013	2,551	25%	17,617	
Government - operating			55,134	72,809	8,243	62,622	52,316	10,307	20%	72,809	
Government - capital			12,269	12,238	-	9,504	5,190	4,314	83%	12,238	
Interest			3,502	3,494	231	2,239	1,877	362	19%	3,494	
Dividends			-	-	-	-	-	-		-	
Payments											
Suppliers and employees			(273,935)	(294,990)	(29,367)	(156,843)	(139,473)	17,370	-12%	(294,990)	
Finance charges			(727)	(770)	(5)	(175)	(130)	45	-34%	(770)	
Transfers and Grants			(2,763)	(2,763)	(189)	(1,557)	(1,586)	(29)	2%	(2,763)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	13,909	11,790	765	69,654	46,884	(22,770)	-49%	11,790
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE			500	1,700	-	-	-	-		1,700	
Decrease (Increase) in non-current debtors			27	31	-	-	3	(3)	-100%	31	
Decrease (increase) other non-current receivables			-	-	0	2	-	2	#DIV/0!	-	
Decrease (increase) in non-current investments			-	-	-	-	-	-		-	
Payments											
Capital assets			(27,665)	(27,460)	(2,148)	(12,863)	(8,702)	4,161	-48%	(27,460)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(27,137)	(25,729)	(2,147)	(12,862)	(8,698)	4,163	-48%	(25,729)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans			-	-	-	-	-	-		-	
Borrowing long term/refinancing			5,661	5,473	-	2,400	2,400	-		5,473	
Increase (decrease) in consumer deposits			188	257	27	250	222	28	13%	257	
Payments											
Repayment of borrowing			(2,240)	(1,634)	(19)	(1,123)	(420)	703	-167%	(1,634)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	3,609	4,096	8	1,527	2,202	674	31%	4,096
NET INCREASE/ (DECREASE) IN CASH HELD			-	(9,619)	(9,842)	(1,375)	58,320	40,387			(9,842)
Cash/cash equivalents at beginning:			16,035	24,361		24,361	24,361				24,361
Cash/cash equivalents at month/year end:			6,415	14,519		82,682	64,749				14,519

The cash position of Council is positive at the end of the reporting period ending 28 February 2018. The positive position is a result of outstanding cash balance items needed to be processed.

6. Supporting Documents

WC033 Cape Agulhas - Supporting Table SC1 Material variance explanations - M08 February

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
1	Revenue By Source None required		None	Revised Budget in implementation phase
2	Expenditure By Type None required		None	Revised Budget in implementation phase
3	Capital Expenditure None required		None	Revised Budget in implementation phase
4	Financial Position None required		None	Revised Budget in implementation phase
5	Cash Flow None required		None	Revised Budget in implementation phase
6	Measureable performance None required		None	Revised Budget in implementation phase
7	Municipal Entities Not applicable			

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:

None required. Adjustment budget approved and all rectifications processed as required.

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M08 February

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%	6.4%	0.1%	4.4%
Borrowed funding of 'own n' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	20.5%	19.9%	27.3%	19.9%
Safety of Capital							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		11.6%	8.0%	10.8%	21.9%	10.8%
Gearing	Long Term Borrowing/ Funds & Reserves		10.1%	44.3%	24.4%	18.6%	24.4%
Liquidity							
Current Ratio	Current assets/current liabilities	1	127.4%	116.5%	110.0%	138.9%	110.0%
Liquidity Ratio	Monetary Assets/Current Liabilities		49.8%	17.0%	32.9%	100.1%	32.9%
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%	10.8%	14.4%	10.8%
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%	38.4%	35.1%	38.4%
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%	6.7%	0.1%	4.6%
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 35.1% 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%.

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 - M08 February

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	27,999	340	20,142	21,584	-		27,881
Local Government Equitable Share			25,190	25,190	-	18,893	18,893	-		25,190
Energy Efficiency and Demand-side [Schedule 5B]			-	-	-	-	-			-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,131	1,131	340	1,131	1,131			1,131
Local Government Financial Management Grant [Schedule 5B]			-	118	-	118	-			-
Municipal Infrastructure Grant [Schedule 5B]			1,560	1,560	-	-	1,560			1,560
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-			-
Provincial Government:		-	27,253	44,810	3,594	38,442	30,732	7,499	24.4%	27,253
Human Settlement Development			20,450	38,764	1,733	32,232	24,476	7,756	31.7%	20,450
Library Service Conditional Grant			5,423	5,336	1,861	5,584	5,336			5,423
Maintenance of Main Roads			84	84	-	-	56			84
Community Development Workers			56	56	-	56	37			56
Financial Management Support (WC_FMGS)			240	570	-	570	160	410	256.3%	240
Greenest Municipality (Violence Protection)			1,000	-	-	-	667	(667)	-100.0%	1,000
Thusong Centre			-	-	-	-	-			-
District Municipality:		-	-	-	-	-	-	-		-
N/A			-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	4,038	-	4,038	#DIV/0!	-
National Skills Fund			-	-	-	4,038	-	4,038	#DIV/0!	-
Total Operating Transfers and Grants	5	-	55,134	72,809	3,934	62,622	52,316	11,537	22.1%	55,134
Capital Transfers and Grants										
National Government:		-	12,108	11,990	-	9,504	5,082	3,690	72.6%	12,108
Municipal Infrastructure Grant [Schedule 5B]			9,558	9,558	-	7,072	3,382	3,690	109.1%	9,558
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]			1,000	1,000	-	1,000	667			1,000
Local Government Financial Management Grant [Schedule 5B]			1,550	1,432	-	1,432	1,033			1,550
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-			-
Provincial Government:		-	162	249	-	-	108	(108)	-100.0%	162
Library Service			162	249	-	-	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	12,238	-	9,504	5,190	3,582	69.0%	12,269
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	67,403	85,047	3,934	72,126	57,506	15,119	26.3%	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

An action plan was developed to address the outcomes and recommendations as identified in the Long-term financial plan. The details of this plan will be submitted as part of the report of the Manager: Revenue. The manager was identified as the implementation agent of the report since most of the recommendation reside within the Income section.

7. Municipal Quality Certificate

NAVRAE:
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 028 425 5798

VERW:
REF: 5/3/2017-18(M08)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 14 March 2018



QUALITY CERTIFICATE

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

(mark as appropriate)

The monthly budget statement

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

For the month ending **28 February 2018** (month/year) has been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act.

Print name DEAN O'NEILL

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

Signature *Dean O'Neill*

14/03/2018