

Quarterly report on Budget implementation



Period ending 31 December 2023

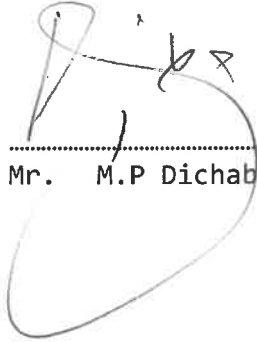
*In compliance with sections 52 of the Local
Government
Municipal Finance Management Act No.56 of 2003*

**Quarterly report on budget
implementation for the period ending
31 December 2023**

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 2023/24 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.

A handwritten signature in black ink, appearing to be 'M.P. Dichaba', is written over a horizontal dotted line. The signature is stylized and somewhat cursive.

Mr. M.P Dichaba(Acting Municipal Manager)

Contents

2. LEGAL REQUIREMENTS	4
3.2 Other information	4
4. EXECUTIVE SUMMARY.....	4
5. OVERVIEW OF FINANCIAL PERFORMANCE.....	6
5.1 Bank and cash book balances	6
TABLE 1: BANK AND CASH BOOK BALANCES	7
TABLE 2: CASH FLOW STATEMENT	8
5.3 Expenditure.....	8
5.4 Operating Income.....	9
TABLE 4: REVENUE BY SOURCE	10
TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE	11
5.6 Operating Expenditure.....	12
TABLE 6: OPERATING EXPENDITURE BY SOURCE	12
5.7 Personnel Expenses	12
TABLE 7: PERSONNEL EXPENDITURE PER DEPARTMENT	13
5.8 Debtors age analysis.....	13
TABLE 8: DEBTORS AGE ANALYSIS BY DAYS	14
5.9 Conditional Grants and Subsidies	16
TABLE 10: CONDITIONAL GRANTS AND SUBSIDIES	16
5.10 Age Creditors	16
TABLE 11: CREDITORS AGE ANALYSIS	17
5.11 Borrowings.....	17
6. CONCLUSION.....	17

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 2023 to 31 December 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. 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 January 2024. During this period Council had requested Cogsta to appoint an Acting Municipal Manager, but up until the appointment Council have taken a decision to give Senior Staff the opportunity to act as Interim Municipal Manager on a three-month basis. The figures and information in this report is from 01 July 2023 - 31 December 2023.

4. EXECUTIVE SUMMARY

This quarterly report assesses the performance of the municipality during the last three months of the current financial year, considering -

(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 2023 - 31 December 2023) reflects an achievement of 53%. This is a decrease in relation to the similar period of the previous financial year. Notwithstanding this decrease contribute to debtors not paying their 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 inline with the budgeted amount in the A-schedules of the original budget. The municipality operating expenditure for the second quarter is R 21,831 million or (30%) and capital expenditure for the second quarter which constitute an overall amount of R 8,6 million of expenses. The municipality made a payment of R 750,000.00 from their own money for Grootdrink Sport Facility that's why the expenses differ from the Section 71 report with last mentioned amount. 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 second quarter.

4.3. Capital Expenditure

Capital expenditure budgeted is R 11 million for the year under review. Expenditure on the Capital budget for the second quarter is R 8,6 million.

4.4. Performance indicator

The performance indicators for the first quarter of the 2023/2024 financial year had been measured against the strategic objectives in the SDBIP.

4.5. Cash flow

Cash and cash equivalents amounted to a positive with the cash flow of the municipality on 31 July 2023. A huge challenge that the municipality is facing, is the collection of outstanding debtors, measures were 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 debtors especially residential and commercial.

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 and FMG. All 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 certain reports especially Section 71 report and facing challenges, such as balance sheet and Income statement Budgeting. The Finance Dept is busy with the transgression and migration to move from SAMRAS to SAMRAS Web.

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.
 - ✓ Debtor's 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 have had all transactions been processed by the Municipality's financial system (SAMRAS).

Bank reconciliations are being prepared monthly. 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 31,834.96 on 01 July 2023 and closed with a positive balance of R 87,758.85 on 31 December 2023. 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 18,860,128.37 on 31 December 2023. The outstanding creditors as on 31 December 2023 amount to R 36,9 million. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 33,840,449 as at the 31 December 2023.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/10/2023	115,694.24	3,245,912.02	3,130,217.78
31/01/2023	87,758.85	18,860,128.37	18,772,369.52

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 36 mill owed towards outstanding creditor's such as the Pension fund, Salga, Boegoeberg Water Association, Department of Safety and Liaison, etc. The only challenge that the municipality is facing, is the collection of outstanding debtors.

TABLE 2: CASH FLOW STATEMENT

NC084 !Kheis - Table C7 Monthly Budget Statement - Cash Flow -										
Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		-	9,530	9,530	17	2,256	4,765	(2,509)	-53%	9,530
Service charges		1,344	10,838	10,838	44	442	5,419	(4,977)	-92%	10,838
Other revenue		3,538	4,231	4,231	34	259	2,115	(1,857)	-88%	4,231
Transfers and Subsidies - Operational		30,826	39,150	39,150	-	15,700	19,575	(3,875)	-20%	39,150
Transfers and Subsidies - Capital		16,567	21,331	21,331	-	7,200	10,665	(3,465)	-32%	21,331
Interest		13	1,084	1,084	-	2	542	(539)	-100%	1,084
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees		(7,822)	(51,885)	(51,885)	(117)	(12,978)	(25,942)	(12,965)	50%	(4,324)
Interest		-	-	-	-	-	-	-	-	-
Transfers and Subsidies		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		44,466	34,279	34,279	(22)	12,881	17,140	4,259	25%	81,840
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-
Payments										
Capital assets		(9,751)	(21,331)	(21,331)	(2,819)	(4,881)	10,665	15,546	146%	21,331
NET CASH FROM/(USED) INVESTING ACTIVITIES		(9,751)	(21,331)	(21,331)	(2,819)	(4,881)	10,665	15,546	146%	21,331
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing		-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		34,715	12,948	12,948	(2,841)	8,000	27,805			103,171
Cash/cash equivalents at beginning:		(2,573)	616	616		5,665	616			5,665
Cash/cash equivalents at month/year end:		32,142	13,564	13,564		13,666	28,421			108,837

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 8% 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 2023/24 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 2023/24:

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

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue		16,092	25,514	25,514	1,715	10,010	12,757	(2,747)	-22%	25,514
Service charges - Electricity		-	-	-	-	-	-	-	-	-
Service charges - Water		3,505	9,115	9,115	448	2,274	4,558	(2,283)	-50%	9,115
Service charges - Waste Water Management		2,443	2,913	2,913	241	1,497	1,457	41	3%	2,913
Service charges - Waste management		3,416	3,324	3,324	343	2,150	1,662	488	29%	3,324
Sale of Goods and Rendering of Services		817	1,253	1,253	38	216	627	(410)	-65%	1,253
Agency services		10	376	376	2	91	188	(97)	-52%	376
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		5,568	5,667	5,667	619	3,619	2,834	785	28%	5,667
Interest earned from Current and Non Current Assets		35	542	542	6	33	271	(238)	-88%	542
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		15	21	21	0	1	10	(9)	-89%	21
Rental from Fixed Assets		188	1,827	1,827	19	125	913	(788)	-86%	1,827
Licence and permits		0	58	58	-	-	29	(29)	-100%	58
Operational Revenue		117	417	417	-	2	208	(206)	-99%	417
Non-Exchange Revenue		44,548	52,620	52,620	10,773	31,939	26,310	5,630	21%	52,620
Property rates		5,933	11,212	11,212	42	5,482	5,606	(124)	-2%	11,212
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	316	316	-	-	158	(158)	-100%	316
Licence and permits		-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		38,466	39,150	39,150	10,669	26,369	19,575	6,794	35%	39,150
Interest		4	1,478	1,478	0	2	739	(737)	-100%	1,478
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		145	463	463	61	87	232	(145)	-63%	463
Other Gains		-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		60,640	78,134	78,134	12,488	41,950	39,067	2,883	7%	78,134
Expenditure By Type										
Employee related costs		30,424	34,735	34,735	2,634	15,927	17,367	(1,440)	-8%	34,735
Remuneration of councillors		4,600	4,634	4,634	387	2,421	2,317	104	4%	4,634
Bulk purchases - electricity		-	-	-	-	-	-	-	-	-
Inventory consumed		1,701	1,546	1,546	167	988	773	215	28%	1,546
Debt impairment		112	6,288	6,288	-	-	3,144	(3,144)	-100%	6,288
Depreciation and amortisation		6,806	9,569	9,569	-	-	4,785	(4,785)	-100%	9,569
Interest		-	-	-	-	-	-	-	-	-
Contracted services		2,251	5,120	5,120	268	512	2,560	(2,048)	-80%	5,120
Transfers and subsidies		(3,266)	47	47	-	-	23	(23)	-100%	47
Irrecoverable debts written off		-	-	-	-	-	-	-	-	-
Operational costs		11,609	8,575	8,575	78	1,983	4,287	(2,304)	-54%	8,575
Losses on Disposal of Assets		-	-	-	-	-	-	-	-	-
Other Losses		-	-	-	-	-	-	-	-	-
Total Expenditure		54,236	70,514	70,514	3,534	21,831	35,256	(13,425)	-38%	70,514
Surplus/(Deficit)		6,404	7,620	7,620	8,954	20,118	3,811	16,308	0	7,620
Transfers and subsidies - capital (monetary allocations)		11,763	21,333	21,333	2,750	9,950	10,667	(717)	(0)	21,333
Transfers and subsidies - capital (in-kind)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		18,167	28,953	28,953	11,704	30,068	14,477			28,953
Income Tax		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after income tax		18,167	28,953	28,953	11,704	30,068	14,477			28,953
Share of Surplus/Deficit attributable to Joint Venture		-	-	-	-	-	-	-	-	-
Share of Surplus/Deficit attributable to Minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		18,167	28,953	28,953	11,704	30,068	14,477			28,953
Share of Surplus/Deficit attributable to Associate		-	-	-	-	-	-	-	-	-
Intercompany/Parent subsidiary transactions		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		18,167	28,953	28,953	11,704	30,068	14,477			28,953

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, except for sewerage and sanitation. The income reflected in these 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. Below find the percentage of services render for the second quarter this year.

Description	Percentage
Service charges: Water	50%
Service charges: Sanitation	3 %
Service charges: Refuse	29%
Property Rates	22%
Operational Grants	35%

As can be seen from the above table, the year-to-date income was R 37,7 million for levies and grants for the period under review.

The income on property rates is levied at the beginning of the period as well as monthly. No changes in the registered properties had been considered, because of the delay in the completion of the valuation roll for 2023,

- MIG allocation to an amount of R 9,9 million was received for the second quarter of the financial year 2023/2024. For the second quarter an amount of R 8,694,254 million was spend on all Capital Projects.

Item	Budgeted	Received	% Received
Equitable Share	35,007,000.00	22,747,000.00	65%
FMG	3,100,000.00	3,100,000.00	100%
Library	1,043,000.00	521,000.00	50%

TABLE 4: REVENUE BY SOURCE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December										
Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue		16,092	25,514	25,514	1,715	10,010	12,757	(2,747)	-22%	25,514
Service charges - Electricity		-	-	-	-	-	-	-	-	-
Service charges - Water		3,505	9,115	9,115	448	2,274	4,558	(2,283)	-50%	9,115
Service charges - Waste Water Management		2,443	2,913	2,913	241	1,497	1,457	41	3%	2,913
Service charges - Waste management		3,416	3,324	3,324	343	2,150	1,662	488	29%	3,324
Sale of Goods and Rendering of Services		817	1,253	1,253	38	216	627	(410)	-65%	1,253
Agency services		10	376	376	2	91	188	(97)	-52%	376
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		5,568	5,667	5,667	619	3,619	2,834	785	28%	5,667
Interest earned from Current and Non Current Assets		35	542	542	6	33	271	(238)	-88%	542
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		15	21	21	0	1	10	(9)	-89%	21
Rental from Fixed Assets		168	1,827	1,827	19	125	913	(788)	-86%	1,827
Licence and permits		0	58	58	-	-	29	(29)	-100%	58
Operational Revenue		117	417	417	-	2	208	(206)	-99%	417
Non-Exchange Revenue		44,548	52,620	52,620	10,773	31,939	26,310	5,630	21%	52,620
Property rates		5,933	11,212	11,212	42	5,482	5,606	(124)	-2%	11,212
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		-	316	316	-	-	158	(158)	-100%	316
Licence and permits		-	-	-	-	-	-	-	-	-
Transfer and subsidies - Operational		38,466	39,150	39,150	10,669	26,369	19,575	6,794	35%	39,150
Interest		4	1,478	1,478	0	2	739	(737)	-100%	1,478
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Assets		145	463	463	61	87	232	(145)	-63%	463
Other Gains		-	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		60,640	78,134	78,134	12,488	41,950	39,067	2,883	7%	78,134

5.5 Capital Expenditure

The actual capital expenditure is 87% for the second 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	Ref	2022/23	Budget Year 2023/24							
		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		304	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		9,489	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Vote 6 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	9,793	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
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		2,741	-	-	-	-	-	-	-	-
Vote 6 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	2,741	-	-	-	-	-	-	-	-
Total Capital Expenditure	3	12,533	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Capital Expenditure - Functional Classification										
Governance and administration		304	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		304	-	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		2,088	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		2,088	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		(417)	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		(417)	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		10,559	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Energy sources		-	-	-	-	-	-	-	-	-
Water management		1,934	9,450	9,450	-	-	4,725	(4,725)	-100%	9,450
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		8,624	11,881	11,881	2,819	8,471	5,940	2,530	43%	11,881
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	12,533	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Funded by:										
National Government		11,583	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educ Institutions)		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		11,583	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		1,064	-	-	-	-	-	-	-	-
Total Capital Funding	7	12,647	21,331	21,331	2,819	8,471	10,665	(2,195)	-21%	21,331

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 2023/24 financial year.

TABLE 6: OPERATING EXPENDITURE BY SOURCE

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands										
Expenditure By Type										
Employee related costs		30,424	34,735	34,735	2,634	15,927	17,367	(1,440)	-8%	34,735
Remuneration of councillors		4,600	4,634	4,634	387	2,421	2,317	104	4%	4,634
Bulk purchases - electricity		-	-	-	-	-	-	-		-
Inventory consumed		1,939	1,546	1,546	167	988	773	215	28%	1,546
Debt impairment		112	6,288	6,288	-	-	3,144	(3,144)	-100%	6,288
Depreciation and amortisation		6,806	9,569	9,569	-	-	4,785	(4,785)	-100%	9,569
Interest		-	-	-	-	-	-	-		-
Contracted services		2,240	5,120	5,120	268	512	2,560	(2,048)	-80%	5,120
Transfers and subsidies		(3,266)	47	47	-	-	23	(23)	-100%	47
Irrecoverable debts written off		-	-	-	-	-	-	-		-
Operational costs		11,518	8,575	8,575	78	1,983	4,287	(2,304)	-54%	8,575
Losses on Disposal of Assets		-	-	-	-	-	-	-		-
Other Losses		-	-	-	-	-	-	-		-
Total Expenditure		54,372	70,514	70,514	3,534	21,831	35,256	(13,425)	-38%	70,514

Expenditure by type is way out of line in terms of SA 30 of the adopted A-Schedules budget for 2023/24. 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	Ref	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands										
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		66,463	98,424	98,424	15,238	48,668	49,212	(544)	-1.1%	98,424
Vote 4 - COMMUNITY SERVICES		1,147	1,043	1,043	–	522	521	0	0.0%	1,043
Vote 5 - TECHNICAL SERVICES		4,794	–	–	–	2,710	–	2,710		–
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–		–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–		–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–		–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–		–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–		–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–		–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–		–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–		–
Total Revenue by Vote	2	72,403	99,467	99,467	15,238	51,900	49,733	2,166	4.4%	99,467
Expenditure by Vote	1									
Vote 1 - MUNICIPAL MANAGER		984	3,457	3,457	67	436	1,729	(1,293)	-74.8%	3,457
Vote 2 - CORPORATE SERVICE		5,289	8,217	8,217	469	2,567	4,109	(1,542)	-37.5%	8,217
Vote 3 - FINANCIAL MANAGEMENT SERVICES		9,099	21,404	21,404	939	5,372	10,702	(5,330)	-49.8%	21,404
Vote 4 - COMMUNITY SERVICES		10,498	4,785	4,785	425	2,642	2,392	250	10.4%	4,785
Vote 5 - TECHNICAL SERVICES		20,781	23,666	23,666	1,114	7,728	11,833	(4,104)	-34.7%	23,666
Vote 6 - EXECUTIVE AND COUNCIL		6,986	8,034	8,034	451	2,747	4,017	(1,270)	-31.6%	8,034
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–		–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–		–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–		–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–		–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–		–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–		–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–		–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–		–
Total Expenditure by Vote	2	53,637	69,564	69,564	3,464	21,492	34,781	(13,289)	-38.2%	69,564
Surplus/ (Deficit) for the year	2	18,767	29,903	29,903	11,774	30,407	14,952	15,455	103.4%	29,903

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 2023 were R 141,9 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 rolls and the SAMRAS system had been performed to determine the correctness and completeness of the valuation roll. All income policies have 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 contributes 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

AD : AGE ANALYSIS OF DEBTORS (All values in Rand)

Save File as : Muncode_AD_copy_Min.XLS (e.g.: GT411_AD_2005_M10)

Change Year End (ccyy) to Financial Year End (e.g.: 2005 for year 2004/2005) and Month End (Mnn) to Active Month (M01=July...M12=June)(e.g.: M10)

Change Muncode to your own municipal code (e.g.: GT411)

To Save File press the following keys at the same time with Caps Lock off: Ctrl Shift S

Year	Month		0 -	31 -	61 -	91 -	121 -	151 -	181 Days -	Over 1	Total	Actual Bad	Impairment -
End	End	Detail	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days	1 Year	Year	-	Debits Written	Bad Debts
												Off against	i.To Council
												Debtors	Policy
		Debtors Age Analysis By Income Source											
		Trade and Other Receivables from Exchange Transactions - Water	836,456	416,121	388,585	362,532	356,917	291,107	1,697,184	25,662,987	30,011,888	0	0
		Trade and Other Receivables from Exchange Transactions - Electricity	0	0	0	0	0	0	0	0	0	0	0
		Receivables from Non-exchange Transactions - Property Rates	-1,927,298	38,788	42,263	3,670,723	0	35,181	210,984	19,545,976	21,616,618	0	0
		Receivables from Exchange Transactions - Waste Water Management	510,565	266,821	279,463	281,877	298,923	218,543	1,304,980	15,714,416	18,875,589	0	0
		Receivables from Exchange Transactions - Waste Management	752,821	385,271	403,635	406,847	431,400	302,042	1,790,511	22,613,429	27,085,955	0	0
		Receivables from Exchange Transactions - Property Rental Debtors	0	0	0	0	0	0	0	0	0	0	0
		Interest on Arrear Debtor Accounts	9,319	17,509	25,586	40,428	41,670	37,290	347,387	32,072,874	32,592,063	0	0
		Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	0	0	0	0	0	0	0	0	0	0	0
		Other	-954,177	48,972	48,972	48,972	48,972	54,013	324,077	12,116,987	11,736,790	0	0
		Total By Income Source	-772,314	1,173,483	1,188,504	4,811,380	1,177,882	938,177	5,675,124	127,726,669	141,918,903	0	0
		Debtors Age Analysis By Customer Group											
		Organs of State	-5,350	328	331	53,497	335	321	1,974	331,652	363,088	0	0
		Commercial	-181,581	88,116	78,565	561,263	60,261	73,052	377,094	7,706,621	8,763,390	0	0
		Households	738,853	346,152	393,125	688,968	445,363	354,301	2,184,111	38,114,921	43,265,793	0	0
		Other	-1,324,236	738,886	716,482	3,507,652	671,923	510,503	3,111,946	81,573,476	89,506,632	0	0
		Total By Customer Group	-772,314	1,173,483	1,188,504	4,811,380	1,177,882	938,177	5,675,124	127,726,669	141,918,903	0	0

TABLE 9: DEBTORS RECONCILIATION ON 31 December 2023



!KHEIS MUNICIPALITY
DEBTORS RECONCILIATION FOR DEC 2023

	OPENING BALANCE - JULY 2023	MOVEMENT	CLOSING BALANCE - DEC 2023	AGE ANALYSIS	DIFFERENCE
BELASTING/RATES	R 17,783,373.53	R 3,654,231.79	R 21,437,605.32	R 21,679,399.77	R -241,794.45
GRONDVERKOPE/VOORSKOTTE/HUUR	R 4,212.69	R 0.00	R 4,212.69	R 0.00	R 4,212.69
WATER	R 34,088,080.73	R 3,294,048.83	R 37,382,129.56	R 37,078,677.21	R 303,452.35
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 30,694,760.06	R 3,102,446.85	R 33,797,206.91	R 32,521,087.14	R 1,276,119.77
RIOOL/SEWER	R 21,109,111.32	R 2,204,468.11	R 23,313,579.43	R 22,591,128.15	R 722,451.28
ONGEALLOKEER/UNALLOCATED	R 2,520,749.00	R 98,282.90	R 2,619,031.90	R -1,039,473.31	R 3,658,505.21
OU SKULD/OLD DEBT	R 510,333.41	R 0.00	R 510,333.41	R 14,280,516.52	R -13,770,183.11
ADMIN	R 3,484,108.44	R 96,009.44	R 3,580,117.88	R 3,596,354.00	R -16,236.12
DEERNIS/MASAKANE/ARMLASTIG	R 160,003.72	R 0.00	R 160,003.72	R 165,987.64	R -5,983.92
BTW/VAT	R 16,437,442.39	R 798,519.33	R 17,235,961.72	R 10,160,864.04	R 7,075,097.68
	R 128,653,416.22	R 13,248,007.25	R 141,901,423.47	R 141,918,902.76	R -17,479.29
TRUE			R 141,901,423.47		
			R 0.00	BS-Q345K	
BELASTING/RATES				R 21,679,399.77	
GRONDVERKOPE/VOORSKOTTE/HUUR				R 0.00	
WATER				R 37,078,677.21	
DIVERSE/SUNDRY SERVICES				R 884,361.60	
VULLIS/REFUSE				R 32,521,087.14	
RIOOL/SEWER				R 22,591,128.15	
ONGEALLOKEER/UNALLOCATED				R -1,039,473.31	
OU SKULD/OLD DEBT				R 14,280,516.52	
ADMIN				R 3,596,354.00	
DEERNIS/MASAKANE/ARMLASTIG				R 165,987.64	
BTW/VAT				R 10,160,864.04	
				R 141,918,902.76	
Age Analysis		R 141,918,902.76			
GL		R 141,901,423.47			
Diff		R -17,479.29			
Journals after Year end					
Nett difference		R -17,479.29			
PREPARED BY: V BRUMMER			31/12/2023 DATE		
CHECKED BY: W. WEILBACH			31/12/2023 DATE		
APPROVED BY: D. BLOCK			31/12/2023 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 monthly. 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 33,7 mill of the budgeted amount of R 44,8 million had been received at the end of the second quarter.

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	2022/23	Budget Year 2023/24							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
-										
Operating Transfers and Grants										
National Government:		(365)	3,100	3,100	-	-	1,550	(1,550)	-100.0%	3,100
Operational Revenue:General		-	-	-	-	-	-	-		-
Revenue:Equitable Share		-	-	-	-	-	-	-		-
Operational:Revenue:General		-	-	-	-	-	-	-		-
Revenue:Fuel Levy		-	-	-	-	-	-	-		-
Expanded Public Works Programme		(365)	-	-	-	-	-	-		-
Integrated Grant for Municipalities [Schedule 5B]		-	3,100	3,100	-	-	1,550	(1,550)	-100.0%	3,100
Local Government Financial Management Grant [Schedule 5B]		-	1,043	1,043	-	-	521	(521)	-100.0%	1,043
Provincial Government:		-	1,043	1,043	-	-	521	(521)	-100.0%	1,043
LIBRARY SPORT AND RECREATION		-	1,043	1,043	-	-	521	(521)	-100.0%	1,043
District Municipality:		-	-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
Total Operating Transfers and Grants	5	(365)	4,143	4,143	-	-	2,071	(2,071)	-100.0%	4,143
Capital Transfers and Grants										
National Government:		420	21,331	21,331	-	-	10,665	(10,665)	-100.0%	21,331
Municipal Infrastructure Grant [Schedule 5B]		1,208	11,881	11,881	-	-	5,940	(5,940)	-100.0%	11,881
Water Services Infrastructure Grant [Schedule 5B]		(788)	9,450	9,450	-	-	4,725	(4,725)	-100.0%	9,450
Provincial Government:		-	-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
Total Capital Transfers and Grants	5	420	21,331	21,331	-	-	10,665	(10,665)	-100.0%	21,331
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	55	25,474	25,474	-	-	12,737	(12,737)	-100.0%	25,474

5.10 Age Creditors

The outstanding creditors as on 31 December 2023 amounts up to R 36,9 mill. However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors of R 30 mill. The municipality is striving to pay all creditors within 30 days, as being required by the MFMA, but because of the slow debtor's collection, the municipality must 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

CREDITORS AGE ANALYSIS FOR DEC 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	129,265.05	129,265	231,896	229,044	226,227	219,218	6,559,628	-	-	7,724,543
PAYE deductions	443,742	-	-	-	-	-	-	-	-	443,742
VAT (output less input)	0	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	387,637	-	-	-	-	-	-	-	-	387,637
Loan repayments	0	-	-	-	-	-	-	-	-	-
Trade Creditors	134,222.84	307,483	602,202	1,118,238	548,415	2,326,067	336,608	14,453,496	-	19,826,732
Auditor General	-	1,608,344	1,167,574	154,342	67,019	58,189	69,278	5,297,402	-	8,422,147
Other	139,909.10	-	-	-	-	-	-	-	-	139,909
Total	1,234,776.29	2,045,092	2,001,671	1,501,624	841,661	2,603,474	6,965,514	19,750,898	-	36,944,711

5.11 Borrowings

The municipality does not have any borrowings.

6. CONCLUSION

Even though the actual expenditure against estimates based on the second 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.



!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
	quarterly budget statement
	mid-year budget and performance assessment

For the first quarter ended 31 December 2023 of the
2023/2024 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]

31 December 2023