KAI !GARIB MUNICIPALITY

MID-YEAR BUDGET AND PERFORMANCE REPORT
(SECTION 72 OF MFMA)
JANUARY 2021

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

Budget – The financial plan of the Municipality.

Budget related policy – Policy of the municipality affecting or affected by the budget, examples include tariff policy, rates policy, credit control and debt collection policy.

Capital expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's balance sheet.

Cash flow statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by national to provincial and local government.

Equitable share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Unauthorized expenditure – Generally, is spending without, or in excess of, an approved budget.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

MBRR – Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations.

MFMA – Local Government: Municipal Finance Management Act (56/2003). The principle piece of legislation relating to municipal financial management. Sometimes referred to as the Act.

MTREF – Medium Term Revenue and Expenditure Framework. A medium-term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous and current years' financial position.

Operating expenditure – Spending on the day-to-day expenses of the Municipality such as salaries and wages.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Section 1 – Introduction

1.1 Purpose

To inform Council of progress made in the implementation of the budget and the performance outcomes in respect of the first six months of the 2020/2021 financial year, and to recommend whether an adjustments budget is necessary.

1.2 Legal requirements

In terms of Section 72 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003):

(1) The accounting officer of a municipality must by 25 January of each year -

- (a) assess the performance of the municipality during the first half of the financial year, taking into account –
  - (i) the monthly statements referred to in section 71 for the first half of the financial year;
  - (ii) the municipality’s service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
  - (iii) the past year’s annual report, and progress on resolving problems identified in the annual report; and
  - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
- (b) submit a report on such assessment to –
  - (i) the mayor of the municipality
  - (ii) the National Treasury; and
  - (iii) the relevant Provincial Treasury.

(2) The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1)(b) of this section.

(3) The accounting officer must, as part of the review -

- (a) make recommendations as to whether an adjustments budget is necessary; and
- (b) Recommend revised projections for revenue and expenditure to the extent that this may be necessary.

Thereafter, the mayor must, in terms of Section 54(1):

- (a) Consider the report;
- (b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;
- (c) Consider and, if necessary, make any revisions to the service delivery and budget implementation plan, provided that revisions to the service delivery targets and

performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget;

(d) Issue any appropriate instructions to the accounting officer 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;

(e) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and

(f) Submit the report to the council by 31 January of each year.

1.3 Content of this report

With the concurrence of the Chief Financial Officer, it was agreed that:

(a) The Finance Directorate prepare a report complying with the financial requirements of MFMA section 71. The mid-year budget statement for December 2020 was submitted to all legislated parties by the 10th working day of January 2021.

(b) The Performance Management Section in the Office of the Municipal Manager has reviewed the SDBIP in line with recommendations made by the Auditor General during the 2019/20 external audit process to determine whether amendments are required to the current SDBIP.

(c) The Accounting Officer (Municipal Manager) and the Chief Financial Officer (Director Finance) have reviewed the Annual Report and issues that were raised in the Audit Report and final management letter of the Auditor-General and have included these in a section in this assessment.

(d) The outcomes of the above-mentioned reports and reviews form the basis of the mid-year budget and performance assessment.

(e) The Section 72 Report will be submitted to the Mayor on 27 January 2020, where after it will be tabled to Council on 29 of January 2021.

Section 2 – Report of the Mayor

2.1 Mid-year budget and performance assessment

The beginning of 2020/2021 was a very challenging year. The reality is that the Municipality is currently faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of sustainable basic services. The global Covid 19 pandemic increases the financial stress of consumers that at the end of the day puts more stress on the already cash flow constrains of the municipality.

Given the urgency to ensure sustainable service delivery to communities and financial sustainability, meetings were conducted between the Municipality and Treasury, to develop and implement a Financial Recovery Plan, together with a Budget Funding Plan, as a critical way forward for KGLM. These plans has also identified certain risks that must be monitored and mitigated for successful implementation.

In respect of financial resources, the key will be restructuring of KLM's budget, optimising the revenue resources available to the municipality, implementation of the revenue enhancement initiatives, vigorously implement the cost containment/ austerity measures and expenditure management, as well as cash-flow management; starting with an overview of the performance of the past six months.

The December monthly statement serves as the mid-year budget and performance assessment report as required in terms of Section 72 of the MFMA.

Reflecting on the past 6 months of the 2020/2021 financial year, it is clear that the anticipated Annual budget did not realise, which will be the driving force for an Adjustment Budget.

Section 3 – Financial Performance

3.1 ACTUAL REVENUE PER REVENUE SOURCE

The actual revenue per revenue source is set out in Table 1 below. The actual revenue raised for the current year 2020/2021 is R 140,151 million, against a budgeted figure of R 244,752 million (57.26%).

Property rates

- It must be noted that revenue for Property Rates is levied at the beginning of the financial year.
- The variance of R 3,741 mill against the budgeted amount of R 22,739 mill is due to corrections in property values and the tariffs charged.

Service Charges:

- In terms of the budgeted figures, the contribution of Service Charges (R 106,232 mil) towards total income (R 244,752 mil) is 43.40%. The amount for service charges in Table C4 are the actual amount billed and not the amount that is received. The amount billed for Service Charges to date, is R 51,700 million.

Rental of facilities and equipment:

- The actual income for facility and equipment rental (R268,118), do not exceed the anticipated budget of R 385,000.
- The collection rate on income from commonage increased due to arrear fees that was paid. The necessary internal controls will have to be reviewed to ensure that all rental income is collected and accounted for during each financial year.

Interest Earned-external investments:

- The actual income of R1,381 do not exceed the anticipated budget amount of R 385,000 due to no additional conditional grant funding invested in the financial institutions.

Interest Earned-outstanding debtors:

- The year-to-date amount of R 10,087 mill do not exceed the anticipated budget amount of R 20,738 mill (48.64%). It is of utmost importance that the municipality keep enforcing their credit control policy and that the municipality's debt collection unit is functioning effectively on a monthly basis.

- The appointed consultants, to assist the municipality with their debt collection functions, should be monitored closely on a monthly basis, to ensure that they have a positive impact on the municipality's collection rate, that will at the end, improve the municipality's cash flow situation. Kai !Garib Municipality is in no position to afford any fruitless and wasteful expenditure due to ineffective consultations.

Licences and permits

- No amount is reflected for the year to date, due to an outstanding journal which will be processed in the next month.

Transfers and subsidies (Operational):

- The municipality received 100% of their allocated grant funding for the first halve of the financial year.

Other income

- Other income consists of revenue for photocopies, faxes, clearances, tender deposits, commission on policies, cemetery fees, building plan fees, etc.

TABLE 1: ACTUAL REVENUE PER REVENUE SOURCE

NC082 !Kai! Garib - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2018/19	Budget Year 2019/20							
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		17,560	22,739	22,739	388	18,999	18,999	–		18,824
Service charges - electricity revenue		69,425	81,073	78,557	6,107	33,874	33,874	–		22,097
Service charges - water revenue		17,892	17,627	15,166	1,419	7,240	7,240	–		4,352
Service charges - sanitation revenue		11,320	12,240	7,246	1,004	6,064	6,064	–		4,063
Service charges - refuse revenue		8,285	8,916	5,264	752	4,522	4,522	–		2,986
Rental of facilities and equipment		339	385	385	44	268	268	–		180
Interest earned - external investments		252	217	217	0	1	1	–		1
Interest earned - outstanding debtors		18,788	20,738	20,738	1,742	10,087	10,087	–		6,636
Dividends received		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		91	62	62	2	35	35	–		18
Licences and permits		–	670	670	–	–	–	–		–
Agency services		268	210	210	–	–	–	–		–
Transfers and subsidies		76,548	92,399	92,399	23,224	58,724	58,724	–		35,500
Other revenue		15,033	1,100	1,100	70	336	336	–		207
Gains on disposal of PPE		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		**235,803**	**258,376**	**244,752**	**34,752**	**140,151**	**140,151**	**–**		**94,866**

3.2 ACTUAL OPERATIONAL EXPENDITURE PER VOTE AND PER EXPENDITURE CATEGORY

The actual operational expenditure per vote is set out in Table 2 below. The budgeted amount for the municipality's total operational expenditure is R 241,187 million of which R 133,654 million was utilized during the period under review. The spending of R 133,654 million is 55.42% of the planned budget.

The figures in this section represent the accrued amounts, in other words when the goods have been ordered, received or the invoice has been completed (reconciled with goods received and prices quoted) it should be captured as an expense. Shadow figures are reflected on the financial system once an order is issued. This action serves as a budgetary control mechanism

TABLE 2: ACTUAL OPERATIONAL EXPENDITURE PER VOTE

NC082 !Kai! Garib - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06 December

Vote Description	Ref	2018/19	Budget Year 2019/20							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Expenditure by Vote	1									
Vote 1 - OFFICE OF THE MAYOR AND SPEAKER		14,010	5,995	4,527	315	2,062	2,062	–		1,281
Vote 2 - OFFICE OF THE MUNICIPAL MANAGER		8,055	8,660	7,812	705	4,576	4,576	–		2,752
Vote 3 - BUDGET AND TREASURY		112,036	17,364	16,517	1,659	10,770	10,770	–		6,509
Vote 4 - CORPORATE SERVICES		27,339	21,994	21,115	1,883	11,920	11,920	–		7,034
Vote 5 - TECHNICAL AND ENGINERING SERVICES		171,236	117,357	119,345	4,715	52,341	52,341	–		40,640
Vote 6 - PROPERTIES, PLANNING AND DEVELOPMENT		13,798	12,029	11,396	991	6,504	6,504	–		3,936
Vote 7 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Total Expenditure by Vote	2	**346,473**	**183,399**	**180,712**	**10,268**	**88,174**	**88,174**	**–**		**62,152**

Table 2 gives an indication of spending per Department within the Municipality, against the approved Budget.
The actual operational expenditure per expenditure category is set out in Table 3 below.

TABLE 3: ACTUAL OPERATIONAL EXPENDITURE PER EXPENDITURE CATEGORY

NC082 !Kai! Garib - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2018/19	Budget Year 2019/20							
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		113,643	116,165	110,365	9,540	61,658	61,658	–		37,000
Remuneration of councillors		7,175	5,204	7,616	547	3,282	3,282	–		2,188
Debt impairment		16,660	13,811	13,811	–	–	–	–		–
Depreciation & asset impairment		31,422	–	4,650	–	–	–	–		–
Finance charges		50,972	18,625	8,625	245	11,453	11,453	–		10,925
Bulk purchases		59,139	62,522	66,635	–	22,574	22,574	–		22,574
Other materials		8,252	4,218	4,218	1,088	5,171	5,171	–		3,321
Contracted services		15,424	14,876	11,763	3,012	8,942	8,942	–		4,730
Transfers and subsidies		15,101	–	–	–	–	–	–		–
Other expenditure		26,473	22,955	13,503	3,111	20,574	20,574	–		14,485
Loss on disposal of PPE		2,212	–	–	–	–	–	–		–
Total Expenditure		**346,473**	**258,376**	**241,187**	**17,543**	**133,654**	**133,654**	**–**		**95,221**

Employee related cost

- One of the biggest drivers i.t.o. expenditure is employment cost. The budgeted amount for employee related cost is R 110,365 million of which R 61,658 million (55.87%) was expensed during the period under review. Employee related cost will be discussed in paragraph 7.

Debt impairment and Depreciation

- The underspending reflected, is due to calculations performed on an annual basis.

Finance Charges

- Budget of R 4,315 million was anticipated up to end of December 2020. Year to date actual, amounts to R 11,453 million, relating to Eskom interest charged. The total budget for finance charges, for the current financial year, is understated, when we look at Kai !Garib's Creditors Aged Analysis, which reflects outstanding payments for more than 30 days. The difference will be accommodated in the adjustment budget.

Bulk Purchases

- The second biggest driver is bulk purchases which represent 27.63% of the total budget. No payment was made to Eskom and the Water board for Bulk purchases, during the period under review, even though Eskom invoices up to November 2020, was recorded on the financial system. It must be noted that the in-year-reporting is only as valid as the information that is fed into the financial system.

Other materials (repairs and maintenance)

- The actual expenditure (R 5,171 mil) is more than what was anticipated (R 4,218 mil), for the period under review.

Contracted services

- An underspending of R 2,821 million is reflected, against the pro-rata budget of R 11,763 million.

Other/General expenditure

- Actual expenditure (R 20,574 million), exceeds the anticipated budget of R 13,503 million, by R 7.071 million (52.37%)
- Proper planning plays a major role in the implementation and monitoring of the budget.

3.3 ACTUAL CAPITAL EXPENDITURE PER VOTE AND FUNDING SOURCE

The actual capital expenditure per vote is set out in Table 4 below. Funding for Capital projects consist mainly of Capital Grant Funding. For the period under review, a total of R 10.953 million was expensed, against the budgeted figure of R 25.014 million – an underspending of 56%, with regards to the year to date budget.

TABLE 4: ACTUAL CAPITAL EXPENDITURE PER VOTE

NC082 !Kai! Garib - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional calssification and funding) - M06 December

Vote Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
Capital Expenditure - Functional Classification										
Governance and administration		–	500	–	4	214	500	(286)	-57%	500
Executive and council			500	–	–	47	500	(453)	-91%	500
Finance and administration					4	155		155	#DIV/0!	
Internal audit					–	12		12	#DIV/0!	
Economic and environmental services		–	–	–	–	1 378	–	1 378	#DIV/0!	–
Planning and development					–	1 364		1 364	#DIV/0!	
Road transport			–	–	–	13	–	13	#DIV/0!	
Environmental protection								–		
Trading services		–	25 934	–	1 047	9 361	24 514	(15 153)	-62%	25 934
Energy sources			–	–	27	3 718	–	3 718	#DIV/0!	
Water management			20 934	–	739	2 321	19 514	(17 193)	-88%	20 934
Waste water management			5 000	–	280	2 993	5 000	(2 007)	-40%	5 000
Waste management			–	–	–	329	–	329	#DIV/0!	
Other			–	–	–	–	–	–		
Total Capital Expenditure - I	3	–	26 434	–	1 051	10 953	25 014	(14 061)	-56%	26 434

The actual capital expenditure per funding source is set out in Table 5 below.

TABLE 5: ACTUAL CAPITAL EXPENDITURE PER FUNDING SOURCE

NC082 !Kai! Garib - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional calssification and funding) - M06 December

Vote Description	Ref	2017/18	Budget Year 2018/19							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Funded by:										
National Government			25 934	–	761	9 721	24 514	(14 793)	-60%	25 934
Provincial Government								–		
District Municipality								–		
Other transfers and grants								–		
Transfers recognised - capital		**–**	**25 934**	**–**	**761**	**9 721**	**24 514**	**(14 793)**	**-60%**	**25 934**
Public contributions & donations	5							–		
Borrowing	6							–		
Internally generated funds			500	–	290	1 231	500	731	146%	500
Total Capital Funding		**–**	**26 434**	**–**	**1 051**	**10 953**	**25 014**	**(14 061)**	**-56%**	**26 434**

R9.721 (40%)mil was utilized of an anticipated budget of R24.514, from National Government funding – underspending of 60%
R1.231 mil was utilizes of an anticipated budget of R500 thousand from internally generated funds – overspending of 146%

3.4 ACTUAL BORROWINGS

The municipality's position on external loans is set out in Table 6 below. The municipality started on 01 July 2001 with borrowing debt at the Development Bank of South Africa to acquire assets and finance infrastructure development. The outstanding balance for the 2nd quarter adds up to R 9,944,007.
No payment was made to the Development Bank, for the current financial year; which as a result, increases the finance cost.
The outstanding debt should be revisited in order for Kai !Garib to avoid fruitless and wasteful cost incurred.

TABLE 6: ACTUAL BORROWINGS

Municipality	Year End	Quarter	Loans											Additional	
NC082	2020	Q2 Oct-Dec	**Yes**			Principal					Interest	Balance	Debt Repaid	Principal	Balance
Loan	Municipality		Planned	Loan Term	Term	Debt raised	Loan	Type of	Timing of	% Interest	Paid	at Begin	or redeemed	Accrued	at End
Instrument	Loan	Start Date	End Date	Year/Month/	Value	at the Inception	Purpose	interest	Interest	Rate (2 dec)	This Quarter	of Quarter	This Quarter	This Quarter	of Quarter
No	Reference No	(ccyy/mm/dd)	(ccyy/mm/dd)	Day	(no)	(Rand)			payment	Per Annum	(Rand)	(Rand)	(Rand)	(Rand)	(Rand)
1	61000080	01/07/2003	30/06/2023	Y	20	1,926,000	Acquisition of Other Assets (03)	Fixed (01)	Semi-annually (02)	12.10	37,215	929,388	0	37,215	966,603
2	61001016	01/03/2012	28/02/2019	Y	7	7,355,759	Acquisition of Other Assets (03)	Fixed (01)	Monthly (04)	6.75	49,148	8,113,637	0	49,148	8,162,785
3	61003256	01/07/2001	30/06/2021	Y	20	1,506,000	Provision of Infrastructure (01)	Variable (02)	Semi-annually (02)	11.27	5,436	794,350	0	5,436	799,786
4	61001017	01/03/2012	31/08/2015	Y	4	1,220,000	Provision of Infrastructure (01)	Fixed (01)	Monthly (04)	6.75	392	14,441	0	392	14,833
TOTAL										**0.935776714**	**92,191**	**9,851,816**	**0**	**92,191**	**9,944,007**

3.5 ALLOCATIONS RECEIVED AND ACTUAL EXPENDITURE ON ALLOCATIONS RECEIVED.

The municipality's position with regard to grant allocations received and the actual expenditure on the grant allocations received are set out below. A total amount of R 68.788 million was received, during the period under review.

TABLE 7: DETAIL GRANT ALLOCATIONS RECEIVED

NC082 !Kai! Garib - Table SC6 Monthly Budget Statement - transfers and grant receipts - M06 December

Description R thousands	Ref	2017/18 Audited Outcome	Budget Year 2018/19 Original Budget	Adjusted Budget	Monthly actual	YearTD actual
RECEIPTS:	1,2					
Operating Transfers and Grants						
National Government:		–	81 148 000	-	23 229 000	58 888 000
Local Government Equitable Share			77 186 000		23 229 000	55 390 000
Finance Management			2 415 000		-	2 415 000
EPWP Incentive			1 547 000		-	1 083 000
Provincial Government:		–	–	–	-	400 000
Department Sport, Arts and Culture			–		-	400 000
Total Operating Trai	5	–	81 148 000	-	23 229 000	59 288 000
Capital Transfers and Grants						
National Government:		-	27 036 000	-	-	9 500 000
Municipal Infrastructure Grant (MIG)			22 036 000		-	7 000 000
Water Services Infrastructure Grant			5 000 000		-	2 500 000
Total Capital Transf	5	–	27 036 000	-	-	9 500 000
TOTAL RECEIPTS OF TRANSFERS & GRANTS			108 184 000	-	23 229 000	68 788 000

The amount of R8 mil in MIG funds, as set out per the DoRA, was not received during December 2020, which must be corrected with the Adjustment Budget.

Allocations still outstanding:
EPWP – R464 thousand
Equit Shares – R19.296 mil
MIG – R7.036 mil

Expenditure on allocations is set out in the next table

NC082 !Kai! Garib - Table SC7 Monthly Budget Statement - transfers and grant expenditure - M06 December

Description	Ref	2017/18 Audited Outcome	Budget Year 2018/19 Original Budget	Adjusted Budget	Monthly actual	YearTD actual
EXPENDITURE						
Operating expenditure of Transfers and Grants						
National Government:		–	81 148 000	-	24 033 675	57 683 046
Local Government Equitable Share			77 186 000		23 229 000	55 390 000
Finance Management			2 415 000		120 969	963 190
EPWP Incentive			1 547 000		683 706	1 329 856
Provincial Government:		–	–	–	-	-
Department Sport, Arts and Culture			–		-	-
Total Operating expenditure of Transfer	5	–	81 148 000	-	24 033 675	57 683 046
Capital Transfers and Grants						
National Government:		-	27 036 000	-	1 350 773	10 480 420
Municipal Infrastructure Grant (MIG)			22 036 000		1 071 000	8 008 063
Water Services Infrastructure Grant			5 000 000		279 773	2 472 357
Total Capital expenditure of Transfers a	5	–	27 036 000	-	1 350 773	10 480 420
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS			108 184 000	-	25 384 448	68 163 466

A total of R963 190(39.88%) was spent on FMG.
R1 329 856 (85.96%) was spent on EPWP.
R8.008 million (36.34%) was expensed against the MIG Grant and
R 2.472 million (49.45%) was spent on the Water Service Grant.

Slow expenditure on Grants, with the exception of EPWP, are recorded for the first half of the current financial year.

3.6 EMPLOYEE RELATED COSTS

Employee related cost for the current financial year is set out in Table 8 below.
Total budget for Employee related cost is R 110,365 million, of which R 61,658 million was paid for the period under review.
Employee Related cost contains 45.76% of the total budgeted expenditure for the 2020/2021 financial year.
It must be noted that the budget consists of warm-bodies only

TABLE 8: EMPLOYEE RELATED COSTS FOR THE YEAR

NC082 !Kai! Garib - Supporting Table SC8 Monthly Budget Statement - councillor and staff benefits - M06 December

Summary of Employee and Councillor remuneration	Ref	2018/19	Budget Year 2019/20							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
	1	A	B	C						D
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		4,802	4,766	7,178	349	2,093	4,766	(2,673)	-56%	1,395
Pension and UIF Contributions		–	–	–	–	–	–	–		–
Medical Aid Contributions		–	–	–	–	–	–	–		–
Motor Vehicle Allowance		1,601	371	371	134	801	371	430	116%	534
Cellphone Allowance		772	67	67	65	388	67	320	475%	258
Housing Allowances		–	–	–	–	–	–	–		–
Other benefits and allowances		–	–	–	–	–	–	–		–
Sub Total - Councillors		**7,175**	**5,204**	**7,616**	**547**	**3,282**	**5,204**	**(1,922)**	**-37%**	**2,188**
% increase	4		**-27.5%**	**6.1%**						**-69.5%**
Senior Managers of the Municipality	3									
Basic Salaries and Wages		–	3,636	3,510	144	915	3,636	(2,721)	-75%	626
Pension and UIF Contributions		–	101	97	0	2	101	(99)	-98%	1
Medical Aid Contributions		–	47	47	–	–	47	(47)	-100%	–
Overtime		–	–	–	–	–	–	–		–
Performance Bonus		–	387	387	–	–	387	(387)	-100%	–
Motor Vehicle Allowance		–	434	288	24	144	434	(290)	-67%	96
Cellphone Allowance		–	79	60	3	20	79	(59)	-75%	11
Housing Allowances		–	–	–	–	–	–	–		–
Other benefits and allowances		–	0	0	–	–	0	(0)	-100%	–
Payments in lieu of leave		–	–	–	–	–	–	–		–
Long service awards		–	–	–	–	–	–	–		–
Post-retirement benefit obligations	2	–	–	–	–	–	–	–		–
Sub Total - Senior Managers of Municipality		**–**	**4,684**	**4,389**	**172**	**1,081**	**4,684**	**(3,603)**	**-77%**	**735**
% increase	4		**#DIV/0!**	**#DIV/0!**						**#DIV/0!**
Other Municipal Staff										
Basic Salaries and Wages		–	74,571	72,716	6,385	38,525	74,571	(36,046)	-48%	25,723
Pension and UIF Contributions		–	13,731	13,370	1,143	6,933	13,731	(6,798)	-50%	4,644
Medical Aid Contributions		–	2,707	2,707	213	1,301	2,707	(1,406)	-52%	875
Overtime		–	1,868	1,754	321	1,772	1,868	(96)	-5%	1,183
Performance Bonus		–	6,214	6,214	385	6,330	6,214	116	2%	171
Motor Vehicle Allowance		–	4,307	3,129	299	1,664	4,307	(2,643)	-61%	822
Cellphone Allowance		–	804	531	20	122	804	(682)	-85%	71
Housing Allowances		–	479	479	98	595	479	115	24%	398
Other benefits and allowances		–	5,084	4,159	458	2,608	5,084	(2,476)	-49%	1,754
Payments in lieu of leave		–	1,491	691	45	729	1,491	(763)	-51%	624
Long service awards		–	225	225	–	–	225	(225)	-100%	–
Post-retirement benefit obligations	2	–	–	–	–	–	–	–		–
Sub Total - Other Municipal Staff		**–**	**111,480**	**105,975**	**9,367**	**60,577**	**111,480**	**(50,903)**	**-46%**	**36,265**
% increase	4		**#DIV/0!**	**#DIV/0!**						**#DIV/0!**
Total Parent Municipality		**7,175**	**121,368**	**117,981**	**10,086**	**64,940**	**121,368**	**(56,428)**	**-46%**	**39,188**

3.7 DEBTORS AGE ANALYSIS

The municipality's debtor's age analysis as at 31 December 2020 is set out in Table 9 below. The total outstanding debtors amounts to R 396,027 million and R 372,573 million is outstanding for more than 90 days.

TABLE 9: DEBTORS AGE ANALYSIS PER SERVICE GROUP AS AT 31 December 2020

NC082 !Kai! Garib - Supporting Table SC3 Monthly Budget Statement - aged debtors - M06 December

Description	NT Code	Budget Year 2019/20											
R thousands		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	1,934	1,356	1,099	942	1,012	941	5,539	39,943	52,766	48,377	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	4,838	1,176	399	317	357	272	1,528	14,592	23,479	17,065	–	–
Receivables from Non-exchange Transactions - Property Rates	1400	3,895	1,091	832	1,007	703	8,313	3,668	34,053	53,563	47,744	–	–
Receivables from Exchange Transactions - Waste Water Management	1500	1,051	684	571	546	531	517	2,701	18,191	24,791	22,485	–	–
Receivables from Exchange Transactions - Waste Management	1600	824	613	527	511	501	490	2,644	18,954	25,064	23,099	–	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–	–	–	–	–	–	–	–	–
Interest on Arrear Debtor Accounts	1810	–	–	–	–	–	–	–	–	–	–	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–	–	–	–	–
Other	1900	288	2,065	209	2,985	217	200	7,312	203,088	216,364	213,802	–	–
Total By Income Source	**2000**	**12,831**	**6,986**	**3,637**	**6,308**	**3,321**	**10,732**	**23,390**	**328,822**	**396,027**	**372,573**	**–**	**–**
2018/19 - totals only										–	–		
Debtors Age Analysis By Customer Group													
Organs of State	2200	3,174	215	163	105	104	1,986	641	4,645	11,034	7,481	–	–
Commercial	2300	1,476	527	295	544	234	2,036	1,130	10,686	16,928	14,630	–	–
Households	2400	8,042	4,266	3,050	2,775	2,854	5,699	14,669	114,891	156,247	140,888	–	–
Other	2500	138	1,977	129	2,883	129	1,011	6,950	198,600	211,818	209,573	–	–
Total By Customer Group	**2600**	**12,831**	**6,986**	**3,637**	**6,308**	**3,321**	**10,732**	**23,390**	**328,822**	**396,027**	**372,573**	**–**	**–**

The total outstanding debtors in excess of 31 days as at 31 December 2020 is R 383,195 million.

The debt collection policy is implemented in order to facilitate the collection of outstanding debt.

An in-house debt collection unit has been established and is functioning effectively.

3.8 CREDITORS AGE ANALYSIS

The municipality's Creditors Age Analysis as at 31 December 2020 is set out in Table 10 below.
It must be noted that not all outstanding creditors is included in the financial system. Three major creditors, Department of Transport, Safety and Liaison - R 42,374m, DBSA -R 10,25m and Department of Water Affairs -R 12,894m, all totalling R 56,293m, also needs to be included, which results in a total outstanding Creditors amount of R 362,297 million.
The municipality's cash flow problems are a result of non-payment or creditor payments in excess of 30 days, which is a non-compliance in terms of Section 65 (2)(e) of the MFMA.
In terms of Section 65(2)(e) of the MFMA the Accounting Officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement for goods or services rendered.

TABLE 10: CREDITORS AGE ANALYSIS

NC082 !Kai! Garib - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06 December

Description R thousands	NT Code	Budget Year 2019/20 0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	–	36,409	–	–	–	36,789	206,763	–	**279,961**
Bulk Water	0200	–	–	–	–	391	8,646	3,858	–	**12,894**
PAYE deductions	0300	111	–	–	–	–	–	25,106	–	**25,217**
VAT (output less input)	0400	–	–	–	–	–	–	–	–	**–**
Pensions / Retirement deductions	0500	1,208	–	–	103	–	–	–	–	**1,311**
Loan repayments	0600	–	–	–	–	–	–	–	–	**–**
Trade Creditors	0700	6,758	1,147	112	50	4,100	2,345	13,882	–	**28,394**
Auditor General	0800	2,258	233	–	3,902	–	–	8,127	–	**14,520**
Other	0900	–	–	–	–	–	–	–	–	**–**
Total By Customer Type	**1000**	**10,335**	**37,789**	**112**	**4,055**	**4,491**	**47,779**	**257,736**	**–**	**362,297**

3.9 INVESTMENTS

The following table reflects all Kai !Garib's Investments as at 31 December 2020.
Total Investments amounts to R 1,081 million.

Municipality	Year End	Quarter	Investments
NC082	2020	Q2 Oct-Dec	**Yes**

Investment No	Municipality Investment Reference No	Start Date (ccyy/mm/dd)	Planned End Date (ccyy/mm/dd)	Investment Term Year/Month/ Day	Term Value (no)	Investment Institution (max 40 chars)	% Interest Rate (2 dec) Per Annum	Accrued Interest This Quarter (Rand)	Balance at Begin of Quarter (Rand)	Partial / Premature Withdrawals This Quarter (Rand)	Investment Top Up This Quarter (Rand)	Balance at End of Quarter (Rand)
1	9117271903	01/07/2018	30/06/2019	M	12	ABSA	6.00	8,249	67,502			75,751
2	62006983094	01/07/2018	30/06/2019	M	12	FNB	6.00	349	2,290			2,639
3	53355021	01/07/2018	30/06/2019	M	12	STANDARD BANK	6.00	48,016	411,980			459,996
4	48643270-002	01/07/2018	30/06/2019	M	12	STANDARD BANK	6.00	32,009	321,981			353,990
5	48904295-004	01/07/2018	30/06/2019	M	12	STANDARD BANK	6.00	9,483	78,150			87,633
6	11665522	01/07/2018	30/06/2019	M	12	OLD MUTUAL	6.00	11,973	89,822			101,795
TOTAL							**11.328205**	**110,079**	**971,725**	**0**	**0**	**1,081,804**

3.10 BANK ACCOUNTS

The municipality's bank account balances for December 2020 are set out in Table 12 below. The municipality started at the beginning of December with a negative bank account balance of -R 6,175,358 and closed with a total (negative) balance of -R 2,585,884.

TABLE 12: BANK ACCOUNTS FOR THE MONTH OF DECEMBER 2020

Banking institution	Account number	Balance as at 30 November 2020	Movement	Balance as at 31 December 2020
ABSA Bank Limited	405 144 5435	(6,203,595.40)	3,405,697.44	(2,797,897.96)
Stadard Bank Limited	041 790 219	28,236.89	183,776.95	212,013.84
		(6,175,358.51)	**3,589,474.39**	**(2,585,884.12)**

NC082 !Kai! Garib - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2018/19	Budget Year 2019/20							
		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		(44,098)	22,739	22,739	(724)	6,569	22,739	(16,170)	-71%	49,115
Service charges		(331,353)	119,856	106,232	7,808	(159,645)	119,856	(279,501)	-233%	147,579
Other revenue		–	2,427	2,427	115	640	2,427	(1,787)	-74%	406
Government - operating		–	92,399	92,399	23,224	58,724	92,399	(33,675)	-36%	35,500
Government - capital		–	31,295	21,295	–	266	31,295	(31,029)	-99%	266
Interest		–	20,955	20,955	1,742	10,088	20,955	(10,867)	-52%	6,637
Dividends		–	–	–	–	–	–	–		–
Payments										
Suppliers and employees		196,963	(239,751)	(227,911)	(18,188)	83,328	(239,751)	(323,079)	135%	(276,713)
Finance charges		–	(18,625)	(8,625)	(245)	(11,453)	(18,625)	(7,172)	39%	(10,925)
Transfers and Grants		–	–	–	–	–	–	–		–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**(178,488)**	**31,295**	**29,511**	**13,732**	**(11,483)**	**31,295**	**42,778**	**137%**	**(48,135)**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		3,007	–	–	–	3,192	3,192	–		109
Decrease (Increase) in non-current debtors		(1,023)	–	–	(30)	1,514	–	1,514	#DIV/0!	736
Decrease (increase) other non-current receivables		(15)	–	–	–	(0)	(0)	–		15
Decrease (increase) in non-current investments		–	–	–	–	–	–	–		–
Payments										
Capital assets		(44,920)	–	–	(25)	(45,091)	(45,091)	–		(145)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(42,951)**	**–**	**–**	**(56)**	**(40,386)**	**(41,900)**	**(1,514)**	**4%**	**715**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		–	–	–	–	–	–	–		–
Borrowing long term/refinancing		23,821	–	–	–	21,444	21,444	–		–
Increase (decrease) in consumer deposits		1,866	–	–	78	1,987	1,987	–		(1,822)
Payments										
Repayment of borrowing		–	–	–	–	–	–	–		(23,821)
NET CASH FROM/(USED) FINANCING ACTIVITIES		**25,687**	**–**	**–**	**78**	**23,431**	**23,431**	**–**		**(25,643)**
NET INCREASE/ (DECREASE) IN CASH HELD		**(195,752)**	**31,295**	**29,511**	**13,754**	**(28,438)**	**12,827**			**(73,062)**
Cash/cash equivalents at beginning:		–	–	–		–	–			–
Cash/cash equivalents at month/year end:		(195,752)	31,295	29,511		(28,438)	12,827			(73,062)

SECTION 4 - Recommendation

That Council approve the Section 72 report as presented and recommend a Revised/Adjusted Budget that will be credible and cash funded.

Section 5 – Municipal manager's quality certification

QUALITY CERTIFICATE

I, Isak De Waal, Acting Municipal Manager of Kai !Garib Municipality, hereby certify that -

the mid-year budget assessment report for the six months, ending December 2020 of 2020/2021 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

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Dr. J. Mac Kay
Acting Municipal Manager of Kai !Garib Municipality (NC082)
29 January 2021