Quarterly report on Budget implementation

! Kheis
Munisipaliteit
Municipality

Period ending 31 March 2024

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 March 2024

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.

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Mr. M.P Dichaba(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 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 March 2024 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 was re-instated in January 2024 and took his duties in full.

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 January 2024 - 31 March 2024) reflects an achievement of 6%. This is a 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: 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 third quarter is R 32,101 million or (47%) and capital expenditure for the third quarter which constitute an overall amount of R 11 million of expenses. The municipality made a payment of R 750,000.00 from they own money for Grootdrink Sport Facility that's why the expenses differ from the Section 71 report. 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

Capital expenditure budgeted is R 17 million for the year under review. Expenditure on the Capital budget for the second quarter is R 11 million. The municipality also received an additional amount of R 1,1 mill from NT.

4.4. Performance indicator

The performance indicators for the third 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 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 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 been 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 87,758.85 on 01 January 2024 and closed with a positive balance of R 29,515.10 on 31 March 2024. 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 587,118.30 on 01 January 2024. The outstanding creditors as on 31 March 2024 amount to R 57 million. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 53,272,251 as at the 31 March 2024.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/01/2024	87,758.85	587,117.30	499,358.45
31/01/2023	29,515.10	18,416,859.11	-18,387,344.01

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 57 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 -										
		2022/23	Budget Year 2023/24							
Description	Ref	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	46	2,414	7,148	(4,734)	-66%	9,530
Service charges		1,344	10,838	10,838	486	1,203	8,129	(6,925)	-85%	10,838
Other revenue		3,538	4,231	3,481	(4)	838	2,611	(1,772)	-68%	3,481
Transfers and Subsidies - Operational		30,826	39,150	39,150	–	26,369	29,362	(2,994)	-10%	39,150
Transfers and Subsidies - Capital		16,567	21,331	11,086	–	9,950	8,314	1,636	20%	11,086
Interest		13	1,084	684	–	4	513	(510)	-99%	684
Dividends		–	–	–	–	–	–	–		–
Payments										
Suppliers and employees		(7,822)	(51,885)	(51,885)	1,747	(18,396)	(38,914)	(20,517)	53%	(4,324)
Interest		–	–	–	–	–	–	–		–
Transfers and Subsidies		–	–	–	–	–	–	–		–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**44,466**	**34,279**	**22,885**	**2,276**	**22,382**	**17,164**	**(5,218)**	**-30%**	**70,446**
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)	(11,086)	(3,573)	(8,454)	8,314	16,768	202%	11,086
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(9,751)**	**(21,331)**	**(11,086)**	**(3,573)**	**(8,454)**	**8,314**	**16,768**	**202%**	**11,086**
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**	**11,799**	**(1,297)**	**13,928**	**25,478**			**81,532**
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	12,415		19,593	26,094			87,198

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 12% of the actual expenditure amount for the third quarters. The following table summarizes the overall financial position on the operating budget in relation to the Municipality's approved budget for the 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 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -										
Description	Ref	2022/23	Budget Year 2023/24							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
Revenue										
Exchange Revenue		16,092	25,514	27,788	1,607	15,283	20,841	(5,558)	-27%	27,788
Service charges - Electricity		–	–	–	–	–	–	–		–
Service charges - Water		3,505	9,115	8,015	330	3,261	6,012	(2,751)	-46%	8,015
Service charges - Waste Water Management		2,443	2,913	3,243	231	2,203	2,432	(230)	-9%	3,243
Service charges - Waste management		3,416	3,324	4,324	328	3,154	3,243	(89)	-3%	4,324
Sale of Goods and Rendering of Services		817	1,253	779	50	422	584	(162)	-28%	779
Agency services		10	376	376	2	97	282	(185)	-66%	376
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		5,568	5,667	8,347	638	5,515	6,260	(745)	-12%	8,347
Interest earned from Current and Non Current Assets		35	542	343	4	49	257	(207)	-81%	343
Dividends		–	–	–	–	–	–	–		–
Rent on Land		15	21	21	1	5	16	(11)	-71%	21
Rental from Fixed Assets		168	1,827	1,827	23	190	1,370	(1,180)	-86%	1,827
Licence and permits		0	58	58	–	–	44	(44)	-100%	58
Operational Revenue		117	417	454	–	387	341	46	14%	454
Non-Exchange Revenue		44,548	52,620	51,248	7,794	40,490	38,436	2,054	5%	51,248
Property rates		5,933	11,212	10,156	42	5,608	7,617	(2,009)	-26%	10,156
Surcharges and Taxes		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	316	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfer and subsidies - Operational		38,466	39,150	39,150	7,752	34,642	29,362	5,280	18%	39,150
Interest		4	1,478	1,478	0	3	1,109	(1,106)	-100%	1,478
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		145	463	463	–	236	347	(111)	-32%	463
Other Gains		–	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		**60,640**	**78,134**	**79,036**	**9,401**	**55,773**	**59,277**	**(3,504)**	**-6%**	**79,036**
Expenditure By Type										
Employee related costs		30,424	34,735	34,940	2,773	23,854	26,205	(2,351)	-9%	34,940
Remuneration of councillors		4,600	4,634	4,634	387	3,583	3,476	108	3%	4,634
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		1,701	1,546	1,696	0	1,112	1,272	(159)	-13%	1,696
Debt impairment		112	6,288	6,288	–	–	4,716	(4,716)	-100%	6,288
Depreciation and amortisation		6,806	9,569	7,969	–	–	5,977	(5,977)	-100%	7,969
Interest		–	–	–	–	–	–	–		–
Contracted services		2,467	5,120	4,762	64	599	3,571	(2,972)	-83%	4,762
Transfers and subsidies		(3,248)	47	47	–	–	35	(35)	-100%	47
Irrecoverable debts written off		–	–	–	–	–	–	–		–
Operational costs		11,974	8,575	9,191	665	2,952	6,893	(3,941)	-57%	9,191
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		–	–	–	–	–	–	–		–
Total Expenditure		**54,836**	**70,514**	**69,527**	**3,890**	**32,101**	**52,144**	**(20,043)**	**-38%**	**69,527**
Surplus/(Deficit)		**5,804**	**7,620**	**9,509**	**5,511**	**23,672**	**7,133**	**16,539**	**0**	**9,509**
Transfers and subsidies - capital (monetary allocations)		11,763	21,333	11,086	7,136	17,086	8,314	8,772	0	11,086
Transfers and subsidies - capital (in-kind)		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions		**17,567**	**28,953**	**20,595**	**12,647**	**40,758**	**15,447**			**20,595**
Income Tax		–	–	–	–	–	–	–		–
Surplus/(Deficit) after income tax		**17,567**	**28,953**	**20,595**	**12,647**	**40,758**	**15,447**			**20,595**
Share of Surplus/Deficit attributable to Joint Venture		–	–	–	–	–	–			–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		**17,567**	**28,953**	**20,595**	**12,647**	**40,758**	**15,447**			**20,595**
Share of Surplus/Deficit attributable to Associate		–	–	–	–	–	–			–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		**17,567**	**28,953**	**20,595**	**12,647**	**40,758**	**15,447**			**20,595**

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	27%
Service charges: Sanitation	46 %
Service charges: Refuse	12%
Property Rates	26%
Operational Grants	18%

As can be seen from the above table, the year-to-date income was R 48,8 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 17 million was received for the third quarter of the financial year 2023/2024. For the third quarter an amount of R 11 million was spend on all Capital Projects.
- Firstly would I like to elaborate that of the budgeted Equitable Share of the year under review a certain percentage was withheld due to underspending of Capital Grants

Item	Budgeted	Received	% Received
Equitable Share	35,007,000.00	30,499,000.00	87%
FMG	3,100,000.00	3,100,000.00	100%
Library	1,043,000.00	1,043,000.00	100%

TABLE 4: REVENUE BY SOURCE

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Description	Ref	2022/23	Budget Year 2023/24							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
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Service charges - Water		3,505	9,115	8,015	330	3,261	6,012	(2,751)	-46%	8,015
Service charges - Waste Water Management		2,443	2,913	3,243	231	2,203	2,432	(230)	-9%	3,243
Service charges - Waste management		3,416	3,324	4,324	328	3,154	3,243	(89)	-3%	4,324
Sale of Goods and Rendering of Services		817	1,253	779	50	422	584	(162)	-28%	779
Agency services		10	376	376	2	97	282	(185)	-66%	376
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		5,568	5,667	8,347	638	5,515	6,260	(745)	-12%	8,347
Interest earned from Current and Non Current Assets		35	542	343	4	49	257	(207)	-81%	343
Dividends		–	–	–	–	–	–	–		–
Rent on Land		15	21	21	1	5	16	(11)	-71%	21
Rental from Fixed Assets		168	1,827	1,827	23	190	1,370	(1,180)	-86%	1,827
Licence and permits		0	58	58	–	–	44	(44)	-100%	58
Operational Revenue		117	417	454	–	387	341	46	14%	454
Non-Exchange Revenue		44,548	52,620	51,248	7,794	40,490	38,436	2,054	5%	51,248
Property rates		5,933	11,212	10,156	42	5,608	7,617	(2,009)	-26%	10,156
Surcharges and Taxes		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	316	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfer and subsidies - Operational		38,466	39,150	39,150	7,752	34,642	29,362	5,280	18%	39,150
Interest		4	1,478	1,478	0	3	1,109	(1,106)	-100%	1,478
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		145	463	463	–	236	347	(111)	-32%	463
Other Gains		–	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		**60,640**	**78,134**	**79,036**	**9,401**	**55,773**	**59,277**	**(3,504)**	**-6%**	**79,036**

5.5 Capital Expenditure

The actual capital expenditure is 68% for the third quarters and is less than expected for the financial year.

TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

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

Vote Description	Ref	2022/23	Budget Year 2023/24							
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		304	–	–	–	–	–	–		–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Vote 5 - TECHNICAL SERVICES		9,489	21,331	11,086	2,463	10,933	8,314	2,619	31%	11,086
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**	**11,086**	**2,463**	**10,933**	**8,314**	**2,619**	**31%**	**11,086**
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	–	849	–	–	637	(637)	-100%	849
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	–	849	–	–	637	(637)	-100%	849
Total Capital Expenditure	3	**12,533**	**21,331**	**11,935**	**2,463**	**10,933**	**8,951**	**1,982**	**22%**	**11,935**
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**	**11,935**	**2,463**	**10,933**	**8,951**	1,982	22%	**11,935**
Energy sources		–	–	–	–	–	–	–		–
Water management		1,934	9,450	–	–	–	–	–		–
Waste water management		–	–	479	–	–	359	(359)	-100%	479
Waste management		8,624	11,881	11,456	2,463	10,933	8,592	2,341	27%	11,456
Other		–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	3	**12,533**	**21,331**	**11,935**	**2,463**	**10,933**	**8,951**	**1,982**	**22%**	**11,935**
Funded by:										
National Government		11,583	21,331	11,086	2,463	10,933	8,314	2,619	31%	11,086
Provincial Government		–	–	–	–	–	–	–		–
District Municipality		–	–	–	–	–	–	–		–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–		–
Transfers recognised - capital		**11,583**	**21,331**	**11,086**	**2,463**	**10,933**	**8,314**	**2,619**	**31%**	**11,086**
Borrowing	6	–	–	–	–	–	–	–		–
Internally generated funds		1,064	–	–	–	–	–	–		–
Total Capital Funding	7	**12,647**	**21,331**	**11,086**	**2,463**	**10,933**	**8,314**	**2,619**	**31%**	**11,086**

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

Description	Ref	2022/23	Budget Year 2023/24							
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		30,424	34,735	34,940	2,773	23,854	26,205	(2,351)	-9%	34,940
Remuneration of councillors		4,600	4,634	4,634	387	3,583	3,476	108	3%	4,634
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		1,701	1,546	1,696	0	1,112	1,272	(159)	-13%	1,696
Debt impairment		112	6,288	6,288	–	–	4,716	(4,716)	-100%	6,288
Depreciation and amortisation		6,806	9,569	7,969	–	–	5,977	(5,977)	-100%	7,969
Interest		–	–	–	–	–	–	–		–
Contracted services		2,467	5,120	4,762	64	599	3,571	(2,972)	-83%	4,762
Transfers and subsidies		(3,248)	47	47	–	–	35	(35)	-100%	47
Irrecoverable debts written off		–	–	–	–	–	–	–		–
Operational costs		11,974	8,575	9,191	665	2,952	6,893	(3,941)	-57%	9,191
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		–	–	–	–	–	–	–		–
Total Expenditure		**54,836**	**70,514**	**69,527**	**3,890**	**32,101**	**52,144**	**(20,043)**	**-38%**	**69,527**

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							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		66,463	98,424	89,079	16,537	71,816	66,809	5,007	7.5%	89,079
Vote 4 - COMMUNITY SERVICES		1,147	1,043	1,043	–	1,043	782	261	33.3%	1,043
Vote 5 - TECHNICAL SERVICES		4,794	–	–	–	(0)	–	(0)		–
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**	**90,122**	**16,537**	**72,859**	**67,591**	**5,267**	**7.8%**	**90,122**
Expenditure by Vote	1									
Vote 1 - MUNICIPAL MANAGER		984	3,457	3,242	86	666	2,432	(1,765)	-72.6%	3,242
Vote 2 - CORPORATE SERVICE		5,620	8,217	8,935	355	3,535	6,701	(3,166)	-47.2%	8,935
Vote 3 - FINANCIAL MANAGEMENT SERVICES		9,361	21,404	21,616	849	7,817	16,212	(8,395)	-51.8%	21,616
Vote 4 - COMMUNITY SERVICES		10,501	4,785	5,035	454	3,999	3,776	223	5.9%	5,035
Vote 5 - TECHNICAL SERVICES		20,785	23,666	22,711	1,647	11,607	17,033	(5,426)	-31.9%	22,711
Vote 6 - EXECUTIVE AND COUNCIL		6,986	8,034	7,037	448	3,987	5,278	(1,291)	-24.5%	7,037
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	**54,237**	**69,564**	**68,577**	**3,839**	**31,611**	**51,431**	**(19,820)**	**-38.5%**	**68,577**
Surplus/ (Deficit) for the year	2	**18,167**	**29,903**	**21,545**	**12,699**	**41,247**	**16,160**	**25,087**	**155.2%**	**21,545**

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

5.8 Debtors age analysis

The debtors by income source outstanding on 31 March 2024 were R 145 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 : Muncde_AD_ccyy_Mnn.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 Muncde 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 End	Month End	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 -	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
2024	M09	NC084	1100	Debtors Age Analysis By Income Source											
			1200	Trade and Other Receivables from Exchange Transactions - Water	622,548	350,107	468,327	356,908	408,354	382,477	1,845,149	26,330,589	30,764,459	0	0
			1300	Trade and Other Receivables from Exchange Transactions - Electricity	0	0	0	0	0	0	0	0	0	0	0
			1400	Receivables from Non-exchange Transactions - Property Rates	-2,868,429	38,736	38,694	38,694	38,694	42,168	3,760,473	19,521,419	20,610,448	0	0
			1500	Receivables from Exchange Transactions - Waste Water Management	420,595	267,041	267,238	265,563	265,490	278,367	1,448,143	16,332,376	19,544,812	0	0
			1600	Receivables from Exchange Transactions - Waste Management	674,676	378,306	378,139	377,690	379,415	399,353	2,027,753	23,429,843	28,045,175	0	0
			1700	Receivables from Exchange Transactions - Property Rental Debtors	0	0	0	0	0	0	0	0	0	0	0
			1810	Interest on Arrear Debtor Accounts	7,406	14,680	24,629	31,051	40,434	48,703	381,032	33,805,277	34,353,213	0	0
			1820	Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	0	0	0	0	0	0	0	0	0	0	0
			1900	Other	-1,003,982	48,972	48,972	48,972	48,972	48,972	313,996	12,194,445	11,749,321	0	0
			2000	Total By Income Source	-2,147,187	1,097,842	1,226,000	1,118,877	1,181,358	1,200,041	9,776,546	131,613,949	145,067,427	0	0
			2100	Debtors Age Analysis By Customer Group											
			2200	Organs of State	-5,350	328	331	333	335	338	55,170	333,927	385,412	0	0
			2300	Commercial	-1,113,147	78,553	77,174	78,760	84,812	78,244	866,244	7,670,378	7,821,017	0	0
			2400	Households	640,439	371,317	494,120	382,533	395,250	443,409	2,764,025	42,630,257	48,121,350	0	0
			2500	Other	-1,669,128	647,644	654,375	657,252	700,961	678,051	6,091,106	80,979,387	88,739,648	0	0
			2600	Total By Customer Group	-2,147,187	1,097,842	1,226,000	1,118,877	1,181,358	1,200,041	9,776,546	131,613,949	145,067,427	0	0

TABLE 9: DEBTORS RECONCILIATION ON 31 March 2024

! Kheis
Munisipaliteit
Municipality

!KHEIS MUNICIPALITY
DEBTORS RECONCILIATION FOR MARCH 2024

	OPENING BALANCE - JULY 2023	MOVEMENT	CLOSING BALANCE - MARCH 2024	AGE ANALYSIS	DIFFERENCE
BELASTING/RATES	R 17,783,373.53	R 2,854,716.78	R 20,638,090.31	R 20,674,093.83	R -36,003.52
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 4,501,831.18	R 38,589,911.91	R 38,286,458.96	R 303,452.95
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 4,499,931.86	R 35,194,691.92	R 33,918,572.15	R 1,276,119.77
RIOOL/SEWER	R 21,109,111.32	R 3,180,138.30	R 24,289,249.62	R 23,566,798.34	R 722,451.28
ONGEALLOKEER/UNALLOCATED	R 2,520,749.00	R 108,881.08	R 2,629,630.08	R -1,028,875.13	R 3,658,505.21
OU SKULD/OLD DEBT	R 510,333.41	R 0.00	R 510,333.41	R 14,486,307.99	R -13,975,974.58
ADMIN	R 3,484,108.44	R 108,366.33	R 3,592,474.77	R 3,608,710.89	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 1,146,534.67	R 17,583,977.06	R 10,505,010.58	R 7,078,966.48
	R 128,653,416.22	R 16,400,400.20	R 145,053,816.42	R 145,067,426.85	R -13,610.43
	TRUE		R 145,053,816.42		
			R 0.00	BS-Q345K	

BELASTING/RATES	R 20,674,093.83
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0.00
WATER	R 38,286,458.96
DIVERSE/SUNDRY SERVICES	R 884,361.60
VULLIS/REFUSE	R 33,918,572.15
RIOOL/SEWER	R 23,566,798.34
ONGEALLOKEER/UNALLOCATED	R -1,028,875.13
OU SKULD/OLD DEBT	R 14,486,307.99
ADMIN	R 3,608,710.89
DEERNIS/MASAKANE/ARMLASTIG	R 165,987.64
BTW/VAT	R 10,505,010.58
	R 145,067,426.85

Age Analysis	R 145,067,426.85
GL	R 145,053,816.42
Diff	R -13,610.43
Journals after Year end	
Nett difference	R -13,610.43

PREPARED BY: V BRUMMER	31/03/2024 DATE
CHECKED BY: W. WEILBACH	31/03/2024 DATE
APPROVED BY: D. BLOCK	31/03/2024 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

The municipality received R 51 mill of the budgeted amount of R 44,8 million which constitute the additional amount received from NT, but the municipality only received R 45 million due to the withholding of the Equitable Share.

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							
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:		**(365)**	**3,100**	**3,100**	**–**	**–**	**2,325**	**(2,325)**	**-100.0%**	**3,100**
Expanded Public Works Programme Integrated Grant for Municipalities [Schedule 5B]		(365)	–	–	–	–	–	–		–
Local Government Financial Management Grant [Schedule 5B]		–	3,100	3,100	–	–	2,325	(2,325)	-100.0%	3,100
Provincial Government:		**–**	**1,043**	**1,043**	**–**	**–**	**782**	**(782)**	**-100.0%**	**1,043**
Specify (Add grant description)		–	1,043	1,043	–	–	782	(782)	-100.0%	1,043
District Municipality:		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
Specify (Add grant description)		–	–	–	–	–	–	–		–
Other grant providers:		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
Total Operating Transfers and Grants	5	**(365)**	**4,143**	**4,143**	**–**	**–**	**3,107**	**(3,107)**	**-100.0%**	**4,143**
Capital Transfers and Grants										
National Government:		**420**	**21,331**	**11,086**	**–**	**–**	**8,314**	**(8,314)**	**-100.0%**	**11,086**
Municipal Infrastructure Grant [Schedule 5B]		1,208	11,881	11,086	–	–	8,314	(8,314)	-100.0%	11,086
Water Services Infrastructure Grant [Schedule 5B]		(788)	9,450	–	–	–	–	–		–
Provincial Government:		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
District Municipality:		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
Other grant providers:		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
Total Capital Transfers and Grants	5	**420**	**21,331**	**11,086**	**–**	**–**	**8,314**	**(8,314)**	**-100.0%**	**11,086**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	55	25,474	15,229	–	–	11,422	(11,422)	-100.0%	15,229

5.10 Age Creditors

The outstanding creditors as on 31 March 2024 amounts up to R 57 mill. However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors of R 53 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 MARCH 2024										
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	246,694.97	243,661	240,665	237,706	234,783	231,896	7,234,117		-	8,669,523
PAYE deductions	1,930,242	-	-	-	-	-	-	-	-	1,930,242
VAT (output less input)		-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	19,374,071	-	-	-	-	-	-	-	-	19,374,071
Loan repayments	0	-	-	-	-	-	-	-	-	-
Trade Creditors	42,368.37	283,680	1,230,514	218,429	282,208	237,014	1,081,556	17,576,241	- 68,299	20,883,709
Auditor General	84,731.85	586,110	113,654	173,708	1,608,344	1,167,574	154,342	2,351,960	-	6,240,425
Other	-			-		-			-	-
Total	**21,678,107.94**	**1,113,451**	**1,584,833**	**629,843**	**2,125,334**	**1,636,483**	**8,470,015**	**19,928,202**	**- 68,299**	**57,097,969**

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.

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Fax: 054 – 8330690

! 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 third quarter ended 31 March 2024 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 March 2024