Quarterly report on Budget implementation

!Kheis
Munisipaliteit
Municipality

Period ending 31 March 2023

In compliance with sections 52 of the Local Government Municipal Finance Management Act No.56 of 2003

<u>Quarterly report on budget implementation for the period ending 31 March 2023</u>

To: The Mayor and members of the Council

In accordance with section 52 of the Local Government: Municipal Finance Management Act 2003 (the "MFMA)", this report is required to assess the budget implementation of !Kheis Municipality during the third quarter of the 2022/23 financial year.

Section 52 of the MFMA requires from the Mayor to submit within 30 days after the end of each quarter, a report in a prescribed format to Council on the implementation of the budget and the financial state of affairs of the municipality.

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Mr. C.S van Eck (Acting Municipal Manager)

Contents

1. PURPOSE

To inform Council of progress made in the implementation of the budget and the performance outcomes in respect of the third quarter of the 2021/22 financial year, and to ensure that implementation of the budget is in-line with the Service Delivery Budget Implementation Plan (SDBIP).

2. LEGAL REQUIREMENTS

In terms of section 52(d), of the MFMA, the quarterly report for the period 01 October 2021 to 31 March 2023 is submitted for your consideration.

In terms of the section 54 (1), (2) and (3) of the MFMA the following applies: -

(1) "On receipt of a statement or report submitted by the accounting officer of the Municipality in terms of section 52 or 72, the mayor must –

(a) consider the statement or report;

(b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;

(c) issue any appropriate instructions to the accounting offices to ensure –

- (i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and
- (ii) that spending of funds and revenue collection proceed in accordance with the budget;

(d) identify any financial problems facing the municipality, including any emerging or impending financial problems; and report it to council.

3. IMPLEMENTATION OF BUDGET IN TERMS OF SDBIP

The quarterly report has been completed for legislative compliance.

3.1 Financial problems or risks facing the municipality

Currently, !Kheis Municipality is experiencing cash flow problems. A turnaround strategy has been implemented with the assistance from council and the community. The turnaround strategy has been implemented partially and will be fully implemented as we anticipate positive results which may contribute to improvement in the cash flow which result to better service delivery to all.

3.2 Other information

During November 2021 a new council had been elected. However, the Municipal Manager had been relieved from his duties during December 2021. The figures and information in this report is from 01 January 2023 – 31 March 2023.

4. EXECUTIVE SUMMARY

This quarterly report assess the performance of the municipality during the last three months of the current financial year, taking into account –

- (i) revenue collected against set targets in the A7 of the original budget;
- (ii) the budgeted v/s actual expenditure figures in the monthly C-schedules;
- (iii) the budgeted v/s actual capital expenditure figures in the monthly C- schedules;

(iv) the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
(v) the budgeted cash flow in the original A schedules of the budget;
(vi) the performance of every municipal directorate in line with the strategies set out in the SDBIP;
(vii) Municipal Standard Chart of Accounts (mSCOA)
(viii) Remedial steps to improve processes hampering services delivery and compliance challenges.

4.1. Revenue collected

The year-to-date (01 January 2023 - 31 March 2023) reflects an achievement of 9%. This is an decreased in relation to the similar period of the previous financial year. Notwithstanding this decrease contribute to debtors not paying they monthly accounts, !Kheis Municipality experiences challenges in terms of revenue collection:

(a) Consumers: Low payment rate; and
(b) State Departments: Very low payment rate.

4.2. Operating expenditure

The operating year - to- date expenditure is still in line with the budgeted amount in the A-schedules of the original budget. The municipality operating expenditure for the third quarter is R 31,866 million or 43% and the capital expenditure for the third quarter is R 13.3 million or 71% which constitute an overall amount of R 45,185 million of expenses. Expenditure items such as bad debts and depreciation are recorded at the end of the financial year. That's the reason why these expenses show unspent balances at the end of the third quarter.

4.3. Capital Expenditure

There has been no overspending against the year-to-date budget for the 2022/23 financial year. Capital expenditure budgeted for is R 16 million for the year under review. Expenditure on the Capital budget for the third quarter is R 13 million which was predominately spend on all MIG projects.

4.4. Performance indicator

The performance indicators for the third quarter of the 2022/2023 financial year had been measured against the strategic objectives in the SDBIP.

4.5. Cash flow

The municipality started the third quarter with a positive cash book balance. Cash and cash equivalents amounted to a positive in the cash flow of the municipality at 31 March 2023. A huge challenge that the municipality is facing, is the collection of outstanding debtors, measures was put in place for the collection of this outstanding amounts owed by the debtors. More emphasis was implemented on the collection of outstanding debt towards the Government Departments.

Conditional grants had been received and invested in line with the conditions of the grants. These funds are only spent in line with the payment schedules for the projects funded by MIG, FMG and EPWP. All of these spending on the grants should be in line with an approved business plan. No operational expenses are covered under the conditions of these grants. However, the municipality failed to meet the requirements of the conditional grants for the prior year, resulting in withholding of Equitable shares.

4.6. Directorates performance

The quarterly reports on the performance targets of all directorates in the municipality had been submitted to the Performance Management Section for scrutiny and testing against targets and KPA's.

4.7. Municipal Standard Chart of Accounts

The municipality implemented the mSCOA system since 01 July 2017. Since the implementation of mSCOA the municipality encounters problems with the extraction of the Section 71 report, and also facing challenges such as balancing and Income statement Budgeting.

4.8. Remedial steps

The municipality is still experiencing challenges in maintaining the budgeted expenditure and income, especially on maintenance and other related expenses. The data strings on compilation of the section 71 reports are in line with the requirements from National Treasury, however, the following need further attention:

- The NT codes on the system needs had been corrected to give a better report on the financial and cash flow position of the municipality;
- Service delivery target and performance indicators had been measured against the SDBIP, through the C-schedules for the third quarter of the financial year; and
- Monthly reconciliations for current financial year had been performed and it show that the municipality will not be able to meet its priorities, because of prior year commitments. The following monthly reconciliations had been performed during the third quarter of this financial year till the end of the quarter:
    - ✓ Bank reconciliations;
    - ✓ Debtors reconciliations;
    - ✓ Payroll (salary) reconciliations;
    - ✓ Vat reconciliations; and
    - ✓ Creditors reconciliations
    - ✓ Grant reconciliations
    - ✓ Investment Register

Copies of these reconciliations are filed in line with the requirements of National Treasury, in separate file.

OVERVIEW OF FINANCIAL PERFORMANCE

5.1 Bank and cash book balances

The bank balance according to the bank statement reflects the actual bank balance of the Municipality at a specific date, whereas the cash book balance is the difference between the total accumulated cash receipts (income) up to a given date and the total accumulated cash payments (expenses) up to the same date. The Bank balance is, therefore, the true reflection of what the Cash Book balance should been had all transactions been processed by the Municipality's financial system (SAMRAS).

Bank reconciliations are being prepared on a monthly basis. Failure to reconcile may lead to misleading financial reporting which can result into inappropriate Council decisions.

The Municipality's bank account opened the quarter with a negative balance of R 517.16 on 01 January 2023 and closed with a positive balance of R 490,253.10 on 31 March 2023. The balances for the conditional grants do not form part of the operating account for the municipality. These balances are disclosed as a portion of investments for the quarter ended.

The cashbook balance was R 2,582,945.82 on 01 January 2023. The outstanding creditors as on 31 March 2023 amount to R 32,567 million. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 29,392 million as at the 31 March 2023.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/01/2023	-517.16	2,582,945.82	2,548,505.64
31/03/2023	490,253.10	1,309,111.26	1,308,948.21

5.2 Cash flow

The municipality started the quarter with a negative cash book balance. However, this amount had been influenced by an amount of R 46,376 mil owed towards outstanding creditor's such as the Pension fund, Salga, Boegoeberg Water Association, Department of Safety and Liason, ect. The only challenge that the municipality is facing, is the collection of outstanding debtors. Spending was not in line with the anticipated targets in the A-schedules of the original approved budget, because of the high outstanding debtors.

TABLE 2: CASH FLOW STATEMENT

NC084 !Kheis - Table C7 Monthly Budget Statement - Cash Flow -

Description	Ref	2021/22	Budget Year 2022/23							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		4,463	6,544	7,454	–	–	5,590	(5,590)	-100%	7,454
Service charges		1,537	7,445	8,394	56	697	6,296	(5,599)	-89%	8,394
Other revenue		924	3,576	6,187	92	3,542	4,640	(1,098)	-24%	6,187
Transfers and Subsidies - Operational		24,638	38,270	38,270	7,938	30,826	28,702	2,123	7%	38,270
Transfers and Subsidies - Capital		9,077	16,567	16,567	2,500	13,316	12,425	891	7%	16,567
Interest		14	658	658	–	3	494	(491)	-99%	658
Payments										
Suppliers and employees		6,528	(49,698)	(49,698)	1,565	(2,009)	(37,274)	(35,265)	95%	(49,698)
Transfers and Grants		–	(512)	(512)	–	–	(384)	(384)	100%	(512)
NET CASH FROM/(USED) OPERATING ACTIVITIES		**47,181**	**22,849**	**27,319**	**12,151**	**46,376**	**20,489**	**(25,886)**	**-126%**	**27,319**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Payments										
Capital assets		(768)	(16,567)	(18,168)	–	2,497	(13,626)	(16,123)	118%	(18,168)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(768)**	**(16,567)**	**(18,168)**	**–**	**2,497**	**(13,626)**	**(16,123)**	**118%**	**(18,168)**
NET INCREASE/ (DECREASE) IN CASH HELD		**46,413**	**6,282**	**9,151**	**12,151**	**48,872**	**6,863**			**9,151**
Cash/cash equivalents at beginning:		–	(4,810)	(4,810)		(2,573)	(4,810)			(2,573)
Cash/cash equivalents at month/year end:		46,413	1,473	4,342		46,300	2,054			6,579

5.3 Expenditure

Through the year, all expenditure items show a negative variance, which indicate a saving on that specific expenditure item.

Salaries paid to employees (excluding councilors) represent 7% of the actual expenditure amount for the third quarters. The following table summarizes the overall financial position on the operating budget in relation to the Municipality's approved budget for the 2022/23 financial year. The budget can be regarded as the operational detailed plan approved by the Council for the execution of KPA's in terms of SDBIP. The following challenges had been addressed in the budget for 2022/23:

(i) low revenue collected for service charges;
(ii) tariff increases not in line with market related inflation rates, but in line with National Poverty Relief Policy;
(iii) inability of the municipality to raise loans for capital projects; and
(iv) Compromising of repairs and maintenance.

TABLE 3: STATEMENT OF INCOME AND EXPENDITURE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -

Description	Ref	2021/22	Budget Year 2022/23							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue By Source										
Property rates		5,147	10,648	10,648	35	6,003	7,986	(1,983)	-25%	10,648
Service charges - water revenue		3,933	8,648	8,648	272	2,627	6,486	(3,859)	-59%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	198	1,847	2,075	(228)	-11%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	277	2,586	2,368	218	9%	3,157
Rental of facilities and equipment		206	1,735	1,735	25	107	1,301	(1,194)	-92%	1,735
Interest earned - external investments		59	515	515	–	7	386	(379)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	569	3,829	4,388	(559)	-13%	5,850
Fines, penalties and forfeits		–	300	300	–	–	225	(225)	-100%	300
Licences and permits		2	55	55	–	0	41	(41)	-100%	55
Agency services		185	472	472	–	11	354	(343)	-97%	472
Transfers and subsidies		32,137	38,270	38,270	7,945	33,950	28,702	5,247	18%	38,270
Other revenue		441	977	1,326	64	718	994	(277)	-28%	1,326
Gains		228	440	2,702	19	232	2,026	(1,794)	-89%	2,702
Total Revenue (excluding capital transfers and contributions)		**55,142**	**73,833**	**76,444**	**9,402**	**51,916**	**57,333**	**(5,416)**	**-9%**	**76,444**
Expenditure By Type	-									
Employee related costs		29,686	33,418	32,167	2,579	23,116	24,124	(1,008)	-4%	32,167
Remuneration of councillors		3,795	4,634	4,634	362	3,213	3,476	(263)	-8%	4,634
Debt impairment		12,015	12,085	12,085	–	–	9,063	(9,063)	-100%	12,085
Depreciation & asset impairment		5,359	9,088	9,088	–	–	6,816	(6,816)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Inventory consumed		2,230	1,340	1,845	195	1,324	1,384	(59)	-4%	1,845
Contracted services		2,501	3,748	4,610	399	910	3,457	(2,547)	-74%	4,610

Transfers and subsidies	(1,061)	1,112	1,112	59	486	834	(348)	-42%	1,112
Other expenditure	8,897	7,622	9,310	93	2,816	6,982	(4,166)	-60%	9,310
Losses	–	–	–	–	–	–	–		–
Total Expenditure	**65,395**	**73,047**	**74,850**	**3,687**	**31,866**	**56,136**	**(24,270)**	**-43%**	**74,850**
Surplus/(Deficit)	**(10,253)**	**786**	**1,594**	**5,715**	**20,050**	**1,197**	**18,853**	**0**	**1,594**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	6,648	16,567	16,567	2,500	13,316	12,425	891	**0**	16,567
Surplus/(Deficit) after capital transfers & contributions	**(3,605)**	**17,353**	**18,161**	**8,215**	**33,367**	**13,622**			**18,161**
Surplus/(Deficit) after taxation	**(3,605)**	**17,353**	**18,161**	**8,215**	**33,367**	**13,622**			**18,161**
Surplus/(Deficit) attributable to municipality	**(3,605)**	**17,353**	**18,161**	**8,215**	**33,367**	**13,622**			**18,161**
Surplus/ (Deficit) for the year	**(3,605)**	**17,353**	**18,161**	**8,215**	**33,367**	**13,622**			**18,161**

The above figures are explained in more detail throughout the report.

5.4 Operating Income

The annual budget is approved for "Total Revenue by Source" The year-to-date reflects an achievement of 9% against the planned revenue.

The actual operating income for each department is below the anticipated budgeted income for the period of reporting, accept for sewerage and sanitation. The income reflected in this schedules is accrued of levied income against the line with the A-schedule for the quarter under review. Total income on the planned A-schedules for the period under review was in line for the quarter, which include grants, rate payers income and service levies.

The following revenue sources did not show any positive growth in line with the projections in the SDBIP for the third quarter:

Description	Percentage
Service charges: Water	59%
Service charges: Sanitation	11%
Service charges: Refuse	9%
Property Rates	25%
Grants	80%

As can be seen from the above table, the year to date income was R 51,916 million for levies and grants, excluding capital grants.
The income on property rates are levied at the beginning of the period as well as on a monthly basis. No changes in the registered properties had been taken into account, because of the delay in the completion of the valuation roll for 2022,

- MIG allocation to an amount of R 11.5 million was received for the third quarter of the financial year 2022/2023. For the third quarter an amount of R 8.2 million was spend to date.

Item	Budgeted	Received	% Received
Equitable Share	33,197,000.00	28,499,000.00	100%
EPWP	1,073,000.00	1,073,000.00	100%
FMG	3,000,000.00	3,000,000.00	100%

TABLE 4: REVENUE BY SOURCE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -

Description R thousands	Ref	2021/22 Audited Outcome	Budget Year 2022/23 Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue By Source										
Property rates		5,147	10,648	10,648	35	6,003	7,986	(1,983)	-25%	10,648
Service charges - electricity revenue		–	–	–	–	–	–	–		–
Service charges - water revenue		3,933	8,648	8,648	272	2,627	6,486	(3,859)	-59%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	198	1,847	2,075	(228)	-11%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	277	2,586	2,368	218	9%	3,157
Rental of facilities and equipment		206	1,735	1,735	25	107	1,301	(1,194)	-92%	1,735
Interest earned - external investments		59	515	515	–	7	386	(379)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	569	3,829	4,388	(559)	-13%	5,850
Dividends received		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	300	300	–	–	225	(225)	-100%	300
Licences and permits		2	55	55	–	0	41	(41)	-100%	55
Agency services		185	472	472	–	11	354	(343)	-97%	472
Transfers and subsidies		32,137	38,270	38,270	7,945	33,950	28,702	5,247	18%	38,270
Other revenue		441	977	1,326	64	718	994	(277)	-28%	1,326
Gains		228	440	2,702	19	232	2,026	(1,794)	-89%	2,702
Total Revenue (excluding capital transfers and contributions)		**55,142**	**73,833**	**76,444**	**9,402**	**51,916**	**57,333**	**(5,416)**	**-9%**	**76,444**

5.5 Capital Expenditure

The actual capital expenditure is 62% for the third quarters and is less than expected for the financial year.

TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

NC084 !Kheis - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) -

Vote Description R thousands	Ref 1	2021/22 Audited Outcome	Budget Year 2022/23 Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Multi-Year expenditure appropriation	2									
Vote 5 - TECHNICAL SERVICES		(33)	16,567	11,988	–	5,191	8,991	(3,800)	-42%	11,988
Total Capital Multi-year expenditure	4,7	**(33)**	**16,567**	**11,988**	**–**	**5,191**	**8,991**	**(3,800)**	**-42%**	**11,988**
Single Year expenditure appropriation	2									
Vote 5 - TECHNICAL SERVICES		7,847	–	6,180	–	–	4,635	(4,635)	-100%	6,180
Total Capital single-year expenditure	4	7,847	–	6,180	–	–	4,635	**(4,635)**	**-100%**	6,180

Description	Ref	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Total Capital Expenditure	3	7,814	16,567	18,168	–	5,191	13,626	(8,435)	-62%	18,168
Capital Expenditure - Functional Classification										
Governance and administration		–	–	–	–	–	–	–		–
Community and public safety		–	–	1,180	–	–	885	(885)	-100%	1,180
Sport and recreation		–	–	1,180	–	–	885	(885)	-100%	1,180
Economic and environmental services		(424)	–	421	–	–	316	(316)	-100%	421
Road transport		(424)	–	421	–	–	316	(316)	-100%	421
Trading services		8,238	16,567	16,567	–	5,191	12,425	(7,235)	-58%	16,567
Water management		–	5,000	5,000	–	–	3,750	(3,750)	-100%	5,000
Waste management		8,238	11,567	11,567	–	5,191	8,675	(3,485)	-40%	11,567
Other		–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	3	7,814	16,567	18,168	–	5,191	13,626	(8,435)	-62%	18,168
Funded by:										
National Government		8,238	16,567	16,567	–	5,191	12,425	(7,235)	-58%	16,567
Provincial Government		(774)	–	–	–	–	–	–		–
Transfers recognised - capital		7,463	16,567	16,567	–	5,191	12,425	(7,235)	-58%	16,567
Internally generated funds		–	–	1,601	–	–	1,201	(1,201)	-100%	1,601
Total Capital Funding		7,463	16,567	18,168	–	5,191	13,626	(8,435)	-62%	18,168

5.6 Operating Expenditure

The following table shows the actual operating expenditure for each source code against that planned SDBIP for the year to date of 2022/23 financial year.

TABLE 6: OPERATING EXPENDITURE BY SOURCE

Description	Ref	2021/22	Budget Year 2022/23							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Expenditure By Type	-									
Employee related costs		29,686	33,418	32,167	2,579	23,116	24,124	(1,008)	-4%	32,167
Remuneration of councillors		3,795	4,634	4,634	362	3,213	3,476	(263)	-8%	4,634
Debt impairment		12,015	12,085	12,085	–	–	9,063	(9,063)	-100%	12,085
Depreciation & asset impairment		5,359	9,088	9,088	–	–	6,816	(6,816)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Inventory consumed		2,230	1,340	1,845	195	1,324	1,384	(59)	-4%	1,845
Contracted services		2,501	3,748	4,610	399	910	3,457	(2,547)	-74%	4,610
Transfers and subsidies		(1,061)	1,112	1,112	59	486	834	(348)	-42%	1,112
Other expenditure		8,897	7,622	9,310	93	2,816	6,982	(4,166)	-60%	9,310
Total Expenditure		**65,395**	**73,047**	**74,850**	**3,687**	**31,866**	**56,136**	**(24,270)**	**-43%**	**74,850**

Expenditure by type is way out of line in terms of SA 30 of the adopted A-Schedules budget for 2022/23. The contributing factor is the slow collection rate and cash flow challenges that the municipality had been facing over the past three financial years. The municipality did not spend any money on depreciation and assets impairment, because the system is running an update at the end of the financial year. In terms of transfers and grants, the municipality has a low expenditure rate because of low indigent registration. Finance department is currently busy with the registration of indigents in the respective wards.

5.7 Personnel Expenses

In terms of Section 66 of the MFMA, all expenditure that the Municipality incurred on staff salaries, wages, allowances and benefits must be reported to the Council.

The following table indicates the personnel expenses per Department

TABLE 7: PERSONNEL EXPENDITURE PER DEPARTMENT

NC084 !Kheis - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) -

Vote Description R thousands	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Expenditure by Vote	1									
Vote 1 - MUNICIPAL MANAGER		1,714	2,710	1,369	84	773	1,027	(254)	-24.7%	1,369
Vote 2 - CORPORATE SERVICE		5,407	6,560	7,893	760	3,816	5,919	(2,104)	-35.5%	7,893
Vote 3 - FINANCIAL MANAGEMENT SERVICES		24,150	26,714	26,871	738	7,446	20,153	(12,707)	-63.1%	26,871
Vote 4 - COMMUNITY SERVICES		9,272	5,057	5,000	436	4,260	3,750	510	13.6%	5,000
Vote 5 - TECHNICAL SERVICES		17,679	23,236	25,058	1,256	11,718	18,793	(7,075)	-37.6%	25,058
Vote 6 - EXECUTIVE AND COUNCIL		6,559	7,886	7,773	368	3,395	5,830	(2,435)	-41.8%	7,773
Vote 7 - STRATEGIC PLANNING		613	884	885	47	458	664	(206)	-31.0%	885
Total Expenditure by Vote	2	**65,395**	**73,047**	**74,850**	**3,687**	**31,866**	**56,136**	**(24,270)**	**-43.2%**	**74,850**
Surplus/ (Deficit) for the year	2	**(3,605)**	**17,353**	**18,161**	**8,215**	**33,367**	**13,622**	**19,744**	**144.9%**	**18,161**

In order to measure the actual expenditure against the annual budget it must be in line with the projected expenditure for the quarter in review. This third quarter forecast is based on projected expenditure in accordance with the SA 26 of the A-schedules for the full financial year.

5.8 Debtors age analysis

The debtors by income source outstanding on 31 March 2023 were R 125 million. The challenge on the collection of outstanding debtors remains one of the main concerns for the municipality. The valuation roll had been reconciled with the age analysis to determine the existence of services rendered to property owners. A property rates register was compiled for better verification of registered properties with the deeds office in the beginning of the financial year. An updated reconciliation between the valuation roll and the SAMRAS system had been performed to determine the correctness and completeness of the valuation roll. All income policy's has been reviewed.

The following issues will be addressed that will contribute towards the increase in the revenue collection for property rates:

- Valuation certificates: will be issued once every property had been add onto the valuation roll;
- The issue of clearance certificates contribute greatly towards the income, because transfer of property depends on the issue of a property clearance certificate; and
- Incorrect client data on the SAMRAS system had been corrected with the financial system.
- Revenue enhancement strategy and all revenue related policy's must be reviewed and communicated with council and public.
- Provincial Treasury assisted the municipality relating to market related tariffs.

Variance and exception reports on all debtors' control accounts are monthly reviewed and followed up by the assistant accountant income. Journals are regularly processed to individual's debtor's accounts to correct any error that might result from the exception report.

TABLE 8: DEBTORS AGE ANALYSIS BY DAYS

un	Item	Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total -
C084	1100	Debtors Age Analysis By Income Source									
	1200	Trade and Other Receivables from Exchange Transactions - Water	540,862	285,169	292,460	286,752	297,965	345,456	2,071,986	23,147,140	27,267,791
	1400	Receivables from Non-exchange Transactions - Property Rates	-2,469,183	35,063	44,653	35063	34,887	35.115	5,856,374	15,082,395	18,654,367
	1500	Receivables from Exchange Transactions - Waste Water Management	427,321	221,985	220,894	220,571	221,048	225,839	1,528,208	13,667,105	16,732,970
	1600	Receivables from Exchange Transactions - Waste Management	616,925	307,867	304,369	303,484	303,703	312,337	2,108,890	19,833,528	24,091,104
	1810	Interest on Arrear Debtor Accounts	6209	12,090	22,495	23,896	29,964	38,437	414,461	26,477,158	27,024,711
	1900	Other	-1,025,026	56,547	56,547	49,688	41,795	39,261	231,222	11,897,205	11,347,238
	2000	Total By Income Source	-1,902,891	918,722	941,417	919,454	929,362	996,445	12,211,141	110,104,532	125,118,180
	2200	Organs of State	617	312	316	316	319	321	136,850	399,150	538,200
	2300	Commercial	-179895	64,692	65,356	67,667	56,567	76,103	1,609,871	6,450,976	8,211,337
	2400	Households	655,386	361,699	376,755	364,178	405,110	389,185	3,716,712	40,733,780	47,002,805
	2500	Other	-2,378,999	492,020	498,989	487,293	467,366	530,837	6,747,708	62,520,626	69,365,838
	2600	Total By Customer Group	-1,902,891	918,722	941,417	919,454	929,362	996,445	12,211,141	110,104,532	125,118,180

TABLE 9: DEBTORS RECONCILIATION ON 31 March 2023

Explanation of Differences in reconciliations:

- Unallocated: The unallocated amount represents credit balances for payments made by debtors. The SAMRAS system is supposed to credit the debtors' accounts when the monthly levies are processed, but these balances had been growing since 1 July 2015. All reconciliation balances are

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DEBTORS RECONCILIATION FOR MARCH 2023

	OPENING BALANCE - JULY 2022	MOVEMENT	CLOSING BALANCE - MARCH 2023	AGE ANALYSIS	DIFFERENCE
BELASTING/RATES	R 13,859,253.69	R 3,972,560.08	R 17,831,813.77	R 18,705,435.32	R -873,621.55
GRONDVERKOPE/VOORSKOTTE/HUUR	R 4,212.69	R 0.00	R 4,212.69	R 0.00	R 4,212.69
WATER	R 29,507,868.44	R 3,536,185.90	R 33,044,054.34	R 32,589,941.12	R 454,113.22
DIVERSE/SUNDRY SERVICES	R 1,861,240.93	R 0.00	R 1,861,240.93	R 884,361.60	R 976,879.33
VULLIS/REFUSE	R 26,011,158.07	R 3,493,385.73	R 29,504,543.80	R 28,192,517.02	R 1,312,026.78
RIOOL/SEWER	R 17,752,317.35	R 2,521,616.18	R 20,273,933.53	R 19,528,759.96	R 745,173.57
ONGEALLOKEER/UNALLOCATED	R 1,537,878.58	R 86,259.01	R 1,624,137.59	R - 1,295,258.72	R 2,919,396.31
OU SKULD/OLD DEBT	R 510,333.41	R 0.00	R 510,333.41	R 13,648,289.02	R - 13,137,955.61
ADMIN	R 3,271,822.73	R 151,427.67	R 3,423,250.40	R 3,438,520.66	R -15,270.26
DEERNIS/MASAKANE/ARMLASTIG	R 82,591.96	R 58,744.80	R 141,336.76	R 148,399.94	R -7,063.18
BTW/VAT	R 15,164,409.34	R 1,005,202.96	R 16,169,612.30	R 9,094,079.67	R 7,075,532.63
	R 109,563,087.19	R 14,825,382.33	R 124,388,469.52	R 124,935,045.59	R -546,576.07
	TRUE		R 124,388,469.52		
			R 0.00	BS-Q345K	

BELASTING/RATES	R 18,705,435.32
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0.00
WATER	R 32,589,941.12
DIVERSE/SUNDRY SERVICES	R 884,361.60
VULLIS/REFUSE	R 28,192,517.02
RIOOL/SEWER	R 19,528,759.96
ONGEALLOKEER/UNALLOCATED	R - 1,295,258.72
OU SKULD/OLD DEBT	R 13,648,289.02

ADMIN	R 3,438,520.66
DEERNIS/MASAKANE/ARMLASTIG	R 148,399.94
BTW/VAT	R 9,094,079.67
	R 124,935,045.59

Age Analysis	R 124,935,045.59
GL	R 124,388,469.52
Diff	R -546,576.07
Journals after Year end	
Nett difference	R -546,576.07

PREPARED BY: W OOR — 31/03/2023 DATE

CHECKED BY: W. WEILBACH — 31/03/2023 DATE

APPROVED BY: D. BLOCK — 31/03/2023 DATE

- cleared at the end of the financial year.
- Masakhane: The subsidy for indigents on the income and expenditure vote had been processed to the various indigent accounts on a monthly basis. The third leg of the transaction is being processed to the control account which results in the clearing of the suspense account.
- VAT: The result of the two control accounts that do not square contribute to the balance of the VAT account that does not reconcile with the age analysis.

5.9 Conditional Grants and Subsidies

The Municipality did not received all payments from the State in terms of the annual Division of Revenue Act.

Description of Grant	Budget	Receipts	Difference
Operating Grants: Equitable Shares	33,197,000.00	28,499,000.00	4,698,000.00
Capital Grants	16 567,000.00	16,567,000.00	0.00

Only R 49,764,000.00 of the budgeted amount of R 54,837,000.00 had been received at the end of the third quarter. However, this amount is less than the budgeted figure. The amounts can be attributed to an amount of R 7.2 million that had been deducted from the equitable shares.

The municipality is striving to ensure that all investment accounts are properly managed. The income accountant will ensure that all grants received be immediately transfer to the various investment accounts. When payment is being made, the accountant expenditure should make sure that the correct amount is being transferred to make payments on projects.

TABLE 10: CONDITIONAL GRANTS AND SUBSIDIES

NC084 !Kheis - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts -

Description	Ref	2021/22	Budget Year 2022/23							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
RECEIPTS:	1,2									
-										
Operating Transfers and Grants										
National Government:		–	**4,073**	**4,073**	–	–	**3,055**	**(3,055)**	**-100.0%**	**4,073**
Operational Revenue:General Revenue:Equitable Share		–	–	–	–	–	–	–		–
Operational:Revenue:General Revenue:Fuel Levy	3	–	–	–	–	–	–	–		–
Energy Efficiency and Demand-side [Schedule 5B]		–	–	–	–	–	–	–		–
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		–	1,073	1,073	–	–	805	(805)	-100.0%	1,073
Local Government Financial Management Grant [Schedule 5B]		–	3,000	3,000	–	–	2,250	(2,250)	-100.0%	3,000
Municipal Rehabilitation Grant		–	–	–	–	–	–	–		–
Integrated Urban Development Grant		–	–	–	–	–	–	–		–
Provincial Government:		–	**1,000**	**1,000**	–	–	**750**	**(750)**	**-100.0%**	**1,000**
Specify (Add grant description)		–	1,000	1,000	–	–	750	(750)	-100.0%	1,000
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Operating Transfers and Grants	5	–	**5,073**	**5,073**	–	–	**3,805**	**(3,805)**	**-100.0%**	**5,073**
Capital Transfers and Grants										
National Government:		–	**16,567**	**16,567**	–	–	**12,425**	**(12,425)**	**-100.0%**	**16,567**
Municipal Infrastructure Grant [Schedule 5B]		–	11,567	11,567	–	–	8,675	(8,675)	-100.0%	11,567
Water Services Infrastructure Grant [Schedule 5B]		–	5,000	5,000	–	–	3,750	(3,750)	-100.0%	5,000
Provincial Government:		–	–	–	–	–	–	–		–
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Capital Transfers and Grants	5	–	**16,567**	**16,567**	–	–	**12,425**	**(12,425)**	**-100.0%**	**16,567**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	–	21,640	21,640	–	–	16,230	(16,230)	-100.0%	21,640

5.10 Age Creditors

TABLE 11: CREDITORS AGE ANALYSIS

CREDITORS AGE ANALYSIS FOR MARCH 2023											
Detail	Current	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total -
Bulk Electricity	-	-	-	-	-	-	-	-	-	-
Bulk Water	208,632.31	206,067	203,533	201,030	6,108,049	-	-			6,927,311
PAYE deductions	413,129	-	-	-	-	-	-	-	-	413,129
VAT (output less input)	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	384,717	-	-	-	-	-	-	-	-	384,717
Loan repayments	-	-	-	-	-	-	-	-	-	-
Trade Creditors	95,567.16	190,343	268,956	299,003	311,002	252,140	785,123	14,369,655		16,571,788
Auditor General	78,762.71	71,616	96,830	665,361	1,213,643	5,961,469	-	-	-	8,087,681
Other	159,121.45	-	-	1,001	-	11,627	-	-	10,626	182,375
Total	**1,339,929.87**	**468,026**	**569,319**	**1,166,394**	**7,632,695**	**6,225,235**	**785,123**	**14,369,655**	**10,626**	**32,567,002**

The outstanding creditors as on 31 March 2023 amounts up to R 32,567,002.00 However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors of R29,392,233.00. The municipality is striving to pay all creditors within 30 days, as being required by the MFMA, but because of the slow debtors collection, the municipality has to rely 75% on grants for commitments. The outstanding amount of the Auditor General and the practical implementation of the Audit Act remains the biggest challenge for the municipality.

5.11 Borrowings

The municipality does not have any borrowings.

6. CONCLUSION

Even though the actual expenditure against estimates based on the third quarter is tail far from the targets set during the budget process, actual figures show that the municipality is in a serious financial battle. The actual recovery on billings against estimates is a serious concern. Provincial Treasury conducted various trainings on the MMC and FMCMM programmes through various University and National Treasury. Treasury is also offering continuous guidance on the crucial data strings, section 71 and C-schedule reports.

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MAYOR'S QUALITY CERTIFICATION

I, Rolf V Christie, Mayor of !Kheis Municipality, hereby certify that:

	quarterly report on the implementation of the budget and financial state of affairs of the municipality
	monthly budget statement
	mid-year budget and performance assessment

For the third quarter ended 31 March 2023 of the 2022/2023 has been prepared in accordance with the Local Government: Municipal Finance Management Act and regulations made under the Act.

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Cllr RV Christie
Mayor of !Kheis Municipality [NC084]

31 March 2023