Quarterly report on Budget implementation

!Kheis
Munisipaliteit
Municipality

Period ending 30 September 2022

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

Quarterly report on budget implementation for the period ending 30 September 2022

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 first 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. F. van ECK (Acting Municipal Manager)

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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 2022/23 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 July 2022 to 30 September 2022 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. 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 September 2022. The figures and information in this report is from 01 July 2022 - 30 September 2022.

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 July 2022 - 30 September 2022) reflects an achievement of 49%. This is an decreased in relation to the similar period of the previous financial year. Not with standing 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: cost reflective payments 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 first quarter is R 9,774 million or (46%) and there was no capital expenditure for the first quarter which constitute an overall amount of R 3,359 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 first quarter is R 3.3 million.

4.4. Performance indicator

The performance indicators for the first 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 first quarter with a negative cash book balance. Cash and cash equivalents amounted to a negative in the cash flow of the municipality at 30 September 2022. 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, WSIG 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 income codes from NT on the system needs intervention, because it need 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 first 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 first 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 positive balance of R 1,380.00 on 01 July 2022 and closed with a positive balance of R 34,090.00 on 30 September 2022. The balances for the conditional grants do not form part of the operating account of the municipality. These balances are disclosed as a portion of investments for the quarter ended.

The cashbook balance was R 988,142.00 on 30 September 2022. The outstanding creditors as on 30 September 2022 amount to R 50,375,000.00. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 48,443,000.00 as at the 30 September 2022.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/07/2022	1,381	100,543	- 99,162
30/09/2022	34,090	988,142	-954,052

5.2 Cash flow

The municipality started the quarter with a positive cash book balance. However, this amount had been influenced by an amount of R 42,857 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 - M03 September

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	6,544	–	–	1,636	(1,636)	-100%	6,544
Service charges		1,537	7,445	7,445	209	379	1,861	(1,482)	-80%	7,445
Other revenue		924	3,576	3,576	29	2,825	894	1,931	216%	3,576
Transfers and Subsidies - Operational		24,638	38,270	38,270	435	13,650	9,567	4,082	43%	38,270
Transfers and Subsidies - Capital		9,077	16,567	16,567	–	3,359	4,142	(782)	-19%	16,567
Interest		14	658	658	0	2	165	(163)	-99%	658
Payments										
Suppliers and employees		6,493	(49,698)	(49,698)	4,612	10,180	(12,425)	(22,604)	182%	(49,698)
Transfers and Grants		–	(512)	(512)	–	–	(128)	(128)	100%	(512)
NET CASH FROM/(USED) OPERATING ACTIVITIES		47,146	22,849	22,849	5,285	30,395	5,712	(24,682)	-432%	22,849
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Decrease (increase) in non-current receivables	-	–	(1,938)	(1,938)	–	–	(1,938)	1,938	-100%	(1,938)
Payments										
Capital assets		(768)	(16,567)	(16,567)	1,532	2,497	(4,142)	(6,638)	160%	(16,567)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(768)	(18,505)	(18,505)	1,532	2,497	(6,080)	(8,577)	141%	(18,505)
CASH FLOWS FROM FINANCING ACTIVITIES										

Receipts										
Increase (decrease) in consumer deposits		–	98	98	–	–	98	(98)	-100%	98
Payments										
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	98	98	–	–	98	98	100%	98
NET INCREASE/ (DECREASE) IN CASH HELD		46,378	4,443	4,443	6,817	32,891	(269)			4,443
Cash/cash equivalents at beginning:		–	(4,810)	(4,810)		–	(4,810)			–
Cash/cash equivalents at month/year end:		46,378	(367)	(367)		32,891	(5,079)			4,443

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 5% of the actual expenditure amount for the first 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.

TABLE 3: STATEMENT OF INCOME AND EXPENDITURE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September

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	6,742	2,662	4,080	153%	10,648
Service charges - water revenue		3,933	8,648	8,648	360	781	2,162	(1,381)	-64%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	426	655	692	(37)	-5%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	604	923	789	134	17%	3,157
Rental of facilities and equipment		206	1,735	1,735	15	30	434	(403)	-93%	1,735
Interest earned - external investments		59	515	515	0	3	129	(126)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	538	1,854	1,463	392	27%	5,850
Fines, penalties and forfeits		–	300	300	–	–	75	(75)	-100%	300
Licences and permits		2	55	55	0	0	14	(14)	-99%	55
Agency services		185	472	472	–	11	118	(107)	-91%	472
Transfers and subsidies		32,137	38,270	38,270	3,013	16,235	9,567	6,667	70%	38,270
Other revenue		441	977	977	25	120	244	(124)	-51%	977
Gains		228	440	440	(2,591)	97	110	(13)	-12%	440
Total Revenue (excluding capital transfers and contributions)		55,142	73,833	73,833	2,425	27,450	18,458	8,992	49%	73,833
Expenditure By Type	-									
Employee related costs		29,686	33,418	33,418	5,218	7,897	8,354	(457)	-5%	33,418

Remuneration of councillors		3,795	4,634	4,634	717	1,078	1,159	(81)	-7%	4,634
Debt impairment		12,015	12,085	12,085	–	–	3,021	(3,021)	-100%	12,085
Depreciation & asset impairment		5,009	9,088	9,088	–	–	2,272	(2,272)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Inventory consumed		2,180	1,340	1,340	2	18	335	(317)	-95%	1,340
Contracted services		2,501	3,748	3,748	(214)	(184)	937	(1,121)	-120%	3,748
Transfers and subsidies		(1,061)	1,112	1,112	–	138	278	(140)	-50%	1,112
Other expenditure		8,897	7,622	7,622	292	827	1,905	(1,078)	-57%	7,622
Losses		–	–	–	–	–	–	–		–
Total Expenditure		64,995	73,047	73,047	6,014	9,774	18,261	(8,487)	-46%	73,047
Surplus/(Deficit)		(9,853)	786	786	(3,589)	17,676	197	17,479	0	786
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		6,648	16,567	16,567	–	3,359	4,142	(782)	(0)	16,567
Surplus/(Deficit) after capital transfers & contributions		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/(Deficit) after taxation		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/(Deficit) attributable to municipality		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/ (Deficit) for the year		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353

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 49% 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 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	67%
Service charges: Sanitation	5%
Service charges: Refuse	17%
Property Rates	153%
Operational Grants	70%

As can be seen from the above table, the year to date income was R 25 million for levies and 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 3 million was received for the first quarter of the financial year 2022/2023. For the first quarter an amount of R 3.5 million was spend to date.

Item	Budgeted	Received	% Received
Equitable Share	33,197,000.00	12,946,000.00	38%
EPWP	1,073,000.00	269,000.00	25%
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) - M03 September

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	6,742	2,662	4,080	153%	10,648
Service charges - water revenue		3,933	8,648	8,648	360	781	2,162	(1,381)	-64%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	426	655	692	(37)	-5%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	604	923	789	134	17%	3,157
Rental of facilities and equipment		206	1,735	1,735	15	30	434	(403)	-93%	1,735
Interest earned - external investments		59	515	515	0	3	129	(126)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	638	1,854	1,463	392	27%	5,850
Fines, penalties and forfeits		–	300	300	–	–	75	(75)	-100%	300
Licences and permits		2	55	55	0	0	14	(14)	-99%	55
Agency services		185	472	472	–	11	118	(107)	-91%	472
Transfers and subsidies		32,137	38,270	38,270	3,013	16,235	9,567	6,667	70%	38,270
Other revenue		441	977	977	25	120	244	(124)	-51%	977
Gains		228	440	440	(2,591)	97	110	(13)	-12%	440
Total Revenue (excluding capital transfers and contributions)		55,142	73,833	73,833	2,425	27,450	18,458	8,992	49%	73,833

5.5 Capital Expenditure

The actual capital expenditure is 29% for the first 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) - M03 September

Vote Description	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
R thousands	1								%	
Multi-Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–		–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Vote 5 - TECHNICAL SERVICES		(33)	16,567	16,567	(976)	3,051	4,142	(1,091)	-26%	16,567
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Total Capital Multi-year expenditure	4,7	(33)	16,567	16,567	(976)	3,051	4,142	(1,091)	-26%	16,567
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–		–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Vote 5 - TECHNICAL SERVICES		7,847	–	–	–	–	–	–		–
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Total Capital single-year expenditure	4	7,847	–	–	–	–	–	–		–
Total Capital Expenditure	3	7,814	16,567	16,567	(976)	3,051	4,142	(1,091)	-26%	16,567
Capital Expenditure - Functional Classification										
Governance and administration		–	–	–	–	–	–	–		–
Executive and council		–	–	–	–	–	–	–		–
Finance and administration		–	–	–	–	–	–	–		–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	–	–	–	–	–	–		–
Community and social services		–	–	–	–	–	–	–		–
Sport and recreation		–	–	–	–	–	–	–		–
Economic and environmental services		(424)	–	–	–	–	–	–		–
Road transport		(424)	–	–	–	–	–	–		–
Trading services		8,238	16,567	16,567	(488)	1,526	4,142	(2,616)	-63%	16,567
Energy sources		–	–	–	–	–	–	–		–
Water management		–	5,000	5,000	–	–	1,250	(1,250)	-100%	5,000
Waste management		8,238	11,567	11,567	(488)	1,526	2,892	(1,366)	-47%	11,567
Other		–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	3	7,814	16,567	16,567	(488)	1,526	4,142	(2,616)	-63%	16,567
Funded by:										
National Government		8,238	16,567	16,567	(488)	1,526	4,142	(2,616)	-63%	16,567
Provincial Government		(774)	–	–	–	–	–	–		–

Transfers recognised - capital		7,463	16,567	16,567	(488)	1,526	4,142	(2,616)	-63%	16,567
Public contributions & donations	5	–	–	–	–	–	–	–		–
Total Capital Funding		7,463	16,567	16,567	(488)	1,526	4,142	(2,616)	-63%	16,567

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

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M03 September

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	33,418	5,218	7,897	8,354	(457)	-5%	33,418
Remuneration of councillors		3,795	4,634	4,634	717	1,078	1,159	(81)	-7%	4,634
Debt impairment		12,015	12,085	12,085	–	–	3,021	(3,021)	-100%	12,085
Depreciation & asset impairment		5,009	9,088	9,088	–	–	2,272	(2,272)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Inventory consumed		2,180	1,340	1,340	2	18	335	(317)	-95%	1,340
Contracted services		2,501	3,748	3,748	(214)	(184)	937	(1,121)	-120%	3,748
Transfers and subsidies		(1,061)	1,112	1,112	–	138	278	(140)	-50%	1,112
Other expenditure		8,897	7,622	7,622	292	827	1,905	(1,078)	-57%	7,622
Total Expenditure		64,995	73,047	73,047	6,014	9,774	18,261	(8,487)	-46%	73,047
Surplus/(Deficit)		(9,853)	786	786	(3,589)	17,676	197	17,479	0	786
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		6,648	16,567	16,567	–	3,359	4,142	(782)	(0)	16,567
Surplus/(Deficit) after capital transfers & contributions		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/(Deficit) after taxation		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/(Deficit) attributable to municipality		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353
Surplus/ (Deficit) for the year		(3,205)	17,353	17,353	(3,589)	21,036	4,339			17,353

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) - M03 September

Vote 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 Vote	1									
Vote 1 - MUNICIPAL MANAGER		1,714	2,710	2,710	181	278	677	(400)	-59.0%	2,710
Vote 2 - CORPORATE SERVICE		5,407	6,560	6,560	685	1,141	1,640	(499)	-30.4%	6,560
Vote 3 - FINANCIAL MANAGEMENT SERVICES		24,150	26,714	26,714	1,861	2,816	6,678	(3,862)	-57.8%	26,714
Vote 4 - COMMUNITY SERVICES		9,272	5,057	5,057	715	1,297	1,264	32	2.6%	5,057
Vote 5 - TECHNICAL SERVICES		17,280	23,236	23,236	1,689	2,930	5,809	(2,879)	-49.6%	23,236
Vote 6 - EXECUTIVE AND COUNCIL		6,559	7,886	7,886	789	1,172	1,972	(800)	-40.6%	7,886
Vote 7 - STRATEGIC PLANNING		613	884	884	94	141	221	(80)	-36.1%	884
Total Expenditure by Vote	2	64,995	73,047	73,047	6,014	9,774	18,261	(8,487)	-46.5%	73,047
Surplus/ (Deficit) for the year	2	(3,205)	17,353	17,353	(3,589)	21,036	4,339	16,697	384.8%	17,353

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 first 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 30 September 2022 were R 118,750,162.00. 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

Mun	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 -
NC084	1100	Debtors Age Analysis By Income Source									
	1400	Receivables from Non-exchange Transactions - Property Rates	-804,144	4,552801	3,45494	141,273	88,617	80,761	282,506	15,900707	20,588,015
	1500	Receivables from Exchange Transactions - Waste Water Management	457,340	248,555	255,451	251,339	252,224	280,555	1,479,268	12,205,313	15,430,046
	1600	Receivables from Exchange Transactions - Waste Management	662,117	352,263	350,973	343,989	343,369	393,601	2,058,513	17,813,231	22,318,056
	1810	Interest on Arraar Debtor Accounts	7,041	14,055	39,268	28,781	33,732	45,329	373,651	23,175,513	23,717,349
	1900	Other	-996,898	51,954	35,995	31,3960	31,398	58,360	76,921	11,820,293	11,109,438
	2000	Total By Income Source	-55,342	5,549,154	1,385,144	1,171,934	1,082,362	1,221,311	6,399,453	101,996,144	118,750,162
	2200	Organs of State	31,718	50,792	300	51,170	304	352	1,206	428,996	564,837
	2300	Commercial	89,220	1,462,080	89,251	84,978	73,755	97,747	464,696	5,951,196	8,332,924
	2400	Households	996,703	794,903	554,042	491,706	497,295	556,038	3,133,254	35,269,079	42,293,018
	2500	Other	-1,172,983	3,221,379	741,552	544,081	511,009	567,177	2,800,297	60,346,872	67,559,383
	2600	Total By Customer Group	-55,342	5,549,154	1,385,144	1,171,934	1,082,362	1,221,311	6,399,453	101,996,144	118,750,162

TABLE 9: DEBTORS RECONCILIATION ON 30 September 2022

!KHEIS MUNICIPALITY
DEBTORS RECONCILIATION FOR SEPTEMBER 2022

	OPENING BALANCE - JULY 2022	MOVEMENT	CLOSING BALANCE - SEPTEMBER 2022	AGE ANALYSIS	DIFFERENCE
BELASTING/RATES	R 13,859,253.69	R 5,628,339.08	R 19,487,592.77	R 20,188,584.29	R -700,991.52
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 1,329,623.51	R 30,837,491.95	R 30,303,627.74	R 533,864.21
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 1,289,817.41	R 27,300,975.48	R 26,067,339.62	R 1,233,635.86
RIOOL/SEWER	R 17,752,317.35	R 928,153.47	R 18,680,470.82	R 18,004,553.69	R 675,917.13
ONGEALLOKEER/UNALLOCATED	R 1,537,878.58	R 119,454.39	R 1,657,332.97	R -1,085,891.26	R 2,743,224.23
OU SKULD/OLD DEBT	R 510,333.41	R 19.00	R 510,352.41	R 13,302,812.11	R -12,792,459.70
ADMIN	R 3,271,822.73	R 47,651.55	R 3,319,474.28	R 3,300,062.54	R 19,411.74
DEERNIS/MASAKANE/ARMLASTIG	R 82,591.96	R 19,581.60	R 102,173.56	R 115,763.94	R -13,590.38
BTW/VAT	R 15,164,409.34	R 351,628.28	R 15,516,037.62	R 8,544,179.51	R 6,971,858.11
	R 109,563,087.19	R 9,714,268.29	R 119,277,355.48	R 119,625,393.78	R -348,038.30
	TRUE		R 119,277,355.48		
			R 0.00	BS-Q345K	

BELASTING/RATES	R 20,188,584.29
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0.00
WATER	R 30,303,627.74
DIVERSE/SUNDRY SERVICES	R 884,361.60
VULLIS/REFUSE	R 26,067,339.62
RIOOL/SEWER	R 18,004,553.69
ONGEALLOKEER/UNALLOCATED	R -1,085,891.26
OU SKULD/OLD DEBT	R 13,302,812.11
ADMIN	R 3,300,062.54
DEERNIS/MASAKANE/ARMLASTIG	R 115,763.94
BTW/VAT	R 8,544,179.51
	R 119,625,393.78

Age Analysis	R 119,625,393.78
GL	R 119,277,355.48
Diff	R -348,038.30
Journals after Year end	
Nett difference	R -348,038.30

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 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 first 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

Only R 22,094,000.00 of the budgeted R 54,837,000.00 had been received at the end of the first quarter. The amounts can be attributed to an amount of R7.844 million that had been deducted from the equitable shares as well as a restructuring of R 2. 5 million on WSIGG expenditure.

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 - M03 September

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	–	–	1,018	(1,018)	-100.0%	4,073
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		–	1,073	1,073	–	–	268	(268)	-100.0%	1,073
Local Government Financial Management Grant [Schedule 5B]		–	3,000	3,000	–	–	750	(750)	-100.0%	3,000
Provincial Government:		–	1,000	1,000	–	–	250	(250)	-100.0%	1,000
Specify (Add grant description)		–	1,000	1,000	–	–	250	(250)	-100.0%	1,000
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Operating Transfers and Grants	5	–	5,073	5,073	–	–	1,268	(1,268)	-100.0%	5,073
Capital Transfers and Grants										
National Government:		–	16,567	16,567	–	–	4,142	(4,142)	-100.0%	16,567
Municipal Infrastructure Grant [Schedule 5B]		–	11,567	11,567	–	–	2,892	(2,892)	-100.0%	11,567
Water Services Infrastructure Grant [Schedule 5B]		–	5,000	5,000	–	–	1,250	(1,250)	-100.0%	5,000
Provincial Government:		–	–	–	–	–	–	–		–
Total Capital Transfers and Grants	5	–	16,567	16,567	–	–	4,142	(4,142)	-100.0%	16,567
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	–	21,640	21,640	–	–	5,410	(5,410)	-100.0%	21,640

5.10 Age Creditors

The outstanding creditors as on 30 September 2022 amounts up to R 58,260,000.00 However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors of R 48,443,000.00. 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.

TABLE 11: CREDITORS AGE ANALYSIS

NC084 !Kheis - Supporting Table SC4 Monthly Budget Statement - aged creditors - M03 September

Description	NT Code	Budget Year 2022/23									Prior year totals for chart (same period)
R thousands		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	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	–	–	73	151	198	116	460	143	1,140	–
Bulk Water	0200	–	–	–	119	119	119	723	1,248	2,327	–
PAYE deductions	0300	–	–	–	–	–	–	–	–	–	–
VAT (output less input)	0400	649	–	–	–	–	–	–	–	649	–
Pensions / Retirement deductions	0500	–	–	–	–	–	–	–	–	–	–
Loan repayments	0600	–	–	–	–	–	–	–	–	–	–
Trade Creditors	0700	12	23	105	372	97	43	775	1,748	3,176	–
Auditor General	0800	–	–	–	–	–	–	–	593	593	–
Other	0900	1	972	959	10	25	77	5,473	42,857	50,375	–
Total By Customer Type	1000	661	996	1,137	652	440	355	7,430	46,589	58,260	–

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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!Kheis
Munisipaliteit
Municipality

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 first quarter ended 30 September 2022 of the 2022/2023 has been prepared in accordance with the Local Government: Municipal Finance Management Act and regulations made under the Act.

Cllr RV Christie
Mayor of !Kheis Municipality [NC084]

30 September 2022