

CAPE AGULHAS MUNICIPALITY



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CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

2017/2018

FINANCIAL

MANAGEMENT REPORT

FOR PERIOD ENDING

31 MAY 2018

TABLE OF CONTENTS

1. Council Resolution..... 4

2. Introduction..... 5

3. Mayor's Report 6

4. Executive Summary.....8

5. Financial focus areas9

6. In-Year Budget Statement Tables.....11

7. Supporting tables.....22

8. Other information.....26

9. Quality certificate.....27

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 May 2018** is noted.
- It be noted that the directors ensure that the budget is implemented in accordance with the Service Delivery and Budget Implementation Plan projections and in accordance with the approved budget;
- It be noted that any material variances will receive remedial or corrective steps.

2. INTRODUCTION

2.1 PURPOSE

The purpose of this report is to comply with section 71 of the MFMA and the requirements as promulgated in Government Gazette No 32141 of 17 April 2009 (Municipal budgeting and reporting requirements).

2.2 STRATEGIC OBJECTIVE

“To comply with MFMA priorities as well as MFMA implementation plan”

2.3 BACKGROUND

Section 71 of the MFMA and Section 28 of Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations” necessitate that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

“Section 52(d) of the MFMA states that, the executive mayor of a municipality must within 30 days of the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

However section 71 of the MFMA states that, the accounting officer of a municipality must by no later than **10 working days after the end of each month** submit to the mayor of the municipality and the relevant treasury a statement in the prescribed format on the implementation of the municipality’s approved budget”.

“Section 28 of the Government Notice 32141, the monthly budget statement of a municipality must be in the format specified in Schedule C and include all required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act”.

Section 54 of the MFMA requires the Mayor to consider the Section 71 report and take appropriate action to ensure that the approved budget is implemented in accordance with the SDBIP.

3. MAYOR'S REPORT

The Budget and Reporting regulations become effective during April 2009 and the municipality is obliged to report in the prescribed format to National & Provincial Treasury, the Executive Mayor and council accordingly.

Although the Cape Agulhas Municipality is fully compliant in respect of the monthly budget report to council, effective from March 2014, the quality of the report in terms of its completeness and usefulness for council decision making still needs improvement which will be addressed as an ongoing process.

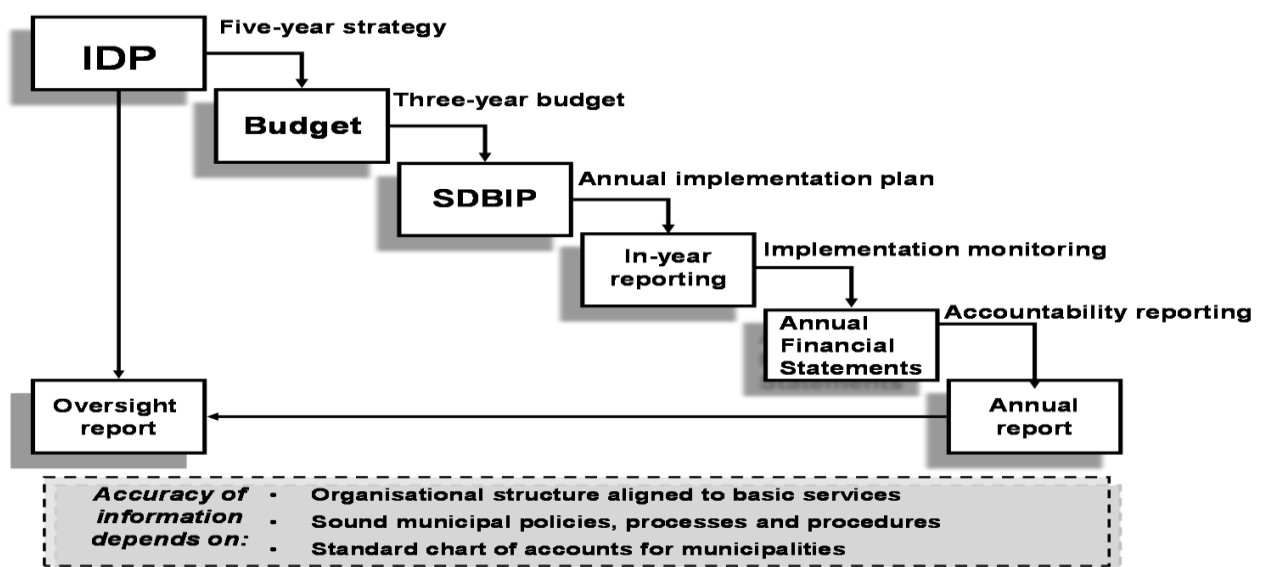
3.1 Budget Process:

Section 53(1)(a) of the MFMA stipulates that the Executive Mayor of the Municipality must provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.

The flowchart on the budget process basically reflecting three different processes in the budget cycle at the same time, namely:

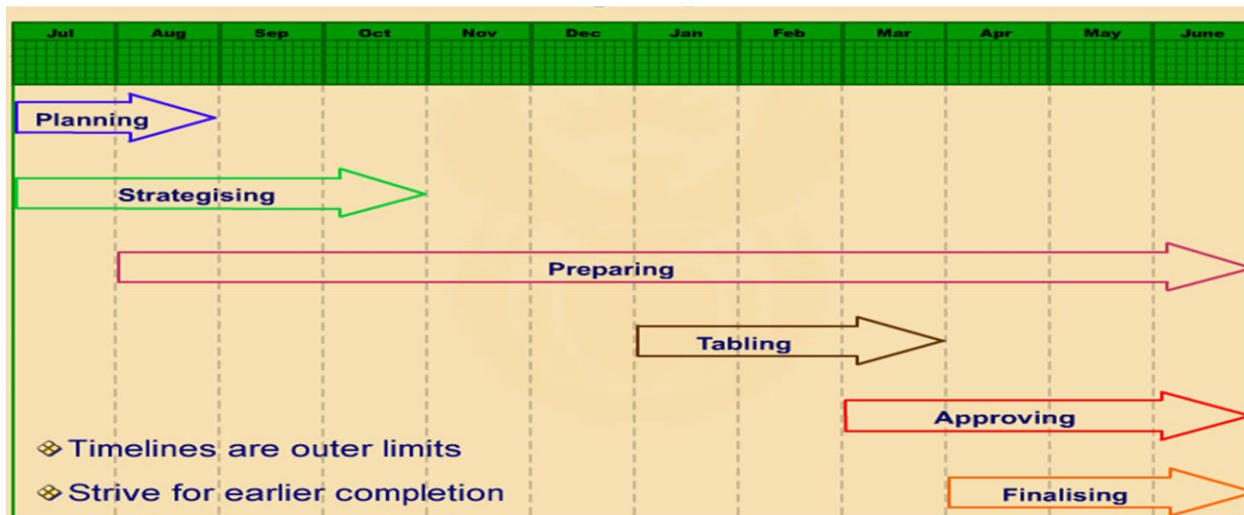
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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



Budget planning process 2018/2019

The municipality is in the process of compiling the budget process plan for submission to Council as per the MFMA legislation. Budget timetable follows the below mentioned timeframes and activities:



The proposed process plan with the compilation of the Final Budget 2018/19 is as follows:

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

3.2 Monthly Reporting:

Monthly financial reporting as per DoRA and MFMA requirements to Council, National & Provincial Departments and other stakeholders have been adequately adhered to for the month under review.

3.3 Financial Statements for the Year-ended 30 June 2017

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

4. Executive Summary

With a month left into the finalization of the financial year the municipal budget is at the “business end” cycle of completion. Performance for revenue budget totals R274,499m and expenditures totals R251,715m.

These totals represents 90.1% for revenues and 78.5% for operational expenditures.

Capital expenditure for the period ending 31 May totals 71.3% of revised budget amounts. Spending is below projections and a revised report will be tabled to Council addressing the underperformance.

More details further in the report.

5. Council focus areas.

As part of the oversight responsibility of Council the municipal administration is required to table a report to council with recommendations for managing the municipal ratios in terms of **Circular 71 financial ratios.**

The financial ratios cover the following areas:

Financial position:

- Asset Management
- Debtors management
- Liquidity management
- Liability management
- Sustainability

Financial performance:

- Efficiency
- Distribution losses
- Revenue management
- Expenditure management
- Grant dependency

Budget implementation:

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

Liquidity management:

Financial ratios	National norm	'30 June 2017	Reporting month
Cash / Cost coverage ratio (Excluding unspent conditional grants)	1-3 months	1 month	1,4 month
Current Ratio: Current assets / Current liabilities	1.5 – 2.1	1.27	2.06
Quick asset ratio: Monetary assets / Current liabilities	1 – 3		0.92

Cash management / Capital replacement reserve (CRR):

Financial ratios	National norm	'30 June 2017	Reporting month
Cash balance in the bank (actual / bank statement)	Positive balance	R24,345m	R43,5m
Capital replacement reserve (CRR)	Funded	R20,000m	R20,0m

More information / Details

The Long-term financial plan is in the process of being implemented and monitored. Project champion was identified as the Manager Revenue within the finance department. This was identified to enable the streamlining of activities and ensuring that the benefits of these activities impact the financial revenue position and capacity of the municipality.

Liquidity – the ratio deteriorate slightly from the previous month of 2.08 to 2.06 for the reporting month. This is within the requirements of national norms. The challenge of this ratio is the impact of inventory items on the calculation. The declining effect recorded should also be of concern to the municipality.

Quick asset ratio calculates the ability of the municipality to cover short-term obligations only taking into considering the cash position and short-term investments. For the month of May 2018 the ratio calculates at 0,92. The ratio deteriorate from the previous month of 1.26. This in effect mean that the municipality for the reporting month will not be able to cover short-term liabilities when due. This reflect a serious matter and actions needs to be implemented to address the ratios.

In order to improve this ratio the municipality will needs to focus on cash flow management and this should be communicated to all relevant managers. The debt collection ratio recorded of 94% also means that limited leeway is available to increases revenues from debt collection. Improvements in cash can only be an achieved by an increase in revenues or a decrease of expenditures. This will result in increases in cash available. Strategies needs to be developed to address the above in a more serious manner resulting in actual improvements.

Cash management / CRR – The municipal bank balance totals R43,5m for the month ending **31 May 2018**. This is a slight improvement from the previous month. In order to ensure a funded CRR, administration is continuously monitoring the cash position of the municipality.

The analysis of major cost items to ensure optimal use of resources needs to be implemented. The implementation of the revenue enhancement project also will contribute significantly to the improvement of the liquidity position of the municipality over the short-term as well as sustainability over the long-term.

6. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M11 May

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	2,756	58,116	57,410	706	1%	60,143
Service charges	-	152,857	152,857	12,076	142,956	142,121	835	1%	152,857
Investment revenue	-	2,060	2,060	474	2,354	1,944	411	21%	2,060
Transfers and subsidies	-	55,134	64,365	6,715	53,341	61,931	(8,589)	-14%	64,365
Other own revenue	-	23,571	25,181	2,053	17,731	20,726	(2,995)	-14%	25,181
Total Revenue (excluding capital transfers and contributions)	-	293,765	304,606	24,073	274,499	284,132	(9,633)	-3%	304,606
Employee costs	-	117,179	117,028	8,636	101,946	106,718	(4,772)	-4%	117,028
Remuneration of Councillors	-	5,145	5,145	419	4,945	4,698	247	5%	5,145
Depreciation & asset impairment	-	11,440	11,440	-	6,144	9,533	(3,389)	-36%	11,440
Finance charges	-	8,964	9,007	40	3,593	7,527	(3,934)	-52%	9,007
Materials and bulk purchases	-	115,928	126,787	18,308	101,034	116,625	(15,591)	-13%	126,787
Transfers and subsidies	-	2,763	2,763	153	2,021	2,453	(432)	-18%	2,763
Other expenditure	-	47,503	48,295	2,733	32,032	44,537	(12,505)	-28%	48,295
Total Expenditure	-	308,922	320,464	30,289	251,715	292,092	(40,377)	-14%	320,464
Surplus/(Deficit)	-	(15,157)	(15,859)	(6,216)	22,784	(7,960)	30,745	-386%	(15,859)
Transfers and subsidies - capital (monetary allocation)	-	12,969	12,938	1,656	10,811	9,688	1,123	12%	12,938
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(2,187)	(2,921)	(4,560)	33,596	1,728	31,868	1844%	(2,921)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	(2,187)	(2,921)	(4,560)	33,596	1,728	31,868	1844%	(2,921)
Capital expenditure & funds sources									
Capital expenditure	-	27,665	27,460	1,303	19,582	21,696	(2,113)	-10%	27,460
Capital transfers recognised	-	12,969	12,938	778	11,790	10,876	914	8%	12,938
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	5,661	5,473	-	3,927	3,990	(62)	-2%	5,473
Internally generated funds	-	9,034	9,049	524	3,865	6,829	(2,964)	-43%	9,049
Total sources of capital funds	-	27,665	27,460	1,303	19,582	21,696	(2,113)	-10%	27,460
Financial position									
Total current assets	62,317	44,041	48,602		78,131				48,602
Total non current assets	415,891	432,259	431,880		429,359				431,880
Total current liabilities	48,899	37,817	44,194		37,901				44,194
Total non current liabilities	119,252	135,593	129,151		125,992				129,151
Community wealth/Equity	310,058	302,890	307,137		343,597				307,137
Cash flows									
Net cash from (used) operating	-	13,909	11,790	18,318	37,057	44,423	7,367	17%	11,790
Net cash from (used) investing	-	(27,137)	(25,729)	(1,303)	(19,580)	(22,110)	(2,530)	11%	(25,729)
Net cash from (used) financing	-	3,609	4,096	2	1,429	5,525	4,096	74%	4,096
Cash/cash equivalents at the month/year end	-	6,415	14,519	-	43,267	52,200	8,933	17%	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	36,031	-	-	-	-	-	-	-	36,031
Creditors Age Analysis									
Total Creditors	9,515	-	-	-	-	-	-	-	9,515

The table provides a high level summary of council's financial performance – operating & capital, financial position, cash flows, debtors and creditors age analysis which reflecting in more detail as from table C2 onwards.

EXPLANATIONS:

REVENUES

Property rates:

The performance for property rates totals 97% of total budget. This is in line with projected amounts to date and the municipality should achieved the projections as per tabled budget.

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

Revenues from services totals 94% of budgeted amounts. Although this is on par with revised budgeted information the performance is screwed and influenced by over performance of individual items. Finance needs to ensure that the information is scrutinized individually to ensure targets is achieved as per planned processes. More details provide below with Table C4.

Transfers and subsidies:

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

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

Other own revenues:

Performance to date reflects at 78% of budgeted amounts. Most of the items recorded under this category represents income from the resorts, traffic department as well as town planning and building plan application fees to name a few. In future reporting periods more detail information in terms of individual items will be provided for clarification purposes.

EXPENDITURES

Employee related costs:

The employee related cost of May 2018 totals R101,946m of revised budget amounts. Numerous vacancies budgeted at the start of the financial year, was not filled to date. This will result in a savings on the employee related cost ending June 2018.

Remuneration of Councilors:

Projections for council remuneration is on par with revised budget. Totals of R4,945m recorded at the end of May 2018 reported.

Depreciation and asset impairment:

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

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

Finance charges:

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

Materials and bulk purchases:

Bulk purchases recorded expenditures totals 78.5% of budget. This is mainly the purchases of bulk electricity and a limited actual expenditures on water purchases. There is a direct correlation between the budget for bulk electricity and sale of electricity revenues. The municipality is projecting better that budgeted performance for the electricity revenues. This will correlate with the performance of bulk purchases at the end of the financial year.

Transfers and expenditures:

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

Other expenses:

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

Debtor's age analysis

The outstanding debtors for the period ending 31 May 2018 totals R36,031m.

This is a slight improvement of the information reported for April.

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

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

Creditor's age analysis

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

Totals recorded for the period ending May 2018 totals R9,515m.

WC033 Cape Agulhas - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M11 May

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	107,369	12,220	100,191	98,602	1,589	2%	107,369
Executive and council		-	25,190	25,190	6,297	25,190	24,466	724	3%	25,190
Finance and administration		-	80,229	82,179	5,923	75,001	74,137	864	1%	82,179
Internal audit		-	-	-	-	-	-	-		-
Community and public safety		-	34,571	42,571	581	34,553	40,713	(6,159)	-15%	42,571
Community and social services		-	7,023	6,023	433	4,951	5,514	(563)	-10%	6,023
Sport and recreation		-	7,098	7,098	148	7,206	6,560	646	10%	7,098
Public safety		-	-	-	-	-	-	-		-
Housing		-	20,450	29,450	-	22,396	28,638	(6,242)	-22%	29,450
Health		-	-	-	-	-	-	-		-
Economic and environmental services		-	12,731	13,140	701	6,765	11,133	(4,368)	-39%	13,140
Planning and development		-	874	1,283	108	1,534	1,184	350	30%	1,283
Road transport		-	11,857	11,857	593	5,232	9,949	(4,718)	-47%	11,857
Environmental protection		-	-	-	-	-	-	-		-
Trading services		-	154,014	154,464	12,227	143,801	143,372	429	0%	154,464
Energy sources		-	104,438	104,438	8,515	96,829	96,882	(53)	0%	104,438
Water management		-	24,344	24,544	1,606	21,438	22,573	(1,135)	-5%	24,544
Waste water management		-	9,508	9,508	791	9,919	8,989	930	10%	9,508
Waste management		-	15,723	15,973	1,316	15,614	14,928	687	5%	15,973
Other	4	-	-	-	-	-	-	-		-
Total Revenue - Functional	2	-	306,734	317,544	25,729	285,310	293,820	(8,510)	-3%	317,544
Expenditure - Functional										
Governance and administration		-	89,598	90,842	5,419	69,748	82,629	(12,881)	-16%	90,842
Executive and council		-	14,383	14,448	843	12,259	13,196	(937)	-7%	14,448
Finance and administration		-	73,628	74,800	4,491	56,347	67,937	(11,589)	-17%	74,800
Internal audit		-	1,587	1,594	85	1,142	1,497	(355)	-24%	1,594
Community and public safety		-	45,318	53,448	12,875	47,216	50,009	(2,793)	-6%	53,448
Community and social services		-	12,217	11,337	897	8,774	10,245	(1,470)	-14%	11,337
Sport and recreation		-	10,956	10,958	782	9,823	9,949	(127)	-1%	10,958
Public safety		-	-	-	-	-	-	-		-
Housing		-	22,145	31,152	11,196	28,619	29,815	(1,196)	-4%	31,152
Health		-	-	-	-	-	-	-		-
Economic and environmental services		-	39,708	40,113	2,472	32,581	36,176	(3,594)	-10%	40,113
Planning and development		-	8,908	8,944	726	7,408	8,244	(835)	-10%	8,944
Road transport		-	30,800	31,169	1,746	25,173	27,932	(2,759)	-10%	31,169
Environmental protection		-	-	-	-	-	-	-		-
Trading services		-	134,297	136,062	9,523	102,169	123,278	(21,109)	-17%	136,062
Energy sources		-	88,085	88,063	6,866	67,691	80,646	(12,955)	-16%	88,063
Water management		-	16,834	18,182	1,343	15,291	16,148	(857)	-5%	18,182
Waste water management		-	10,311	10,497	595	8,516	9,263	(747)	-8%	10,497
Waste management		-	19,067	19,319	719	10,671	17,222	(6,551)	-38%	19,319
Other		-	-	-	-	-	-	-		-
Total Expenditure - Functional	3	-	308,922	320,464	30,289	251,715	292,092	(40,377)	-14%	320,464
Surplus/ (Deficit) for the year		-	(2,187)	(2,921)	(4,560)	33,596	1,728	31,868	1844%	(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) - M11 May

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	7,072	27,733	26,879	853	3.2%	27,796
Vote 2 - Financial Services & ICT		-	66,723	68,373	3,656	63,889	63,141	747	1.2%	68,373
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
Vote 4 - Management Services		-	45,214	54,214	1,166	39,767	50,469	(10,702)	-21.2%	54,214
Vote 5 - Engineering Services		-	166,301	167,161	13,835	153,923	153,331	592	0.4%	167,161
Total Revenue by Vote	2	-	306,734	317,544	25,729	285,312	293,820	(8,508)	-2.9%	317,544
Expenditure by Vote	1									
Vote 1 - Executive and Council		-	41,823	41,562	3,586	33,956	38,228	(4,272)	-11.2%	41,562
Vote 2 - Financial Services & ICT		-	47,136	47,669	2,474	35,180	42,898	(7,718)	-18.0%	47,669
Vote 3 - Corporate Services		-	-	-	(1,086)	345	-	345	#DIV/0!	-
Vote 4 - Management Services		-	63,866	73,347	14,046	63,984	68,025	(4,042)	-5.9%	73,347
Vote 5 - Engineering Services		-	156,097	157,886	11,269	118,251	142,940	(24,690)	-17.3%	157,886
Total Expenditure by Vote	2	-	308,922	320,464	30,289	251,716	292,092	(40,376)	-13.8%	320,464
Surplus/ (Deficit) for the year	2	-	(2,187)	(2,921)	(4,560)	33,596	1,728	31,868	1844.4%	(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) - M11 May

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 Source											
Property rates			60,143	60,143	2,756	58,116	57,410	706	1%	60,143	
Service charges - electricity revenue			103,306	103,306	8,363	96,005	96,030	(25)	0%	103,306	
Service charges - water revenue			24,342	24,342	1,606	21,418	22,400	(982)	-4%	24,342	
Service charges - sanitation revenue			9,486	9,486	791	9,919	8,972	947	11%	9,486	
Service charges - refuse revenue			15,723	15,723	1,316	15,614	14,719	895	6%	15,723	
Service charges - other			-	-	-	-	-	-	-	-	
Rental of facilities and equipment			2,056	2,056	758	2,216	1,934	282	15%	2,056	
Interest earned - external investments			2,060	2,060	474	2,354	1,944	411	21%	2,060	
Interest earned - outstanding debtors			1,496	1,496	132	1,108	1,316	(208)	-16%	1,496	
Dividends received			-	-	-	-	-	-	-	-	
Fines, penalties and forfeits			9,271	9,271	169	2,169	7,594	(5,425)	-71%	9,271	
Licences and permits			61	61	0	54	59	(4)	-7%	61	
Agency services			2,419	2,419	436	2,836	2,184	653	30%	2,419	
Transfers and subsidies			55,134	64,365	6,715	53,341	61,931	(8,589)	-14%	64,365	
Other revenue			7,769	8,179	559	9,348	7,640	1,709	22%	8,179	
Gains on disposal of PPE			500	1,700	-	-	-	-	-	1,700	
Total Revenue (excluding capital transfers and contributions)			-	293,765	304,606	24,073	274,499	284,132	(9,633)	-3%	304,606
Expenditure By Type											
Employee related costs			117,179	117,028	8,636	101,946	106,718	(4,772)	-4%	117,028	
Remuneration of councillors			5,145	5,145	419	4,945	4,698	247	5%	5,145	
Debt impairment			7,833	7,833	-	5,875	6,528	(653)	-10%	7,833	
Depreciation & asset impairment			11,440	11,440	-	6,144	9,533	(3,389)	-36%	11,440	
Finance charges			8,964	9,007	40	3,593	7,527	(3,934)	-52%	9,007	
Bulk purchases			76,678	76,798	6,157	58,811	70,696	(11,884)	-17%	76,798	
Other materials			39,250	49,989	12,152	42,223	45,930	(3,707)	-8%	49,989	
Contracted services			18,208	18,483	574	8,237	18,334	(10,097)	-55%	18,483	
Transfers and subsidies			2,763	2,763	153	2,021	2,453	(432)	-18%	2,763	
Other expenditure			21,461	21,979	2,159	17,920	19,675	(1,755)	-9%	21,979	
Loss on disposal of PPE			-	-	-	-	-	-	-	-	
Total Expenditure			-	308,922	320,464	30,289	251,715	292,092	(40,377)	-14%	320,464
Surplus/(Deficit)			-	(15,157)	(15,859)	(6,216)	22,784	(7,960)	30,745	(0)	(15,859)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			12,969	12,938	1,656	10,811	9,688	1,123	0	12,938	
Transfers and subsidies - capital (in-kind - all)			-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions			-	(2,187)	(2,921)	(4,560)	33,596	1,728			(2,921)
Taxation			-	-	-	-	-	-	-	-	
Surplus/(Deficit) after taxation			-	(2,187)	(2,921)	(4,560)	33,596	1,728			(2,921)
Attributable to minorities			-	-	-	-	-	-	-	-	
Surplus/(Deficit) attributable to municipality			-	(2,187)	(2,921)	(4,560)	33,596	1,728			(2,921)
Share of surplus/ (deficit) of associate			-	-	-	-	-	-	-	-	
Surplus/ (Deficit) for the year			-	(2,187)	(2,921)	(4,560)	33,596	1,728			(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)

SERVICE REVENUES:

Service charges: Electricity

Performance for revenue totals R96,005m of a budget of R103,306m. This record a performance of 93% for period ending May 2018. The municipality is entering the winter period, where traditionally due to the weather conditions an increase in electricity usage is expected. These factors will contribute to achievement of the targets as projected.

Service charges: Water

Water revenue records at 88% for the period ending 31 May 2018. This is also the poorest performing service for the main service revenue categories. Various factors contributes towards this, especially the water crises and restrictions. Projections therefore indicate that the municipality will not achieve the budget at year-end. A downward review will therefore be done. Service revenue for the period totals R21,418m.

Service charges: Sanitation

The budget for sanitation reflects an over performance of 104%. This is mainly due to a more cost reflective tariff for the septic tanks that was introduced in the financial year. The budget was conservatively estimate and this contributes to the better than improved performance.

Service charges: Refuse

Refuse year to date totals R15,614m of a budget of R15,723m. The category of revenue is on par with performance and all indications that budget targets will be achieved.

WC033 Cape Agulhas - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M11 May

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 4 - Management Services		-	650	650	16	106	466	(359)	-77%	650
Vote 5 - Engineering Services		-	650	650	252	482	463	19	4%	650
Total Capital Multi-year expenditure	4,7	-	1,300	1,300	269	589	929	(340)	-37%	1,300
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	855	346	3	193	291	(98)	-34%	346
Vote 2 - Financial Services & ICT		-	2,505	2,409	-	2,187	1,896	291	15%	2,409
Vote 4 - Management Services		-	2,964	2,477	308	1,321	2,005	(684)	-34%	2,477
Vote 5 - Engineering Services		-	20,042	20,928	723	15,293	16,575	(1,282)	-8%	20,928
Total Capital single-year expenditure	4	-	26,365	26,160	1,034	18,994	20,767	(1,773)	-9%	26,160
Total Capital Expenditure		-	27,665	27,460	1,303	19,582	21,696	(2,113)	-10%	27,460
Capital Expenditure - Functional Classification										
Governance and administration		-	2,962	2,871	5	2,482	2,301	181	8%	2,871
Executive and council			254	254	3	153	223	(69)	-31%	254
Finance and administration			2,708	2,616	2	2,329	2,078	251	12%	2,616
Community and public safety		-	3,164	2,637	323	1,111	2,040	(929)	-46%	2,637
Community and social services			303	390	150	178	280	(102)	-36%	390
Sport and recreation			2,861	2,247	172	933	1,759	(826)	-47%	2,247
Economic and environmental services		-	12,859	13,000	754	10,209	10,751	(541)	-5%	13,000
Planning and development			539	27	-	18	19	(1)	-5%	27
Road transport			12,320	12,974	754	10,191	10,732	(541)	-5%	12,974
Trading services		-	8,680	8,952	221	5,780	6,605	(825)	-12%	8,952
Energy sources			2,548	2,548	82	1,992	1,948	44	2%	2,548
Water management			3,255	3,255	139	1,086	2,369	(1,284)	-54%	3,255
Waste water management			877	877	-	781	703	78	11%	877
Waste management			2,000	2,272	-	1,922	1,585	337	21%	2,272
Total Capital Expenditure - Functional Classification	3	-	27,665	27,460	1,303	19,582	21,696	(2,113)	-10%	27,460
Funded by:										
National Government			12,108	11,990	660	11,413	10,146	1,267	12%	11,990
Provincial Government			862	949	118	377	731	(354)	-48%	949
Transfers recognised - capital		-	12,969	12,938	778	11,790	10,876	914	8%	12,938
Public contributions & donations	5		-	-	-	-	-	-	-	-
Borrowing	6		5,661	5,473	-	3,927	3,990	(62)	-2%	5,473
Internally generated funds			9,034	9,049	524	3,865	6,829	(2,964)	-43%	9,049
Total Capital Funding		-	27,665	27,460	1,303	19,582	21,696	(2,113)	-10%	27,460

Comments:

Performance of capital expenditures is below par and reflects at 71.3% for budget. The municipality is currently risking an under-performance on the capital budget spending. Improved planning processes needs to be implemented to ensure turn-around of the current status quo. The departments contributing to these under-performance in terms of capital spending is as follows:

Beaches and resorts (16%), Information systems (53%), Parks and sport facilities (40%) and Water (33%). Capital commitments outstanding for the period ending May 2018 totals R2,371m. Included these amounts in the expenditures will improve performance closer to 80%.

WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M11 May

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	43,267	14,519
Call investment deposits		–	–	–	–	–
Consumer debtors		22,028	28,019	27,691	36,031	27,691
Other debtors		14,571	8,102	5,034	(2,671)	5,034
Current portion of long-term receivables		31	27	31	–	31
Inventory		1,326	1,478	1,326	1,504	1,326
Total current assets		62,317	44,041	48,602	78,131	48,602
Non current assets						
Long-term receivables		196	173	165	225	165
Investments		–	–	–	–	–
Investment property		40,870	40,232	40,862	40,864	40,862
Investments in Associate		–	–	–	–	–
Property, plant and equipment		371,253	390,091	386,389	383,178	386,389
Agricultural		–	–	–	–	–
Biological assets		–	–	–	–	–
Intangible assets		3,572	1,763	4,464	5,092	4,464
Other non-current assets		–	–	–	–	–
Total non current assets		415,891	432,259	431,880	429,359	431,880
TOTAL ASSETS		478,209	476,300	480,482	507,489	480,482
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		684	2,310	1,659	737	1,659
Consumer deposits		4,291	4,377	4,548	4,486	4,548
Trade and other payables		33,141	15,334	26,557	24,234	26,557
Provisions		10,783	15,796	11,430	8,444	11,430
Total current liabilities		48,899	37,817	44,194	37,901	44,194
Non current liabilities						
Borrowing		2,012	6,651	4,876	3,730	4,876
Provisions		117,240	128,942	124,274	122,262	124,274
Total non current liabilities		119,252	135,593	129,151	125,992	129,151
TOTAL LIABILITIES		168,151	173,410	173,345	163,892	173,345
NET ASSETS	2	310,058	302,890	307,137	343,597	307,137
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		290,058	287,890	287,137	323,597	287,137
Reserves		20,000	15,000	20,000	20,000	20,000
TOTAL COMMUNITY WEALTH/EQUITY	2	310,058	302,890	307,137	343,597	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 - M11 May

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	3,815	51,795	51,295	499	1%	57,646	
Service charges			147,357	146,510	12,536	134,772	131,986	2,786	2%	146,510	
Other revenue			15,094	17,617	1,362	15,626	13,890	1,736	12%	17,617	
Government - operating			55,134	72,809	-	76,140	69,437	6,704	10%	72,809	
Government - capital			12,269	12,238	-	11,990	8,180	3,810	47%	12,238	
Interest			3,502	3,494	606	3,462	3,240	222	7%	3,494	
Dividends			-	-	-	-	-	-		-	
Payments											
Suppliers and employees			(273,935)	(294,990)	193	(251,115)	(231,099)	20,016	-9%	(294,990)	
Finance charges			(727)	(770)	(40)	(3,593)	(130)	3,463	-2660%	(770)	
Transfers and Grants			(2,763)	(2,763)	(153)	(2,021)	(2,375)	(354)	15%	(2,763)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	13,909	11,790	18,318	37,057	44,423	7,367	17%	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	-	-	13	(13)	-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)	(1,303)	(19,582)	(22,122)	(2,540)	11%	(27,460)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(27,137)	(25,729)	(1,303)	(19,580)	(22,110)	11%	(25,729)	
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans			-	-	-	-	-	-		-	
Borrowing long term/refinancing			5,661	5,473	-	2,400	5,661	(3,261)	-58%	5,473	
Increase (decrease) in consumer deposits			188	257	15	194	285	(90)	-32%	257	
Payments											
Repayment of borrowing			(2,240)	(1,634)	(14)	(1,165)	(420)	745	-177%	(1,634)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	3,609	4,096	2	1,429	5,525	4,096	74%	4,096
NET INCREASE/(DECREASE) IN CASH HELD			-	(9,619)	(9,842)	17,017	18,906	27,839		(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		43,267	52,200		14,519	

The cash position of Council is **positive** at the end of the reporting period ending **31 May 2018**. The positive position is a result of outstanding cash balance items needed to be processed. The process of completing bank reconciliations is still outstanding, and the cash position differs under the liquidity ratios reported is as a result of processed transactions that still needs to be done to ensure accurate recordkeeping.

7. Supporting Documents

WC033 Cape Agulhas - Supporting Table SC1 Material variance explanations - M11 May

Ref	Description	Variance	Reasons for material deviations	Remedial or corrective steps/remarks
	R thousands			
1	Revenue By Source			
	Service charges - water revenue		Projected under-delivering of Revenue source	Review and table revised budget in June 2018
	Fines, penalties and forfeits		Transaction needs to be finalized at year-end	Review and table revised budget in June 2018
	Transfers and subsidies		Year end recognition of revenue needs to be processed	Review and table revised budget in June 2018
2	Expenditure By Type			
	Employee related costs		Vacancies will result in underperformance on budget	Review and table revised budget in June 2018
	Depreciation & asset impairment		Financial system challenges	Review and table revised budget in June 2018
	Contracted services		Review of expenditures to bring in line with budget	Review and table revised budget in June 2018
	Bulk purchases		Needs to be aligned with revenue	Review and table revised budget in June 2018
3	Capital Expenditure			
	Internally generated funds		Projects complete needs to be adjusted	Review and table revised budget in June 2018
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 May to address various issues in terms of the implementation of the budget. This should improve performance over the last quarter of the financial year.

EXPLANTION:

The finance department will table a report to council with a revised budget to ensure that all items needed to be addressed as per SC1 material variances explanations.

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M11

May

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
<u>Borrowing Management</u>							
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure		0.0%	6.6%	6.4%	1.4%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	20.5%	19.9%	20.1%	19.9%
<u>Safety of Capital</u>							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		11.6%	8.0%	10.8%	8.4%	10.8%
Gearing	Long Term Borrowing/ Funds & Reserves		10.1%	44.3%	24.4%	18.6%	24.4%
<u>Liquidity</u>							
Current Ratio	Current assets/current liabilities	1	127.4%	116.5%	110.0%	206.1%	110.0%
Liquidity Ratio	Monetary Assets/Current Liabilities		49.8%	17.0%	32.9%	114.2%	32.9%
<u>Revenue Management</u>							
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%	12.2%	10.8%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old		0.0%	0.0%	0.0%	0.0%	0.0%
<u>Creditors Management</u>							
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))						
<u>Funding of Provisions</u>							
Percentage Of Provisions Not Funded	Unfunded Provisions/Total Provisions						
<u>Other Indicators</u>							
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%	37.1%	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%	1.3%	4.6%
<u>IDP regulation financial viability indicators</u>							
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)						
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services						
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure						

The level of employee's actual costs for the year to date is 37.3% which is within budgeted projections. The monitoring of employee related cost effectively should be maintain to ensure it stay within the set norm of between 35% and 40%.

Care should be taken as to the parameters used in the calculation of % employee related cost in this diagram versus Council proposal in terms of the long term financial plan.

The calculation in the diagram based employee related cost against the **total revenues**, whereas the % reported and monitored in terms of the Long-term financial plan (LTFP) is comparing employee related cost against **total expenditures**. This will result in different results and ratios being calculated.

The Capital Replacement Reserve will require minor adjustments at year end in order to ensure that it is cash backed. The "Cash & Cash Equivalents" are sufficient to cover outstanding debt with specific reference to any unspent grant funding.

Transfers and Grants

WC033 Cape Agulhas - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M11 May

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:	1,2									
Operating Transfers and Grants										
National Government:		-	27,881	27,999	-	27,999	27,999	-		27,999
Local Government Equitable Share			25,190	25,190	-	25,190	25,190	-		25,190
Energy Efficiency and Demand-side [Schedule 5B]			-	-	-	-	-			-
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]			1,131	1,131	-	1,131	1,131			1,131
Local Government Financial Management Grant [Schedule 5B]			-	118	-	118	118			118
Municipal Infrastructure Grant [Schedule 5B]			1,560	1,560	-	1,560	1,560			1,560
Municipal Systems Improvement Grant [Schedule 5B]			-	-	-	-	-			-
Provincial Government:		-	27,253	44,810	-	45,909	41,556	4,069	9.8%	27,253
Human Settlement Development			20,450	38,764	-	39,626	35,300	4,326	12.3%	20,450
Library Service Conditional Grant			5,423	5,336	-	5,584	5,336			5,423
Maintenance of Main Roads			84	84	-	73	56			84
Community Development Workers			56	56	-	56	37			56
Financial Management Support (WC_FMGSG)			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:		-	-	-	-	2,834	-	2,834	#DIV/0!	-
National Skills Fund			-	-	-	2,834	-	2,834	#DIV/0!	-
Total Operating Transfers and Grants	5	-	55,134	72,809	-	76,742	69,555	6,903	9.9%	55,252
Capital Transfers and Grants										
National Government:		-	12,108	11,990	-	11,990	8,072	3,186	39.5%	12,108
Municipal Infrastructure Grant [Schedule 5B]			9,558	9,558	-	9,558	6,372	3,186	50.0%	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	-		162
Library Service			162	249	-	108	108			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	-	12,097	8,180	3,186	38.9%	12,269
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	67,403	85,047	-	88,840	77,735	10,089	13.0%	67,521

Municipality received all allocation as per the grant conditions from National and Provincial departments.

Other Information

7.1 SCOA Implementation

The key objectives of the Regulations on a Standard Chart of Accounts (SCOA) is to enable the alignment of budget information with information captured in the course of the implementation of the budget; improve data quality and credibility; achieve a greater level of standardization; improve transparency, accountability and governance through uniform recording of transactions at posting account level; enable deeper data analysis and sector comparisons to improve financial performance and the standardization of the account classification to facilitate mobility in financial skills within local government in order to enhance the ability to attract and retain skilled personnel.

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

Challenges currently still being experienced:

- Asset module – Demand Management system – implementation in progress
- Reporting module – Caseware reporting – will be implemented in new financial year.
- Salary module – Payday software – salary payment functioning, leave integration outstanding
- Cash module – Bank balance integration

These challenges are being addressed continuously and the municipality is making adequate progress with ensuring optimal use of full systems and operations.

7.2 Long-Term Financial Plan

The long-term financial plan was reviewed. An action plan to address the recommendations and challenges as identified was compiled. The monitoring of the actions is the responsibility of the manager: Revenue services.

A detail status quo report will be tabled to ensure council can execute its oversight responsibilities in terms of the action plan.

8. Municipal Quality Certificate

NAVRAE:
ENQUIRIES: S Stanley

KONTAKNR
CONTACT NO 028 425 5798

VERW:
REF: 5/3/2017-18 (M11)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 11 June 2018



QUALITY CERTIFICATE

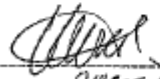
I, **DEAN O NEILL**, the accounting officer / chief financial officer of **CAPE AGULHAS MUNICIPALITY WC033** (name of municipality), hereby certify that –

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

pp. Print name SHAUN STANLEY  DIRECTOR : MANAGEMENT SERVICES

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

Signature 

Date 2018/06/14