

CAPE AGULHAS MUNICIPALITY



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CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

2017/2018

FINANCIAL

MANAGEMENT REPORT

FOR PERIOD ENDING

30 APRIL 2018

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1. Council Resolution

To The Executive Mayor

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

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

Recommendations

- The content of the report and supporting documentation for period ending **30 April 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.

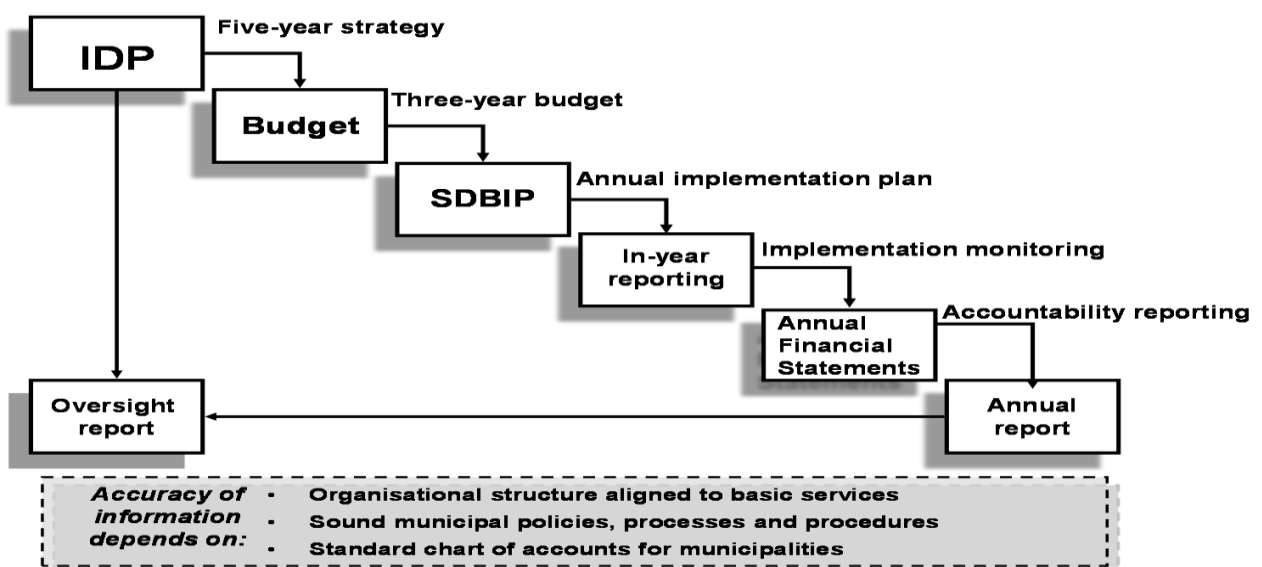
3.1 Budget Process:

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:

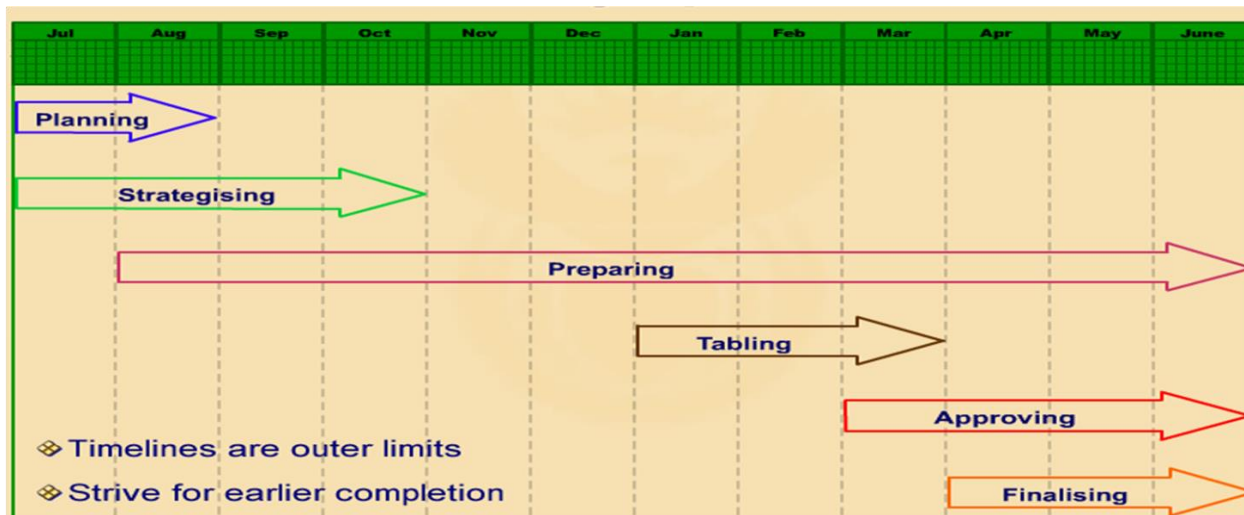
- o Reporting on the previous year budget;
- o Current year budget implementation; and
- o Preparation of the new financial year's budget (including the budget estimates for the two outer financial years)

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	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	
Budget workshop – Council	18 May 2018	
Finalization of budget documents	21 – 23 May 2018	
Budget – Agenda preparation	25 May 2018	
Council meeting	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

Performance for the period ending 30 April 2018 totals R250,426m and R221,425m respectively for operational revenues and expenditures.

These totals represents performance based on adjustment budgeted amounts of 82.2% for revenues and 69.09% for operational expenditures.

Detailed explanation further provided in the report.

Capital expenditures reflects at 66.6% of revised budget and this is below par based on projections. The municipality is implementing various measures and activities and numerous projects will conclude within the last 2 financial months to ensure achievement of the municipal capital targets. Review and amendment of capital projects was also processed to ensure achievement of capital targets.

Administration is continuously monitoring the liquidity and sustainability position of Council and the portfolio committee identified certain ratios that needs to be reported and action plans developed to ensure improvement of the liquidity and sustainability positions of council.

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	2.08
Quick asset ratio: Monetary assets / Current liabilities	1 – 3		1.26

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	R39,421m
Capital replacement reserve (CRR)	Funded	R20,000m	R20,000m

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 liquidity of the municipality improved to 2.08 from 1.65 from the previous month. The liquidity ratio is based on the current assets as main contributor and inventory impact this ratio to a large extend.

Whereas the **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 April 2018 the ratio calculates at 1.26. This in effect means that at month end the municipality has R1.26 in cash and cash equivalents for every R1 of short-term obligations.

Cash management / CRR – The municipal bank balance totals R39,421m for the month ending **30 April 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.

In future reporting periods the analysis of major **cost items** will be included as part of the report. These items should be high impact items that contributes significantly to expenditures this affecting the cash position of council.

6. In year Budget Statement Tables

WC033 Cape Agulhas - Table C1 Monthly Budget Statement Summary - M10 April

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	2,880	55,360	53,112	2,248	4%	60,143
Service charges	–	152,857	152,857	10,390	130,881	126,971	3,910	3%	152,857
Investment revenue	–	2,060	2,060	146	1,881	1,408	473	34%	2,060
Transfers and subsidies	–	55,134	64,365	1,052	46,626	51,815	(5,189)	-10%	64,365
Other own revenue	–	23,571	25,181	1,274	15,678	20,919	(5,241)	-25%	25,181
Total Revenue (excluding capital transfers and contributions)	–	293,765	304,606	15,741	250,426	254,224	(3,799)	-1%	304,606
Employee costs	–	117,179	117,028	8,822	93,309	106,736	(13,427)	-13%	117,028
Remuneration of Councilors	–	5,145	5,145	441	4,526	4,366	160	4%	5,145
Depreciation & asset impairment	–	11,440	11,440	–	6,144	13,347	(7,203)	-54%	11,440
Finance charges	–	8,964	9,007	3,371	3,552	8,421	(4,868)	-58%	9,007
Materials and bulk purchases	–	115,928	126,787	(4,114)	82,726	97,481	(14,754)	-15%	126,787
Transfers and subsidies	–	2,763	2,763	208	1,869	2,207	(339)	-15%	2,763
Other expenditure	–	47,503	48,295	1,654	29,299	39,180	(9,881)	-25%	48,295
Total Expenditure	–	308,922	320,464	10,381	221,425	271,737	(50,311)	-19%	320,464
Surplus/(Deficit)	–	(15,157)	(15,859)	5,360	29,001	(17,512)	46,513	-266%	(15,859)
Transfers and subsidies - capital (monetary all	–	12,969	12,938	2,295	9,155	10,335	(1,180)	-11%	12,938
Contributions & Contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	–	(2,187)	(2,921)	7,655	38,156	(7,177)	45,333	-632%	(2,921)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/ (Deficit) for the year	–	(2,187)	(2,921)	7,655	38,156	(7,177)	45,333	-632%	(2,921)
Capital expenditure & funds sources									
Capital expenditure	–	27,665	27,460	2,605	18,279	18,321	(42)	-0%	27,460
Capital transfers recognised	–	12,969	12,938	1,694	11,012	7,643	3,369	44%	12,938
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	5,661	5,473	229	3,927	3,871	56	1%	5,473
Internally generated funds	–	9,034	9,049	682	3,340	6,807	(3,467)	-51%	9,049
Total sources of capital funds	–	27,665	27,460	2,605	18,279	18,321	(42)	-0%	27,460
Financial position									
Total current assets	62,317	44,041	48,602		88,750				48,602
Total non current assets	415,891	432,259	431,880		428,056				431,880
Total current liabilities	48,899	37,817	44,194		42,657				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		348,157				307,137
Cash flows									
Net cash from (used) operating	–	13,909	11,790	(21,541)	43,339	49,433	6,094	12%	11,790
Net cash from (used) investing	–	(27,137)	(25,729)	(2,811)	(18,278)	(19,641)	(1,363)	7%	(25,729)
Net cash from (used) financing	–	3,609	4,096	(101)	1,428	2,249	821	37%	4,096
Cash/cash equivalents at the month/year end	–	6,415	14,519	–	50,851	56,403	5,552	10%	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	36,304	–	–	–	–	–	–	–	36,304
Creditors Age Analysis									
Total Creditors	6,332	–	–	–	–	–	–	–	6,332

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 92% 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 for services totals 85.6% of a budget of R152,857m. Actual revenues collected totals R130,881m to date. The municipality is on par to achieve its projected service revenues budgeted amount for the financial year. The impact of the drought on the municipal water revenues as well as the seasonal changes, winter, summer all impact performance of revenues.

Transfers and subsidies:

Transfers and subsidies to date totals R46.6m or 72% of budget. Municipality received most of its allocation as per division of revenue bill of National and Provincial government. A corrective journal needs to be processed for the month of April 2018. The last installment in terms of equitable share was received on the Liability vote.

Equitable share is an unconditional grant and recognized in revenues when received. This transaction needs to be processed due to the fact that the municipality received its full allocation for the financial year in terms of equitable share.

Other own revenues:

Numerous measures was introduced to ensure performance in terms of other revenues are achieved. The long-term financial plan and implementation of various strategies to collect and streamline processes to ensure council received all funds due to the municipality.

Performance to date reflects at 77.3% of budgeted amounts.

EXPENDITURES

Employee related costs:

The projections for the salary related expenditures is that an underachievement of actual expenditures will materialize due to the numerous vacancies budgeted that was not filled for the full financial year. Employee related cost represents the second biggest component of the municipal budget and for the period ending April a total of 79.7% was spent. This outcome will have a positive effect on the cash position since less salary related as well as other cost will be paid out for the financial year.

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. Council approved the increases in remuneration as published. The increases allowed was less than the upper limit increases as per the act.

The performance for remuneration of councilors is within the budgeted parameters for the financial year.

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 68.6% 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. Lower expenditures should be as a result of lower consumption from consumers, impacting the revenues.

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 R1,869m to date.

Other expenses:

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

Debtor's age analysis

The outstanding debtors for the period ending 30 April 2018 totals R36,304m. The breakdown of debtors per age analysis still proofs challenging and the municipality is in the process of implementing actions to ensure this can be reported as soon as possible. To date the vendor is continuously working on solving this issue and with the mSCOA implementation and numerous reporting requirements from National treasury in terms of mSCOA this is still outstanding.

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 April 2018 totals R6,332m.

WC033 Cape Agulhas - Table C2 Monthly Budget Statement - Financial Performance (functional classification) - M10 April

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	5,911	87,971	80,617	7,353	9%	107,369
Executive and council		-	25,190	25,190	-	18,893	18,055	838	5%	25,190
Finance and administration		-	80,229	82,179	5,911	69,078	62,563	6,515	10%	82,179
Internal audit		-	-	-	-	-	-	-		-
Community and public safety		-	34,571	42,571	962	33,972	32,403	1,570	5%	42,571
Community and social services		-	7,023	6,023	444	4,518	4,926	(408)	-8%	6,023
Sport and recreation		-	7,098	7,098	518	7,058	5,436	1,622	30%	7,098
Public safety		-	-	-	-	-	-	-		-
Housing		-	20,450	29,450	-	22,396	22,041	355	2%	29,450
Health		-	-	-	-	-	-	-		-
Economic and environmental services		-	12,731	13,140	596	6,064	12,856	(6,792)	-53%	13,140
Planning and development		-	874	1,283	129	1,426	1,026	400	39%	1,283
Road transport		-	11,857	11,857	467	4,638	11,830	(7,192)	-61%	11,857
Environmental protection		-	-	-	-	-	-	-		-
Trading services		-	154,014	154,464	10,567	131,574	128,347	3,226	3%	154,464
Energy sources		-	104,438	104,438	6,615	88,315	88,868	(554)	-1%	104,438
Water management		-	24,344	24,544	1,789	19,832	20,573	(741)	-4%	24,544
Waste water management		-	9,508	9,508	794	9,128	7,028	2,100	30%	9,508
Waste management		-	15,723	15,973	1,370	14,299	11,878	2,421	20%	15,973
Other	4	-	-	-	-	-	-	-		-
Total Revenue - Functional	2	-	306,734	317,544	18,036	259,581	254,224	5,357	2%	317,544
Expenditure - Functional										
Governance and administration		-	89,598	90,842	8,481	64,329	74,940	(10,611)	-14%	90,842
Executive and council		-	14,383	14,448	1,020	11,416	12,300	(884)	-7%	14,448
Finance and administration		-	73,628	74,800	7,375	51,856	61,183	(9,327)	-15%	74,800
Internal audit		-	1,587	1,594	86	1,057	1,457	(400)	-27%	1,594
Community and public safety		-	45,318	53,448	(4,808)	34,341	39,120	(4,779)	-12%	53,448
Community and social services		-	12,217	11,337	761	7,877	10,532	(2,655)	-25%	11,337
Sport and recreation		-	10,956	10,958	718	9,041	9,849	(808)	-8%	10,958
Public safety		-	-	-	-	-	-	-		-
Housing		-	22,145	31,152	(6,286)	17,423	18,739	(1,316)	-7%	31,152
Health		-	-	-	-	-	-	-		-
Economic and environmental services		-	39,708	40,113	2,532	30,109	38,415	(8,306)	-22%	40,113
Planning and development		-	8,908	8,944	614	6,682	8,264	(1,582)	-19%	8,944
Road transport		-	30,800	31,169	1,917	23,427	30,151	(6,724)	-22%	31,169
Environmental protection		-	-	-	-	-	-	-		-
Trading services		-	134,297	136,062	4,176	92,646	119,261	(26,615)	-22%	136,062
Energy sources		-	88,085	88,063	1,509	60,825	73,652	(12,827)	-17%	88,063
Water management		-	16,834	18,182	1,329	13,949	16,628	(2,679)	-16%	18,182
Waste water management		-	10,311	10,497	699	7,921	9,925	(2,004)	-20%	10,497
Waste management		-	19,067	19,319	640	9,952	19,057	(9,104)	-48%	19,319
Other		-	-	-	-	-	-	-		-
Total Expenditure - Functional	3	-	308,922	320,464	10,381	221,425	271,737	(50,311)	-19%	320,464
Surplus/ (Deficit) for the year		-	(2,187)	(2,921)	7,655	38,156	(17,513)	55,669	-318%	(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) - M10 April

Vote Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue by Vote										
Vote 1 - Executive and Council	1	-	28,496	27,796	323	20,660	22,016	(1,355)	-6.2%	27,796
Vote 2 - Financial Services & ICT		-	66,723	68,373	4,159	60,233	53,751	6,482	12.1%	68,373
Vote 3 - Corporate Services		-	-	-	-	-	-	-		-
Vote 4 - Management Services		-	45,214	54,214	1,412	38,601	37,916	684	1.8%	54,214
Vote 5 - Engineering Services		-	166,301	167,161	12,142	140,088	140,540	(452)	-0.3%	167,161
Total Revenue by Vote	2	-	306,734	317,544	18,036	259,582	254,224	5,359	2.1%	317,544
Expenditure by Vote										
Vote 1 - Executive and Council	1	-	41,823	41,562	2,449	30,370	34,107	(3,737)	-11.0%	41,562
Vote 2 - Financial Services & ICT		-	47,136	47,669	5,867	32,705	38,757	(6,052)	-15.6%	47,669
Vote 3 - Corporate Services		-	-	-	333	1,431	-	1,431	#DIV/0!	-
Vote 4 - Management Services		-	63,866	73,347	(3,512)	49,938	58,345	(8,406)	-14.4%	73,347
Vote 5 - Engineering Services		-	156,097	157,886	5,244	106,982	139,528	(32,546)	-23.3%	157,886
Total Expenditure by Vote	2	-	308,922	320,464	10,381	221,427	270,737	(49,310)	-18.2%	320,464
Surplus/ (Deficit) for the year	2	-	(2,187)	(2,921)	7,655	38,156	(16,513)	54,669	-331.1%	(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) - M10 April

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	2,880	55,360	53,112	2,248	4%	60,143	
Service charges - electricity revenue			103,306	103,306	6,437	87,642	87,924	(282)	0%	103,306	
Service charges - water revenue			24,342	24,342	1,788	19,812	20,247	(434)	-2%	24,342	
Service charges - sanitation revenue			9,486	9,486	794	9,128	7,003	2,125	30%	9,486	
Service charges - refuse revenue			15,723	15,723	1,370	14,299	11,797	2,502	21%	15,723	
Service charges - other			-	-	-	-	-	-	-	-	
Rental of facilities and equipment			2,056	2,056	261	1,458	1,786	(328)	-18%	2,056	
Interest earned - external investments			2,060	2,060	146	1,881	1,408	473	34%	2,060	
Interest earned - outstanding debtors			1,496	1,496	159	976	1,092	(116)	-11%	1,496	
Dividends received			-	-	-	-	-	-	-	-	
Fines, penalties and forfeits			9,271	9,271	206	2,000	9,655	(7,655)	-79%	9,271	
Licences and permits			61	61	0	54	38	16	41%	61	
Agency services			2,419	2,419	132	2,401	2,020	381	19%	2,419	
Transfers and subsidies			55,134	64,365	1,052	46,626	51,815	(5,189)	-10%	64,365	
Other revenue			7,769	8,179	516	8,790	6,328	2,461	39%	8,179	
Gains on disposal of PPE			500	1,700	-	-	-	-	-	1,700	
Total Revenue (excluding capital transfers and contributions)			-	293,765	304,606	15,741	250,426	254,224	(3,799)	-1%	304,606
Expenditure By Type											
Employee related costs			117,179	117,028	8,822	93,309	106,736	(13,427)	-13%	117,028	
Remuneration of councillors			5,145	5,145	441	4,526	4,366	160	4%	5,145	
Debt impairment			7,833	7,833	-	5,875	6,139	(264)	-4%	7,833	
Depreciation & asset impairment			11,440	11,440	-	6,144	13,347	(7,203)	-54%	11,440	
Finance charges			8,964	9,007	3,371	3,552	8,421	(4,868)	-58%	9,007	
Bulk purchases			76,678	76,798	857	52,655	62,761	(10,106)	-16%	76,798	
Other materials			39,250	49,989	(4,971)	30,071	34,719	(4,648)	-13%	49,989	
Contracted services			18,208	18,483	786	7,663	16,225	(8,562)	-53%	18,483	
Transfers and subsidies			2,763	2,763	208	1,869	2,207	(339)	-15%	2,763	
Other expenditure			21,461	21,979	868	15,761	16,816	(1,055)	-6%	21,979	
Loss on disposal of PPE			-	-	-	-	-	-	-	-	
Total Expenditure			-	308,922	320,464	10,381	221,425	271,737	(50,311)	-19%	320,464
Surplus/(Deficit)			-	(15,157)	(15,859)	5,360	29,001	(17,512)	46,513	(0)	(15,859)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)				12,969	12,938	2,295	9,155	10,335	(1,180)	(0)	12,938
Transfers and subsidies - capital (in-kind - all)				-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions			-	(2,187)	(2,921)	7,655	38,156	(7,177)			(2,921)
Taxation				-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation			-	(2,187)	(2,921)	7,655	38,156	(7,177)			(2,921)
Attributable to minorities				-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality			-	(2,187)	(2,921)	7,655	38,156	(7,177)			(2,921)
Share of surplus/ (deficit) of associate				-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year			-	(2,187)	(2,921)	7,655	38,156	(7,177)			(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) - M10 April

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	45	90	537	(447)	-83%	650
Vote 5 - Engineering Services		-	650	650	80	230	542	(312)	-58%	650
Total Capital Multi-year expenditure	4,7	-	1,300	1,300	125	320	1,079	(759)	-70%	1,300
Single Year expenditure appropriation	2									
Vote 1 - Executive and Council		-	855	346	8	190	196	(6)	-3%	346
Vote 2 - Financial Services & ICT		-	2,505	2,409	81	2,187	1,669	518	31%	2,409
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 4 - Management Services		-	2,964	2,477	9	1,013	1,608	(595)	-37%	2,477
Vote 5 - Engineering Services		-	20,042	20,928	2,382	14,570	13,770	801	6%	20,928
Total Capital single-year expenditure	4	-	26,365	26,160	2,480	17,960	17,243	717	4%	26,160
Total Capital Expenditure		-	27,665	27,460	2,605	18,279	18,321	(42)	0%	27,460
Capital Expenditure - Functional Classification										
Governance and administration		-	2,962	2,871	87	2,477	1,900	577	30%	2,871
Executive and council			254	254	-	150	133	17	13%	254
Finance and administration			2,708	2,616	87	2,327	1,767	560	32%	2,616
Internal audit			-	-	-	-	-	-	-	-
Community and public safety		-	3,164	2,637	48	789	1,893	(1,104)	-58%	2,637
Community and social services			303	390	-	28	320	(292)	-91%	390
Sport and recreation			2,861	2,247	48	760	1,572	(812)	-52%	2,247
Public safety			-	-	-	-	-	-	-	-
Housing			-	-	-	-	-	-	-	-
Health			-	-	-	-	-	-	-	-
Economic and environmental services		-	12,859	13,000	2,029	9,455	8,016	1,438	18%	13,000
Planning and development			539	27	8	18	23	(5)	-23%	27
Road transport			12,320	12,974	2,021	9,437	7,993	1,444	18%	12,974
Environmental protection			-	-	-	-	-	-	-	-
Trading services		-	8,680	8,952	441	5,559	6,512	(953)	-15%	8,952
Energy sources			2,548	2,548	393	1,910	1,872	38	2%	2,548
Water management			3,255	3,255	48	947	2,100	(1,153)	-55%	3,255
Waste water management			877	877	-	781	584	197	34%	877
Waste management			2,000	2,272	-	1,922	1,957	(35)	-2%	2,272
Other			-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional C	3	-	27,665	27,460	2,605	18,279	18,321	(42)	0%	27,460
Funded by:										
National Government			12,108	11,990	1,692	10,753	6,956	3,796	55%	11,990
Provincial Government			862	949	2	259	686	(427)	-62%	949
District Municipality			-	-	-	-	-	-	-	-
Other transfers and grants			-	-	-	-	-	-	-	-
Transfers recognised - capital		-	12,969	12,938	1,694	11,012	7,643	3,369	44%	12,938
Public contributions & donations	5		-	-	-	-	-	-	-	-
Borrowing	6		5,661	5,473	229	3,927	3,871	56	1%	5,473
Internally generated funds			9,034	9,049	682	3,340	6,807	(3,467)	-51%	9,049
Total Capital Funding		-	27,665	27,460	2,605	18,279	18,321	(42)	0%	27,460

Comments:

Performance of capital expenditures is below par and reflects at 66.6% 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.

WC033 Cape Agulhas - Table C6 Monthly Budget Statement - Financial Position - M10 April

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
<u>ASSETS</u>						
Current assets						
Cash		24,361	6,415	14,519	53,848	14,519
Call investment deposits		–	–	–	–	–
Consumer debtors		22,028	28,019	27,691	36,304	27,691
Other debtors		14,571	8,102	5,034	(2,850)	5,034
Current portion of long-term receivables		31	27	31	–	31
Inventory		1,326	1,478	1,326	1,447	1,326
Total current assets		62,317	44,041	48,602	88,750	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	381,875	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	428,056	431,880
TOTAL ASSETS		478,209	476,300	480,482	516,805	480,482
<u>LIABILITIES</u>						
Current liabilities						
Bank overdraft		–	–	–	–	–
Borrowing		684	2,310	1,659	751	1,659
Consumer deposits		4,291	4,377	4,548	4,470	4,548
Trade and other payables		33,141	15,334	26,557	28,992	26,557
Provisions		10,783	15,796	11,430	8,444	11,430
Total current liabilities		48,899	37,817	44,194	42,657	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	168,648	173,345
NET ASSETS	2	310,058	302,890	307,137	348,157	307,137
<u>COMMUNITY WEALTH/EQUITY</u>						
Accumulated Surplus/(Deficit)		290,058	287,890	287,137	328,157	287,137
Reserves		20,000	15,000	20,000	20,000	20,000
TOTAL COMMUNITY WEALTH/EQUITY	2	310,058	302,890	307,137	348,157	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 - M10 April

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	1										
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates			57,979	57,646	2,519	47,980	47,606	374	1%	57,646	
Service charges			147,357	146,510	11,609	122,237	118,839	3,398	3%	146,510	
Other revenue			15,094	17,617	1,145	14,264	12,688	1,576	12%	17,617	
Government - operating			55,134	72,809	13,373	76,140	69,437	6,704	10%	72,809	
Government - capital			12,269	12,238	-	11,990	12,680	(690)	-5%	12,238	
Interest			3,502	3,494	312	2,856	2,841	15	1%	3,494	
Dividends			-	-	-	-	-	-		-	
Payments											
Suppliers and employees			(273,935)	(294,990)	(50,389)	(226,707)	(207,774)	18,933	-9%	(294,990)	
Finance charges			(727)	(770)	(6)	(3,552)	(3,630)	(78)	2%	(770)	
Transfers and Grants			(2,763)	(2,763)	(104)	(1,869)	(2,253)	(384)	17%	(2,763)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	13,909	11,790	(21,541)	43,339	50,433	7,094	14%	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	-	-	10	(10)	-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)	(2,811)	(18,279)	(19,651)	(1,372)	7%	(27,460)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(27,137)	(25,729)	(2,811)	(18,278)	(19,641)	(1,363)	7%	(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	(86)	179	269	(90)	-33%	257	
Payments											
Repayment of borrowing			(2,240)	(1,634)	(15)	(1,151)	(420)	731	-174%	(1,634)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	3,609	4,096	(101)	1,428	2,249	821	37%	4,096
NET INCREASE/ (DECREASE) IN CASH HELD			-	(9,619)	(9,842)	(24,453)	26,489	33,041			(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		50,851	57,403			14,519

The cash position of Council is **positive** at the end of the reporting period ending **30 April 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 - M10 April

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

The above ratios indicate that the municipality is financially stable and adequately funded to continue with its operations.

WC033 Cape Agulhas - Supporting Table SC2 Monthly Budget Statement - performance indicators - M10 April

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%	1.6%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants		0.0%	20.5%	19.9%	21.5%	19.9%
Safety of Capital							
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves		11.6%	8.0%	10.8%	9.6%	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%	208.1%	110.0%
Liquidity Ratio	Monetary Assets/Current Liabilities		49.8%	17.0%	32.9%	126.2%	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%	13.4%	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%	37.3%	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%	1.4%	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 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 - M10 April

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	27,881	-		27,881
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	-			-
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	145	44,103	41,556	2,336	5.6%	27,253
Human Settlement Development			20,450	38,764	145	37,893	35,300	2,593	7.3%	20,450
Library Service Conditional Grant			5,423	5,336	-	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_FMGSG)			240	570	-	570	160	410	256.3%	240
Greenest Municipality (Violence Protection)			1,000	-	-	-	667	(667)	-100.0%	1,000
Thusong Centre			-	-	-	-	-			-
Other transfers and grants [insert description]			-	-	-	-	-			-
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	145	76,140	69,437	6,374	9.2%	55,134
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)	-100.0%	162
Library Service			162	249	-	-	108	(108)	-100.0%	162
Development of Sport and Recreation Facilities			-	-	-	-	-			-
Thusong Centre			-	-	-	-	-			-
Total Capital Transfers and Grants	5	-	12,269	12,238	-	11,990	8,180	3,078	37.6%	12,269
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	-	67,403	85,047	145	88,130	77,617	9,452	12.2%	67,403

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 – Needs implementation
- Salary module – Payday software – Full integration
- 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 (M10)

KANTOOR:
OFFICES: Bredasdorp

DATUM
DATE 15 May 2018



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

QUALITY CERTIFICATE

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

(mark as appropriate)

The monthly budget statement

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

For the month ending **30 April 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 [Handwritten Signature]

Date 15.05.2018