Quarterly report on Budget implementation

!Kheis
Munisipaliteit
Municipality

Period ending 31 December 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 31 December 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 second quarter of the 2021/22 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. D.Dolopi (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 December 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. 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 October 2021 - 31 December 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 October 2021 - 31 December 2022) reflects an achievement of 7%. 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 second quarter is R 36,523 million or 44% and the capital expenditure for the second quarter is R 5.5 million or 67% which constitute an overall amount of R 44,806 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 second quarter is R 5.5 million which was predominately spend on all MIG projects.

4.4. Performance indicator

The performance indicators for the second 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 second quarter with a positive cash book balance. Cash and cash equivalents amounted to a positive in the cash flow of the municipality at 31 December 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 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 positive balance of R 34,440.18 on 01 October 2021 and closed with a negative balance of R - 163.05 on 31 December 2022. 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 October 2021. The outstanding creditors as on 31 December 2022 amount to R 35,468 million. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 29,854 million as at the 31 December 2022.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/10/2021	34,440.18	2,582,945.82	2,548,505.64
31/12/2021	-163.05	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 35,468 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	6,544	–	–	3,272	(3,272)	-100%	6,544
Service charges		1,537	7,445	7,445	25	512	3,722	(3,210)	-86%	7,445
Other revenue		924	3,576	3,576	21	2,952	1,788	1,164	65%	3,576
Transfers and Subsidies - Operational		24,638	38,270	38,270	8,755	22,405	19,135	3,270	17%	38,270
Transfers and Subsidies - Capital		9,077	16,567	16,567	–	8,359	8,283	76	1%	16,567
Interest		14	658	658	0	3	329	(326)	-99%	658
Payments										
Suppliers and employees		6,542	(49,698)	(49,698)	3,166	(7,144)	(24,849)	(17,705)	71%	(49,698)
Transfers and Grants		–	(512)	(512)	–	–	(256)	(256)	100%	(512)
NET CASH FROM/(USED) OPERATING ACTIVITIES		47,195	22,849	22,849	11,967	27,086	11,425	(15,662)	-137%	22,849
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Payments										
Capital assets		(768)	(16,567)	(16,567)	–	2,497	(8,283)	(10,780)	130%	(16,567)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(768)	(16,567)	(16,567)	–	2,497	(8,283)	(10,780)	130%	(16,567)

CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Payments										
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	–	–	–	–		–
NET INCREASE/ (DECREASE) IN CASH HELD		46,427	6,282	6,282	11,967	29,583	3,141			6,282
Cash/cash equivalents at beginning:		–	(4,810)	(4,810)		–	(4,810)			–
Cash/cash equivalents at month/year end:		46,427	1,473	1,473		29,583	(1,669)			6,282

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 second quarters. The following table summarizes the overall financial position on the operating budget in relation to the Municipality's approved budget for the 2021/22 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	20	5,898	5,324	574	11%	10,648
Service charges - water revenue		3,933	8,648	8,648	264	1,574	4,324	(2,750)	-64%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	198	1,251	1,383	(133)	-10%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	277	1,755	1,579	177	11%	3,157
Rental of facilities and equipment		206	1,735	1,735	0	65	867	(802)	-92%	1,735
Interest earned - external investments		59	515	515	0	4	257	(253)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	557	2,959	2,925	34	1%	5,850
Fines, penalties and forfeits		–	300	300	–	–	150	(150)	-100%	300
Licences and permits		2	55	55	–	0	28	(27)	-100%	55
Agency services		185	472	472	–	11	236	(225)	-95%	472
Transfers and subsidies		32,137	38,270	38,270	8,762	25,509	19,135	6,374	33%	38,270
Other revenue		441	977	977	13	184	488	(304)	-62%	977
Gains		228	440	440	17	169	220	(51)	-23%	440
Total Revenue (excluding capital transfers and contributions)		55,142	73,833	73,833	10,109	39,378	36,916	2,462	7%	73,833

Expenditure By Type	-									
Employee related costs		29,686	33,418	33,418	2,606	15,562	16,709	(1,146)	-7%	33,418
Remuneration of councillors		3,795	4,634	4,634	356	2,139	2,317	(178)	-8%	4,634
Debt impairment		12,015	12,085	12,085	–	–	6,042	(6,042)	-100%	12,085
Depreciation & asset impairment		5,359	9,088	9,088	–	–	4,544	(4,544)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Inventory consumed		2,230	1,340	1,340	112	212	670	(457)	-68%	1,340
Contracted services		2,501	3,748	3,748	33	471	1,874	(1,403)	-75%	3,748
Transfers and subsidies		(1,061)	1,112	1,112	165	342	556	(214)	-38%	1,112
Other expenditure		8,897	7,622	7,622	167	1,711	3,811	(2,100)	-55%	7,622
Total Expenditure		65,395	73,047	73,047	3,438	20,438	36,523	(16,085)	-44%	73,047
Surplus/(Deficit)		(10,253)	786	786	6,670	18,941	394	18,547	0	786
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		6,648	16,567	16,567	–	8,359	8,283	76	0	16,567
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		–	–	–	–	–	–	–		–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions		(3,605)	17,353	17,353	6,670	27,300	8,677			17,353
Taxation		–	–	–	–	–	–	–		–
Surplus/(Deficit) after taxation		(3,605)	17,353	17,353	6,670	27,300	8,677			17,353
Attributable to minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		(3,605)	17,353	17,353	6,670	27,300	8,677			17,353
Share of surplus/ (deficit) of associate		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		(3,605)	17,353	17,353	6,670	27,300	8,677			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 7% 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	64%
Service charges: Sanitation	10%
Service charges: Refuse	11%
Property Rates	11%
Grants	80%

As can be seen from the above table, the year to date income was R 39,378 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 8.2 million was received for the second quarter of the financial year 2022/2023. For the second quarter an amount of R 5.5 million was spend to date.

Item	Budgeted	Received	% Received
Equitable Share	33,197,000.00	23,901,000.00	70%
EPWP	1,073,000.00	752,000.00	70%
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	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	20	5,898	5,324	574	11%	10,648
Service charges - electricity revenue		–	–	–	–	–	–	–		–
Service charges - water revenue		3,933	8,648	8,648	264	1,574	4,324	(2,750)	-64%	8,648
Service charges - sanitation revenue		2,953	2,767	2,767	198	1,251	1,383	(133)	-10%	2,767
Service charges - refuse revenue		3,945	3,157	3,157	277	1,755	1,579	177	11%	3,157
Rental of facilities and equipment		206	1,735	1,735	0	65	867	(802)	-92%	1,735
Interest earned - external investments		59	515	515	0	4	257	(253)	-98%	515
Interest earned - outstanding debtors		5,906	5,850	5,850	557	2,959	2,925	34	1%	5,850
Dividends received		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	300	300	–	–	150	(150)	-100%	300
Licences and permits		2	55	55	–	0	28	(27)	-100%	55
Agency services		185	472	472	–	11	236	(225)	-95%	472
Transfers and subsidies		32,137	38,270	38,270	8,762	25,509	19,135	6,374	33%	38,270
Other revenue		441	977	977	13	184	488	(304)	-62%	977
Gains		228	440	440	17	169	220	(51)	-23%	440
Total Revenue (excluding capital transfers and contributions)		55,142	73,833	73,833	10,109	39,378	36,916	2,462	7%	73,833

5.5 Capital Expenditure

The actual capital expenditure is 67% for the second quarters and is less than expected for the financial year.

TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

Vote 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
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	–	3,326	8,283	(4,957)	-60%	16,567
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Total Capital Multi-year expenditure	4,7	(33)	16,567	16,567	–	3,326	8,283	(4,957)	-60%	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	–	3,326	8,283	(4,957)	-60%	16,567
Capital Expenditure - Functional Classification										
Governance and administration		–	–	–	–	–	–	–		–
Community and public safety		–	–	–	–	–	–	–		–
Economic and environmental services		(424)	–	–	–	–	–	–		–
Road transport		(424)	–	–	–	–	–	–		–
Trading services		8,238	16,567	16,567	–	3,326	8,283	(4,957)	-60%	16,567
Water management		–	5,000	5,000	–	–	2,500	(2,500)	-100%	5,000
Waste management		8,238	11,567	11,567	–	3,326	5,783	(2,457)	-42%	11,567
Total Capital Expenditure - Functional Classification	3	7,814	16,567	16,567	–	3,326	8,283	(4,957)	-60%	16,567
Funded by:										
National Government		8,238	16,567	16,567	–	3,326	8,283	(4,957)	-60%	16,567
Provincial Government		(774)	–	–	–	–	–	–		–
Transfers recognised - capital		7,463	16,567	16,567	–	3,326	8,283	(4,957)	-60%	16,567
Total Capital Funding		7,463	16,567	16,567	–	3,326	8,283	(4,957)	-60%	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

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	2,606	15,562	16,709	(1,146)	-7%	33,418
Remuneration of councillors		3,795	4,634	4,634	356	2,139	2,317	(178)	-8%	4,634
Debt impairment		12,015	12,085	12,085	–	–	6,042	(6,042)	-100%	12,085
Depreciation & asset impairment		5,359	9,088	9,088	–	–	4,544	(4,544)	-100%	9,088
Finance charges		1,973	–	–	–	–	–	–		–
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		2,230	1,340	1,340	112	212	670	(457)	-68%	1,340
Contracted services		2,501	3,748	3,748	33	471	1,874	(1,403)	-75%	3,748
Transfers and subsidies		(1,061)	1,112	1,112	165	342	556	(214)	-38%	1,112
Other expenditure		8,897	7,622	7,622	167	1,711	3,811	(2,100)	-55%	7,622
Losses		–	–	–	–	–	–	–		–
Total Expenditure		65,395	73,047	73,047	3,438	20,438	36,523	(16,085)	-44%	73,047
Surplus/(Deficit)		(10,253)	786	786	6,670	18,941	394	18,547	0	786
Surplus/ (Deficit) for the year		(3,605)	17,353	17,353	6,670	27,300	8,677			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) -

Vote 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
Expenditure by Vote	1									
Vote 1 - MUNICIPAL MANAGER		1,714	2,710	2,710	112	563	1,355	(792)	-58.4%	2,710
Vote 2 - CORPORATE SERVICE		5,407	6,560	6,560	370	2,372	3,280	(908)	-27.7%	6,560
Vote 3 - FINANCIAL MANAGEMENT SERVICES		24,150	26,714	26,714	787	4,925	13,357	(8,432)	-63.1%	26,714
Vote 4 - COMMUNITY SERVICES		9,272	5,057	5,057	410	3,007	2,529	478	18.9%	5,057
Vote 5 - TECHNICAL SERVICES		17,679	23,236	23,236	1,278	6,954	11,618	(4,664)	-40.1%	23,236
Vote 6 - EXECUTIVE AND COUNCIL		6,559	7,886	7,886	414	2,302	3,943	(1,641)	-41.6%	7,886
Vote 7 - STRATEGIC PLANNING		613	884	884	67	315	442	(127)	-28.8%	884
Total Expenditure by Vote	2	65,395	73,047	73,047	3,438	20,438	36,523	(16,085)	-44.0%	73,047
Surplus/ (Deficit) for the year	2	(3,605)	17,353	17,353	6,670	27,300	8,677	18,623	214.6%	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 second 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 December 2022 were R 121 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

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									
	1200	Trade and Other Receivables from Exchange Transactions - Water	232 863	289 972	300 039	346 747	332 488	327 073	2 216 695	22 393 400	26 439 277
	1400	Receivables from Non-exchange Transactions - Property Rates	-2 383 697	35 063	34 887	35 115	1 458 749	3 917 036	735 513	15 336 103	19 168 770
	1500	Receivables from Exchange Transactions - Waste Water Management	200 394	222 312	222 623	227 358	249 018	248 022	1 611 870	13 101 228	16 082 825
	1600	Receivables from Exchange Transactions - Waste Management	300 717	308 922	307 835	315 366	348 695	349 613	2 221 467	19 056 569	23 209 185
	1810	Interest on Arrear Debtor Accounts	4 425	6 103	12 324	19 440	27 010	33 550	397 676	24 852 857	25 353 386
	1900	Other	-1 087 021	56 547	56 547	40 346	39 261	39 261	189 153	11 860 761	11 194 854
	2000	Total By Income Source	-2 732 319	918 920	934 255	984 372	2 455 222	4 914 555	7 372 374	106 600 918	121 448 297
	2200	Organs of State	310	310	312	314	31418	50799	54099	398399	535959
	2300	Commercial	-279867	70245	58176	76358	277763	1075465	567143	6198057	8043340
	2400	Households	318798	357528	397482	381666	718749	766698	3381490	38919662	45242073
	2500	Other	-2771559	490837	478285	526034	142792	3021594	3369643	61084800	67626925
	2600	Total By Customer Group	-2732319	918920	934255	984372	2455222	4914555	7372374	106600918	121448297

TABLE 9: DEBTORS RECONCILIATION ON 31 December 2022

!KHEIS MUNICIPALITY
DEBTORS RECONCILIATION FOR
DECEMBER 2022

	OPENING BALANCE - JULY 2022	*MOVEMENT*	*CLOSING BALANCE - DECEMBER 2022*	*AGE ANALYSIS*	*DIFFERENCE*
BELASTING/RATES	R 13,859,253.69	R 4,347,897.18	R 18,207,150.87	R 19,184,887.37	R -977,736.50
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 2,441,031.81	R 31,948,900.25	R 31,218,442.99	R 730,457.26
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 2,393,118.69	R 28,404,276.76	R 26,911,484.33	R 1,492,792.43
RIOOL/SEWER	R 17,752,317.35	R 1,723,457.07	R 19,475,774.42	R 18,607,554.67	R 868,219.75
ONGEALLOKEER/UNALLOCATED	R 1,537,878.58	R 80,810.20	R 1,618,688.78	R - 1,132,042.05	R 2,750,730.83
OU SKULD/OLD DEBT	R 510,333.41	R 19.00	R 510,352.41	R 13,441,031.89	R -12,930,679.48
ADMIN	R 3,271,822.73	R 89,846.16	R 3,361,668.89	R 3,344,441.88	R 17,227.01
DEERNIS/MASAKANE/ARMLASTIG	R 82,591.96	R 39,163.20	R 121,755.16	R 128,818.34	R -7,063.18
BTW/VAT	R 15,164,409.34	R 679,090.26	R 15,843,499.60	R 8,762,115.37	R 7,081,384.23
	R 109,563,087.19	R 11,794,433.57	R 121,357,520.76	R 121,351,096.39	R 6,424.37
	TRUE		R 121,357,520.76		
			R 0.00	BS-Q345K	

BELASTING/RATES	R 19,184,887.37
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0.00
WATER	R 31,218,442.99

DIVERSE/SUNDRY SERVICES	R 884,361.60
VULLIS/REFUSE	R 26,911,484.33
RIOOL/SEWER	R 18,607,554.67
ONGEALLOKEER/UNALLOCATED	R - 1,132,042.05
OU SKULD/OLD DEBT	R 13,441,031.89
ADMIN	R 3,344,441.88
DEERNIS/MASAKANE/ARMLASTIG	R 128,818.34
BTW/VAT	R 8,762,115.37
	R 121,351,096.39

Age Analysis	R 121,351,096.39
GL	R 121,357,520.76
Diff	R 6,424.37
Journals after Year end	
Nett difference	R 6,424.37

	31/12/2022
PREPARED BY: W OOR	DATE
	31/12/2022
CHECKED BY: W. WEILBACH	DATE
	31/12/2022
APPROVED BY: D. BLOCK	DATE

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 second 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	23,901,000.00	9,296,000.00
Capital Grants	16 567,000.00	8,359,000.00	8,208,000.00

Only R 33,831,000.00 of the budgeted amount of R 54,837,000.00 had been received at the end of the second 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	–	–	2,036	(2,036)	-100.0%	4,073
Operational Revenue:General Revenue:Equitable Share		–	–	–	–	–	–	–		–
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		–	1,073	1,073	–	–	536	(536)	-100.0%	1,073
Khayelitsha Urban Renewal		–	–	–	–	–	–	–		–
Local Government Financial Management Grant [Schedule 5B]		–	3,000	3,000	–	–	1,500	(1,500)	-100.0%	3,000
Provincial Government:		–	1,000	1,000	–	–	500	(500)	-100.0%	1,000
Specify (Add grant description)		–	1,000	1,000	–	–	500	(500)	-100.0%	1,000
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Operating Transfers and Grants	5	–	5,073	5,073	–	–	2,536	(2,536)	-100.0%	5,073
Capital Transfers and Grants										
National Government:		–	16,567	16,567	–	–	8,283	(8,283)	-100.0%	16,567
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		–	–	–	–	–	–	–		–
Municipal Infrastructure Grant [Schedule 5B]		–	11,567	11,567	–	–	5,783	(5,783)	-100.0%	11,567
Water Services Infrastructure Grant [Schedule 5B]		–	5,000	5,000	–	–	2,500	(2,500)	-100.0%	5,000
Provincial Government:		–	–	–	–	–	–	–		–
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Capital Transfers and Grants	5	–	16,567	16,567	–	–	8,283	(8,283)	-100.0%	16,567
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	–	21,640	21,640	–	–	10,820	(10,820)	-100.0%	21,640

5.10 Age Creditors

TABLE 11: CREDITORS AGE ANALYSIS

CREDITORS AGE ANALYSIS FOR DEC 2022										
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	201,029.98	199,937	197,478	195,050	5,515,584	-	-			6,309,079
PAYE deductions	424,608	-	-	-	-	-	-	-	-	424,608
VAT (output less input)		-								-
Pensions / Retirement deductions	383,226	-								383,226
Loan repayments		-	-	-	-	-	-	-	-	-
Trade Creditors	281,478.31	284,533	274,032	2,660,099	560,938	678,679	363,574	554,517	13,018,427	18,676,277
Auditor General	665,360.68	1,213,643	1,093,629	484,917	60,668	41,573	5,933,206	-	-	9,492,997
Other	157,529.79	1,131	1,001		11,627				10,626	181,914
Total	2,113,232.44	1,699,244	1,566,140	3,340,066	6,148,817	720,252	6,296,780	554,517	13,029,053	35,468,102

The outstanding creditors as on 31 December 2022 amounts up to R 35,468,102.00 However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors of R29,854,027.00. 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.