KANNALAND
MUNISIPALITEIT / MUNICIPALITY

Quarterly Budget Monitoring Report

1st Quarter 2012/13

To Council

In accordance with Section 52(d) and Section 72 of the Municipal Finance Management Act, I submit the required report on the implementation of the budget and the financial state of affairs of Kannaland Municipality reflecting the particulars for the 1st Quarter of 2013.

The submission of this report forms part of my general responsibilities as the Executive Mayor of Kannaland Municipality. The purpose of this report serves to inform council regarding the financial affairs of Kannaland Municipality and to enable council to fulfill its oversight responsibility.

…….

M.M. Hoogbaard
Municipal Manager

……..

Date

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ITEM: Quarterly Budget Monitoring Report

1. Purpose

Submit a report to Council on the implementation of the budget and the ýnancial state of affairs of the municipality for the 1st quarter of the 2012/13 financial year.

2. Background

The quarterly Budget Monitoring Report gives an oversight on the quarterly performance against the budget. This is a way to exercise control over the implementation of the budget and to provide essential financial information on a senior management level.

The Mayor, who must provide general political guidance over the fiscal and financial affairs of the Municipality, is required by Section 52 (d) of the Municipal Finance Management Act to submit a report to council within 30 days of the end of each quarter, on the implementation of the budget and the financial state of affairs of the Municipality.

This report is a summary of the main budget issues arising from the monitoring process.

Section 54 of the MFMA requires the Mayor of a municipality to take certain actions on the receipt of this report to ensure that the approved budget is implemented in accordance with the projections contained in the Service Delivery and Budget Implementation Plan.

3. Relevant Parties

Council

Kannaland Municipal Management

National Treasury

Provincial Treasury

4. Financial Implications

None

5. Legislation

Sections 52 & 54 of the Municipal Financial Management Act No 56 of 2003.

Sections 66,67 & 71 of the Municipal Financial Management Act No 56 of 2003.

6. Recommendations

These recommendations are linked to the responsibility of the Mayor in terms of section 54 of the MFMA Act No 56 of 2003.

a) Council take note of this report

b) The directors ensure that the budget is implemented in accordance to the SDBIP and that revenue and expenditure are in line with the approved budget

Executive Summary

Introduction

General responsibilities

MFMA (2003) Section 52. *The mayor of the municipality-*
d) must. within 30 days of the end of each quarter submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality;

MFMA (2003) Section 54. *The mayor of municipality-*
54. (1) On receipt of a statement or report submitted by the accounting officer of the municipality in terms of section 71 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) 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

(2) If the municipality faces any serious financial problems, the mayor must—
(a) promptly respond to and initiate any remedial or corrective steps proposed by the accounting officer to deal with such problems, which may include—
(i) steps to reduce spending when revenue is anticipated to be less than projected in the municipality's approved budget;
(ii) the tabling of an adjustments budget; or
(iii) steps in terms of Chapter 13; and
(b) alert the council and the MEC for local government in the province to those problems.
(3) The mayor must ensure that any revisions of the service delivery and budget implementation plan are made public promptly.

This report is a summary of the main budget issues arising from the monitoring process. It compares the progress of the budget to the projections and is intended to inform and enable the council to fulfill its oversight responsibility in terms of legislation.

Summary of 2012/13 budget progress

The table summarises the overall position of the quarterly expenditure on the capital budget.

Capital Budget - Progress Report								
Number	Project description	Original Budget	YTD Expenditure	YTD %	SDBIP/Year to date Budget	Variance	% Variance	Project status
1	INEP- Electrification Calitzdorp	5,000,000.00	570,153.00	11.40	-	(570,153.00)	n/a	On schedule
2	Czd Water Reticulation	10,941,150.00	404,359.00	3.70	-	(404,359.00)	n/a	On schedule
3	Housing (Czd)	5,039,000.00	1,760,000.00	35.00	-	(1,760,000.00)	n/a	Ahead of schedule
4	Library Small Assets	10,000.00	45,935.00	459.00	10,000.00	(35,935.00)	459%	Overspent
5	Budget & Treasury Office Small Assets	500,000.00	6,433.00	1.20	275,000.00	(268,567.00)	-99%	Underspent
6	Tools & Equipment	175,000.00	-	-	-	-	n/a	
Totals		***21,665,150.00***	***2,786,880.00***	***13%***	***285,000.00***			

- The Integrated National Electrification Grant is being used for the electrification of low cost housing in Calitzdorp. R570,153 was spent on the purchasing of new SMART meters for the first 80 houses to be completed.
- Of the budget allocated to the Calitzdorp water reticulation is only R1,911,830.69 outstanding for the completion of the project. The balance of the MIG allocation (R10,941,150) will be used to fund the following projects:
    - Zoar Rehabilitate water reticulation
    - Zoar Upgrade water reticulation
    - Zoar Rehabilitate sports field
    - Project Management Unit
    - Ladismith New waste water treatment works
    - Ladismith Rehabilitate streets (Nissenville)
    - Van Wyksdorp New roads
    - Van Wyksdorp Rehabilitate sports field

- On housing in Calitzdorp R1,760,000 was spent and the allocation has been increased with another R8,925,000 to R13,964,000.
- Library small assets had a budget of R10,000. This however has been unspent due to previous financial year expenses invoiced within the 2012/13 financial year. This led to this grant being overspent with 359% within this financial year.
- The capital budget of the budget and treasury office are R500,000. This allocation was earmarked mainly for expenditure on IT infrastructure. Expenditure is low due to cash flow limitations.
- Tools and equipment have a R175,000 budget which will be used for the purchase of rollers for the repair and maintenance on roads within Kannaland.
- To be included within the capital budget is a R2,800,000 allocation made by Department of Water Affairs for a water feasibility study in Ladismith. Element Consulting Engineers was awarded the tender and expenditure to date amounts to R525,000.

RBIG CASH FLOW

RBIG: Ladismith Feasibility and Implementation Ready Study: ACTUAL AND PREDICTED CASHFLOWS								
	Actual Expenditure			Predicted Expenditure				
	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13
Inception Report	R 35,056.10	R 35,056.10	R 35,056.10	R 35,056.10	R 35,056.10	R 35,056.10	R 35,056.10	R 35,056.10
Module 1 – Groundwater Investigation	R 57,585.75	R 60,021.94	R 70,348.77	R 114,927.34	R 159,505.91	R 204,084.48	R 248,663.04	R 293,241.61
Module 2 - Hydrological Review of the Swartberg River	R 17,313.11	R 22,902.45	R 22,902.45	R 37,680.99	R 52,459.52	R 67,238.05	R 82,016.58	R 96,795.12
Module 3 – Rehabilitation of the Jan F le Grange Dam	R 163,654.27	R 200,794.01	R 207,506.95	R 240,362.05	R 273,217.15	R 306,072.25	R 338,927.35	R 371,782.45
Module 4 - Investigate the Use of Leiwater	R 19,076.82	R 22,288.69	R 26,881.45	R 50,964.27	R 75,047.10	R 99,129.93	R 123,212.76	R 147,295.59
Module 5 – Evaluation and Monitoring of WC/WDM Measures	R 13,284.97	R 20,661.61	R 23,105.23	R 31,043.56	R 38,981.90	R 46,920.23	R 54,858.56	R 62,796.89
Module 6 – Purchasing Irrigators' Water Rights	R 14,522.87	R 17,555.12	R 18,353.08	R 30,641.67	R 42,930.25	R 55,218.84	R 67,507.42	R 79,796.01
Module 7 – Upgrading of the Existing Infrastructure	R 20,276.59	R 23,493.96	R 23,638.62	R 37,170.19	R 50,701.76	R 64,233.32	R 77,764.89	R 91,296.46
Module 8 – Construction of a New Storage Dam	R 44,850.98	R 57,813.15	R 59,339.50	R 99,320.28	R 139,301.05	R 179,281.83	R 219,262.61	R 259,243.39
Feasibility Report (1st Draft, 2nd Draft, Main Report)	R -	R -	R 18,930.30	R 46,694.73	R 74,459.16	R 102,223.59	R 129,988.03	R 157,752.46
Implementation Ready Report	R -	R -	R 18,930.30	R 46,694.73	R 74,459.16	R 102,223.59	R 129,988.03	R 157,752.46
Cummulative Total Excluding VAT	**R 385,621.47**	**R 460,587.05**	**R 524,992.74**	**R 770,555.90**	**R 1,016,119.06**	**R 1,261,682.22**	**R 1,507,245.38**	**R 1,752,808.54**
VAT	R 53,987.01	R 64,482.19	R 73,498.98	R 107,877.83	R 142,256.67	R 176,635.51	R 211,014.35	R 245,393.20
Cummulative Total Including VAT	**R 439,608.47**	**R 525,069.23**	**R 598,491.72**	**R 878,433.73**	**R 1,158,375.73**	**R 1,438,317.73**	**R 1,718,259.73**	**R 1,998,201.74**

Part 2: Capital Revenue and Expenditure

R thousands	2012/13					2011/12		Q1 of 2011/12 to Q1 of 2012/13
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
Capital Revenue and Expenditure								
Source of Finance	**21,665**	**2,787**	**12.9%**	**2,787**	**12.9%**	**192**	**.9%**	**1,352.8%**
National Government	15,941	975	6.1%	975	6.1%	115	.6%	748.6%
Provincial Government	5,039	1,806	35.8%	1,806	35.8%	-	-	(100.0%)
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	**20,980**	**2,780**	**13.3%**	**2,780**	**13.3%**	**115**	**.6%**	**2,321.1%**
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	685	6	.9%	6	.9%	77	8.0%	(91.6%)
Public contributions and donations	-	-	-	-	-	-	-	-
Capital Expenditure Standard Classificatio	**21,665**	**2,787**	**12.9%**	**2,787**	**12.9%**	**192**	**.9%**	**1,352.8%**
Governance and Administration	**500**	**6**	**1.3%**	**6**	**1.3%**	**77**	**4.0%**	**(91.6%)**
Executive & Council	-	-	-	-	-	69	20.7%	(100.0%)
Budget & Treasury Office	500	6	1.3%	6	1.3%	-	-	(100.0%)
Corporate Services	-	-	-	-	-	8	80.8%	(100.0%)
Community and Public Safety	**5,049**	**1,806**	**35.8%**	**1,806**	**35.8%**	**-**	**-**	**(100.0%)**
Community & Social Services	10	46	459.4%	46	459.4%	-	-	(100.0%)
Sport And Recreation	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Housing	5,039	1,760	34.9%	1,760	34.9%	-	-	(100.0%)
Health	-	-	-	-	-	-	-	-
Economic and Environmental Services	**11,116**	**-**	**-**	**-**	**-**	**115**	**1.1%**	**(100.0%)**
Planning and Development	-	-	-	-	-	-	-	-
Road Transport	11,116	-	-	-	-	115	1.1%	(100.0%)
Environmental Protection	-	-	-	-	-	-	-	-
Trading Services	**5,000**	**975**	**19.5%**	**975**	**19.5%**	**-**	**-**	**(100.0%)**
Electricity	5,000	570	11.4%	570	11.4%	-	-	(100.0%)
Water	-	404	-	404	-	-	-	(100.0%)
Waste Water Management	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

1st Quarter Ended 30 September 2012
CONDITIONAL GRANTS TRANSFERRED FROM NATIONAL DEPARTMENTS AND ACTUAL PAYMENTS MADE BY MUNICIPALITIES: PRELIMINARY RESULTS
Western Cape: Kannaland(WC041)

					Year to date		First Quarter		YTD Expenditure		% Changes from 1st to 1st Q		% Changes for the 1st Q	
R thousands	Division of revenue Act No. 6 of 2011	Adjustment (Mid year)	Other Adjustments	Total Available 2012/13	Approved payment schedule	Transferred to municipalities for direct grants	Actual expenditure National Department by 30 September 2012	Actual expenditure by municipalities by 30 September 2012	Actual expenditure National Department	Actual expenditure by municipalities	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities
National Treasury (Vote 10)														
Local Government Financial Management Grant	1,250			1,250	1,250			131	-	131	-	-	-	10.5%
Neighbourhood Development Partnership (Schedule 6)				-					-	-	-	-	-	-
Neighbourhood Development Partnership (Schedule 7)				-					-	-	-	-	-	-
Sub-Total Vote	**1,250**	**-**	**-**	**1,250**	**1,250**	**-**	**-**	**131**	**-**	**131**	**-**	**-**	**-**	**10.5%**
Cooperative Governance (Vote 3)														
Municipal Systems Improvement Grant	1,500			1,500	1,500			798	-	798	-	-	-	53.2%
Disaster Relief Funds				-					-	-	-	-	-	-
Internally Displaced People Management Grant				-					-	-	-	-	-	-
Sub-Total Vote	**1,500**	**-**	**-**	**1,500**	**1,500**	**-**	**-**	**798**	**-**	**798**	**-**	**-**	**-**	**53.2%**
Transport (Vote 37)														
Public Transport Infrastructure and Systems Grant				-					-	-	-	-	-	-
Rural Transport Grant				-					-	-	-	-	-	-
Sub-Total Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public Works (Vote 7)														
Expanded Public Works Programme Integrated Grant (Municipality)	1,000			1,000	400			69	-	69	-	-	-	6.9%
Sub-Total Vote	**1,000**	**-**	**-**	**1,000**	**400**	**-**	**-**	**69**	**-**	**69**	**-**	**-**	**-**	**-**
Energy (Vote 29)														
Integrated National Electrification Programme (Municipal) Grant	5,000			5,000	5,000			570	-	570	-	-	-	11.4%
National Electrification Programme (Allocation in-kind) Grant				-					-	-	-	-	-	-
Backlogs in the Electrification of Clinics and Schools (Allocation in-kind)				-					-	-	-	-	-	-
Electricity Demand Side Management (Municipal) Grant				-					-	-	-	-	-	-
Electricity Demand Side Management (Eskom) Grant				-					-	-	-	-	-	-
Sub-Total Vote	**5,000**	**-**	**-**	**5,000**	**5,000**	**-**	**-**	**570**	**-**	**570**	**-**	**-**	**-**	**11.4%**
Water Affairs (Vote 38)														
Backlogs in Water and Sanitation at Clinics and Schools Grant				-					-	-	-	-	-	-
Implementation of Water Services Projects				-					-	-	-	-	-	-
Regional Bulk Infrastructure Grant				-					-	-	-	-	-	-
Water Services Operating and Transfer Subsidy Grant (Schedule 6)				-					-	-	-	-	-	-
Water Services Operating and Transfer Subsidy Grant (Schedule 7)				-					-	-	-	-	-	-
Municipal Drought Relief Grant				-					-	-	-	-	-	-
Sub-Total Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sport and Recreation South Africa (Vote 19)														
2010 World Cup Host City Operating Grant				-					-	-	-	-	-	-
2010 FIFA World Cup Stadiums Development Grant				-					-	-	-	-	-	-
Sub-Total Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Human Settlements (Vote 31)														
Rural Households Infrastructure Grant				-					-	-	-	-	-	-
Sub-Total Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Sub-Total	**8,750**	**-**	**-**	**8,750**	**8,150**	**-**	**-**	**1,569**	**-**	**1,569**	**-**	**-**	**-**	**20.2%**
Cooperative Governance (Vote 3)														
Municipal Infrastructure Grant	11,517			11,517	5,954			487	-	487	-	-	-	4.2%
Sub-Total Vote	11,517	-	-	11,517	5,954	-	-	487	-	487	-	-	-	4.2%
Sub-Total	**11,517**	**-**	**-**	**11,517**	**5,954**	**-**	**-**	**487**	**-**	**487**	**-**	**-**	**-**	**4.2%**
Total	**20,267**	**-**	**-**	**20,267**	**14,104**	**-**	**-**	**2,056**	**-**	**2,056**	**-**	**-**	**-**	**10.7%**

Conditional grant expenditure is all going according plan. Financial Management grant will be used to fund minimum competency training and the remuneration of financial interns. Municipal Systems Improvement Grant will be used to pay for support with the compilation of Annual Financial Statements, property office support and to finance ward participation expenses.

OPERATING REVENUE AND EXPENDITURE FOR THE 1ST QUARTER OF 2012/13

R thousands	2012/13					2011/12		Q1 of 2011/12 to Q1 of 2012/13
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
Operating Revenue and Expenditure								
Operating Revenue	**84,703**	**24,579**	**29.0%**	**24,579**	**29.0%**	**20,166**	**30.5%**	**21.9%**
Property rates	16,587	17,711	106.8%	17,711	106.8%	16,601	101.0%	6.7%
Property rates - penalties and collection charges	-	-	-	-	-	217	43.3%	(100.0%)
Service charges - electricity revenue	28,172	6,514	23.1%	6,514	23.1%	5,444	21.8%	19.7%
Service charges - water revenue	7,069	1,340	19.0%	1,340	19.0%	1,130	29.0%	18.6%
Service charges - sanitation revenue	6,261	2,594	41.4%	2,594	41.4%	2,344	76.6%	10.7%
Service charges - refuse revenue	5,472	863	15.8%	863	15.8%	789	26.7%	9.5%
Service charges - other	(7,662)	(8,587)	112.1%	(8,587)	112.1%	(8,172)	100.5%	5.1%
Rental of facilities and equipment	333	17	5.0%	17	5.0%	39	17.4%	(57.3%)
Interest earned - external investments	256	62	24.3%	62	24.3%	39	15.5%	60.8%
Interest earned - outstanding debtors	525	105	20.0%	105	20.0%	-	-	(100.0%)
Dividends received	-	-	-	-	-	-	-	-
Fines	1,520	216	14.2%	216	14.2%	63	4.8%	241.9%
Licences and permits	2	14	694.8%	14	694.8%	26	25.5%	(43.4%)
Agency services	521	82	15.6%	82	15.6%	-	-	(100.0%)
Transfers recognised - operational	25,250	3,507	13.9%	3,507	13.9%	1,484	7.4%	136.3%
Other own revenue	397	142	35.9%	142	35.9%	57	14.1%	151.7%
Gains on disposal of PPE	-	-	-	-	-	108	-	(100.0%)
Operating Expenditure	**105,633**	**28,990**	**27.4%**	**28,990**	**27.4%**	**15,228**	**19.4%**	**90.4%**
Employee related costs	27,721	7,070	25.5%	7,070	25.5%	6,336	24.7%	11.6%
Remuneration of councillors	2,446	726	29.7%	726	29.7%	831	35.6%	(12.6%)
Debt impairment	2,731	6,064	222.0%	6,064	222.0%	-	-	(100.0%)
Depreciation and asset impairment	8,335	-	-	-	-	-	-	-
Finance charges	1,245	211	16.9%	211	16.9%	111	8.6%	89.3%
Bulk purchases	20,214	10,098	50.0%	10,098	50.0%	4,750	28.7%	112.6%
Other Materials	-	-	-	-	-	-	-	-
Contracted services	-	326	-	326	-	206	5.5%	58.6%
Transfers and grants	26,005	1,787	6.9%	1,787	6.9%	-	-	(100.0%)
Other expenditure	16,937	2,708	16.0%	2,708	16.0%	2,994	17.1%	(9.6%)
Loss on disposal of PPE	-	-	-	-	-	-	-	-
Surplus/(Deficit)	**(20,930)**	**(4,410)**		**(4,410)**		**4,938**		
Transfers recognised - capital	20,980	400	1.9%	400	1.9%	-	-	(100.0%)
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers and contributions	**50**	**(4,010)**		**(4,010)**		**4,938**		
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	**50**	**(4,010)**		**(4,010)**		**4,938**		
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	**50**	**(4,010)**		**(4,010)**		**4,938**		
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	**50**	**(4,010)**		**(4,010)**		**4,938**		

REVENUE FOR THE 1ST QUARTER COMPARED TO BUDGET

During the 1st quarter of 2012/13 it came to light that material adjustments were needed with regards to the income prediction of Kannaland Municipality.

- Property rates were under budgeted with R1,124,000, which in return will mean that an adjustment on discounts on rates of R843,640 needs to be done as well. The net effect is an additional R280,360 income on rates.
- Interest income forecast needs to be adjusted upwards with R314,000.
- Vehicle registration income needs to be adjusted upwards with R130,000.
- VAT on grants which could be claimed back from conditional grants and can be regarded as own income in accordance to Circular 58 of the MFMA, would bring about an additional R1,630,000.
- An increase in electricity sales would bring about an additional R4,000,000.

The following income will not be realized and needs to be adjusted within the budget:

- Sewerage R1,492,300
- Water R1,206,230
- Availability on sewerage R818,820
- Waste removal R2,398,400
- Hefkom Smart meter installation will bring about the loss of the fixed cost component on electricity meter billing and should have a downward effect on income. The quantification of this will depend on the rate of installation and when conventional meter replacement will be due.

Revenue collection within Zoar still remains a problem and needs to be addressed. It is a poverty stricken area and Kannaland needs to get these people registered as indigent cases.

A flat rate needs to be considered. This however could bring various problems into play with other poor wards also could insist that the same criteria should be considered for them as well. This however stays the best solution until service delivery improves within this particular ward and should only be considered as a short to medium term solution and not as a fixed solution to the problem.

A revenue enhancement strategy has been put into place to improve credit control.

Revenue collection did improve year-on-year from 82% in 2010/11 to 86% during 2011/12. During July and August revenue collection rate were 75% and at the time of this report the figure for September was not available yet, as payment is only due within October 2012.

Revenue collected vs budget
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
(5,000)
(10,000)
(15,000)
Property rates
Property rates - penalties and collection charges
Service charges - electricity revenue
Service charges - water revenue
Service charges - sanitation revenue
Service charges - refuse revenue
Service charges - other
Rental of facilities and equipment
Interest earned - external investments
Interest earned - outstanding debtors
Dividends received
Fines
Licences and permits
Agency services
Transfers recognised - operational
Other own revenue
Gains on disposal of PPE
Annual Budget
1st Quarter Income

AD : AGE ANALYSIS OF DEBTORS (All values in Rand) (Bad Debts=Bad Debts written off during the month)										
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 -
1100	***Debtors Age Analysis By Income Source***									
1200	Water Tariffs	799,269	269,894	141,297	135,105	116,812	156,062	813,872	1,716,686	4,148,997
1300	Electricity Tariffs	1,772,430	67,900	57,330	30,010	16,590	14,114	107,189	334,344	2,399,907
1400	Rates (Property Rates)	1,588,986	291,908	171,390	153,833	141,722	135,794	779,459	7,045,575	10,308,667
1500	Sewerage / Sanitation Tariffs	708,458	242,718	195,972	190,781	187,686	184,702	1,085,261	11,842,492	14,638,071
1600	Refuse Removal Tariffs	527,450	231,822	178,726	173,071	172,590	168,543	1,006,924	10,560,809	13,019,935
1700	Housing (Rental Income)	4,701	2,142	2,101	2,058	2,058	2,006	11,891	117,204	144,163
1800	RSC Levies	0	0	0	0	0	0	0	0	0
1900	Other	-1,125,754	11,238	622,952	55,088	12,148	13,937	99,210	3,476,352	3,165,171
2000	**Total By Income Source**	**4,275,541**	**1,117,622**	**1,369,768**	**739,947**	**649,607**	**675,158**	**3,903,807**	**35,093,462**	**47,824,912**
2100	***Debtors Age Analysis By Customer Group***									
2200	Government	-28,311	20,629	1,325	298	299	321	11,213	87,955	93,729
2300	Business	1,364,936	35,409	639,154	16,551	8,186	4,732	23,722	29,551	2,122,240
2400	Households	1,145,496	475,475	282,107	291,624	248,628	280,024	1,610,507	10,577,900	14,911,761
2500	Other	1,793,420	586,109	447,182	431,475	392,493	390,081	2,258,365	24,398,056	30,697,181
2600	**Total By Customer Group**	**4,275,541**	**1,117,622**	**1,369,768**	**739,947**	**649,607**	**675,158**	**3,903,807**	**35,093,462**	**47,824,912**

- On 24 August 2012 an amount of R6,814,502.46 was written off as Bad Debts. This was only for services older than 3 years within the areas: Ladismith, Calitzdorp and Vanwyksdorp. Zoar will follow later pending the outcome of a dispute over liability for the debt between Kannaland and Provincial Government. In the case where Kannaland is liable for the collection of this debt, another R13,474,772.00 will be written off, which is outstanding services in Zoar older than 3 years.

- This will bring the outstanding debtors to an amount of R34,350,140.00 of which R6,143,285.24 has already been handed over to an external company for collection.

- The balance must be collected by the municipality's collections division and the process started with the sending out of letters to all consumers who are in arrears to either pay their outstanding accounts or to make a written arrangement in line with the Credit Control and Debt Collection policy of council.

- A door to door data collection project was done during June to August 2012 and the capturing of this data onto the financial system should be completed by the end of November 2012. This process will provide correct personal and services information on our financial system which, will result into correct billing and accounts being delivered to landowners and tenants. This will contribute to the timely payment of accounts by debtors.

- A concern however is that outstanding debtors grew during the 1st quarter with R3,774,354.

EXPENDITURE FOR THE 1ST QUARTER COMPARED TO BUDGET

During the 1st quarter of 2012 the following issues came to light with regards to expenditure:

- Electricity usage went up and the bulk expense needs to be adjusted accordingly with R4000,000
- Hefkom SMART meter project rental and administration costs were not accounted for within the original budget of 2012/13 and needs to provide for an additional cost of R2,100,000. This however will depend on rate of installation and may exceed the additional amount forecasted.
- Consultancy expenses with regard to the compilation of a GRAP compliant assets register and Annual Financial Statements will bring about an extra R1,105,000 not budgeted for within the MSIG grant.
- Legal costs will increase with R1,050,000.
- Wages need to be addressed with only R107,000 budgeted for and an actual expense of R139,000 already occurred. The situation with regards to overtime and standby needs to be addressed as well as it appears the budget will not cover all cost for the 2012/13 financial year.

CREDITORS AGE ANALYSIS FOR THE 1ST QUARTER OF 2012/13

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 -
WC041	0100	Bulk Electricity	2,926,041	2,992,001	2,696,194	0	0	0	0	0	8,614,236
	0200	Bulk Water	35,421	24,906	30,188	24,167	24,226	44,447	177,549	108,225	469,129
	0300	PAYE deductions	327,677	0	0	0	0	0	0	2,251,742	2,579,419
	0400	VAT (output less input)	195,547	0	0	0	0	0	0	0	195,547
	0500	Pensions / Retirement	358,675	0	0	0	0	0	0	0	358,675
	0600	Loan repayments	0	0	0	0	0	0	0	0	0
	0700	Trade Creditors	274,555	514,211	1,856,434	61,714	0	0	280,837	3,138,219	6,125,970
	0800	Auditor General	152,681	0	54,451	0	0	0	0	0	207,132
	0900	Other	414,874	1,791	17,029	0	0	0	0	11,461	445,155
	1000	*Total*	*4,685,471*	*3,532,909*	*4,654,296*	*85,881*	*24,226*	*44,447*	*458,386*	*5,509,647*	*18,995,263*

- Current outstanding creditors amount to R18,995,263. It is clear that the current cash flow problems contribute to this situation and could lead to the interruption of service delivery if suppliers stop supply due to non-payment.
- The MFMA states that all creditors should be paid within 30 days. Kannaland Municipality has R14,310,000 exceeding the limit as per regulation.
- To address this situation an aggressive revenue enhancement strategy is necessary combined with strict expenditure control. The huge monthly salary expense contributes to the problem and leads to creditors being used to finance short term cash shortage, which in the long term will lead to financial failure. (See personnel expenditure)
- Additional to employee costs, consultancy cost must be added to see the true reflection of costs incurred to fulfill effective service delivery. Efficiency will however be reflected by the percentage of this cost in relation to the operational budget. The municipal benchmark on low capacity municipalities is approximately 30%. This benchmark however is arguable given the above inflationary price hikes within services charges for example Eskom bulk purchases.

Employee Related Cost

- Section 66 of the MFMA Act 56 of 2003, states :

  The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, and in a manner that discloses such expenditure per type of expenditure, namely—

  (a) salaries and wages;

  (b) contributions for pensions and medical aid;

  (c) travel, motor car, accommodation, subsistence and other allowances;

  (d) housing benefits and allowances;

  (e) overtime payments;

  (f) loans and advances; and

  (g) any other type of benefit or allowance related to staff.

- Take note that employee costs are excluding long service benefits, which explains the difference between the budget in the table below and the approved budget.

EMPLOYEE COSTS - SOCIAL CONTRIBUTIONS		*BUDGET 2012/13*	*YEAR TO DATE*	*Balance*
PENSION FUND CONTRIB	296	2,485,446.00	620,997.20	1,864,448.80
MEDICAL FUND	297	1,360,782.00	327,096.48	1,033,685.52
GROUP INSURANCE	298	35,678.00	9,748.33	25,929.67
UIF	299	164,895.00	46,723.82	118,171.18
		4,046,801.00	**1,004,565.83**	**3,042,235.17**

EMPLOYEE COSTS : SALARIES & WAGES		*BUDGET 2012/13*	*YEAR TO DATE*	*Balance*
SALARIES	282	19,288,339.00	4,879,174.13	14,409,164.87
WAGES	283	172,000.00	201,000.00	(29,000.00)
BONUSSES	284	1,190,960.00	101,135.29	1,089,824.71
OVERTIME	285	457,500.00	130,957.82	326,542.18
HOUSING SUBSIDY	286	57,420.00	14,126.00	43,294.00
STANDBY ALLOWANCES	287	-	167,002.44	(167,002.44)
VEHICLE ALLOWANCES	288	1,267,052.00	377,374.82	889,677.18
ALLOWANCES	289	-	31,571.22	(31,571.22)
CELLPHONE ALLOWANCES	290	94,600.00	-	94,600.00
RENT ALLOWANCES	291	33,000.00	9,000.00	24,000.00
ACTING ALLOWANCES	292	-	126,646.39	(126,646.39)
LEAVE RESERVE FUND	293	824,890.00	27,602.17	797,287.83
		23,385,761.00	**6,065,590.28**	**17,320,170.72**
TOTAL PERSONNEL EXPENDITURE		**27,432,562.00**	**7,070,156.11**	**20,362,405.89**

REMUNERATION OF COUNCILLORS		*BUDGET 2012/13*	*YEAR TO DATE*	*Balance*
ALLOWANCES COUNCILLORS AND SUPPORT STAFF	316	1,730,880.00	644,005.55	1,086,874.45
VEHICLE ALLOWANCES	319	566,650.00	13,500.00	553,150.00
TELEPPHONE	321	116,760.00	24,660.00	92,100.00
PENSION FUND CONTRIB	317	31,750.00	34,635.58	(2,885.58)
MEDICAL FUND	318	-	9,498.60	(9,498.60)
		2,446,040.00	**726,299.73**	**1,719,740.27**
TOTAL COUNCIL REMUNERATION		**2,446,040.00**	**726,299.73**	

COUNCILLOR REMUNERATION 1ST QUARTER 2012/13							
	SALARY	*TRANSPORT*	*CELLPHONE*	*MEDICAL*	*PENSION*		
MAYOR	103,380.38	9,000.00	4,488.00	5,432.40	18,608.47		140,909.25
COUNCILLOR	40,923.75	-	2,799.00	-	-		43,722.75
DEPUTY MAYOR	109,132.74	-	4,488.00	-	-		113,620.74
SPEAKER	89,039.43	-	4,488.00	4,066.20	16,027.11		113,620.74
COUNCILLOR	40,923.75	-	2,799.00	-	-		43,722.75
COUNCILLOR	40,923.75	-	2,799.00	-	-		43,722.75
COUNCILLOR	36,423.75	4,500.00	2,799.00	-	-		43,722.75
SUPPORT STAFF	183,258.00	-	-	-	-		183,258.00
	644,005.55	***13,500.00***	***24,660.00***	***9,498.60***	***34,635.58***	***-***	***726,299.73***

- The operating budget of Kannaland Muncipality is R83,968,000. The council remuneration and employee costs amount to 36% of the operational budget. With the current expenditure pattern this will increase to 40%.
- Personnel expenses covered by grant funding for the 1st quarter amounts to R282,810.
- Consultancy fees for the first quarter amounts to R1,579,859.
- The total human resource investment in service delivery will amount to 42% of the operational budget at the current rate given that no further consultancy expenses will be incurred, which is not a realistic outlook.

1ST QUARTER EXPENDITURE VS ANNUALBUDGET

- Bulk purchases and employee related costs contribute to 74% of all expenses incurred within the 1st quarter.

REPAIRS AND MAINTENANCE EXPENDITURE

REPAIRS AND MAINTENANCE BUDGET 2012/13					
		O&M BUDGET 2012	YR TO DATE EXP.	AVAILABLE	% Available
338	R&M: TOOLS & EQUIPMENT	349,500.00	27,437.60	322,062.40	92.15%
339	R&M: LAND & BUILDINGS	1,293,730.00	162,565.96	1,131,164.04	87.43%
340	R&M: FURNITURE & EQUIPMENT	124,380.00	883.33	123,496.67	99.29%
341	R&M: STREETS & PARKING AREAS	220,000.00	2,210.53	217,789.47	99.00%
343	R&M: DISTRIBUTION NETWORKS	1,577,310.00	48,683.78	1,528,626.22	96.91%
344	R&M: VEHICLES	649,360.00	20,560.61	628,799.39	96.83%
345	R&M: MATERIAL & CASTING	-	-	-	
347	MAINTENANCE DAMS	110,000.00	-	110,000.00	100.00%
348	MAINTENANCE STREET LIGHTNING	30,000.00	-	30,000.00	100.00%
350	R&M: ROAD SIGNS	70,000.00	-	70,000.00	100.00%
		4,424,280.00	262,341.81	4,161,938.19	94.07%
		% of budget spent			5.93%

		O&M BUDGET 2012	YR TO DATE EXP.	AVAILABLE	% Available
1001	Council's General Expenses	7,880.00	-	7,880.00	100.00%
1002	Municipal Manager	-	-	-	
1003	Corporate Services	63,000.00	9,199.34	53,800.66	85.40%
1004	Postal Agency	-	-	-	
1005	Property Rates	-	-	-	
1006	Municipal Buildings	750,750.00	68,241.58	682,508.42	90.91%
1007	Budget and Treasury Services	55,360.00	1,587.04	53,772.96	97.13%
1008	Cumunity Services	10,500.00	-	10,500.00	100.00%
1009	Cemetery	20,500.00	-	20,500.00	100.00%
1010	Library	2,500.00	-	2,500.00	100.00%
1011	Housing	-	-	-	
1012	Swimming Pools	123,500.00	5,888.00	117,612.00	95.23%
1013	Parks and Recreation	6,180.00	-	6,180.00	100.00%
1014	Waste Mnagement - Refuse	574,730.00	88,951.79	485,778.21	84.52%
1015	Waste Management - Sewerage	412,810.00	3,443.38	409,366.62	99.17%
1016	Traffic	50,500.00	8,377.50	42,122.50	83.41%
1017	Public Works	558,400.00	8,240.09	550,159.91	98.52%
1018	Proclaimed Roads	-	-	-	
1019	Water	716,170.00	42,317.34	673,852.66	94.09%
1020	Electricity	1,071,500.00	26,095.75	1,045,404.25	97.56%
		4,424,280.00	262,341.81	4,161,938.19	94.07%

- Repairs and maintenance expenditure is well below what it is supposed to be. Only 6% of the budget has been spent and could mainly be attributed to no funds available for maintenance. In the long term this can have a very negative effect on service delivery and it will shorten the life span of assets. Proper asset

management cannot take place due to limited funds allocated and then limited expenditure on the already limited allocation.

CASH FLOW

		KANNALAND CASH FLOW ANAYLIS		
3000	Cash Receipts by Source	JULY	AUG	SEP
3010	Property rates	385,601.00	534,831.00	458,328.00
3020	Property rates - penalties & collection charges	-	-	-
3030	Service charges - electricity revenue	1,951,794.00	1,842,573.00	2,089,008.00
3040	Service charges - water revenue	240,262.00	222,124.00	243,691.00
3050	Service charges - sanitation revenue	160,722.00	213,327.00	121,885.00
3060	Service charges - refuse revenue	109,569.00	121,576.00	99,942.00
3070	Service charges - other	238,054.00	846,689.00	331,294.00
3080	Rental of facilities and equipment	7,880.00	4,442.00	4,185.00
3090	Interest earned - external investments	-	23,830.00	38,313.00
3100	Interest earned - outstanding debtors	68,251.00	(39,032.00)	75,763.00
3110	Dividends received	-	-	-
3120	Fines	6,684.00	107,107.00	101,877.00
3130	Licences and permits	70.00	12,649.00	1,732.00
3140	Agency services	-	40,541.00	41,023.00
3150	Transfer receipts - operational	9,162,000.00	2,311,334.00	-
3160	Other revenue	4,189,044.00	15,568,397.00	6,816,301.00
3170	Cash Receipts by Source	16,519,931.00	21,810,388.00	10,423,342.00
3180	Other Cash Flows/Receipts by Source			
3190	Transfer receipts - capital	12,714,000.00	-	-
3200	Contributions recognised - capital & Contributed assets	-	-	-
3210	Proceeds on disposal of PPE	-	-	-
3220	Short termloans	-	-	-
3230	Borrowing long term/refinancing	-	-	-
3240	Increase (decrease) in consumer deposits	-	-	-
3250	Decrease (Increase) in non-current debtors	-	-	-
3260	Decrease (increase) other non-current receivables	-	-	-
3270	Decrease (increase) in non-current investments	-	-	-
3280	Total Cash Receipts by Source	29,233,931.00	21,810,388.00	10,423,342.00
4000	Cash Payments by Type			
4010	Employee related costs	2,238,100.00	2,235,281.00	2,596,775.00
4020	Remuneration of councillors	242,100.00	242,100.00	242,100.00
4030	Collection costs	20,381.00	2,111.00	21,921.00
4040	Interest paid	-	105,532.00	105,141.00
4050	Bulk purchases - Electricity	4,216,614.00	(4,216,614.00)	-
4060	Bulk purchases - Water & Sewer	537,112.00	(80,021.00)	-
4070	Other materials	-	-	-
4080	Contracted services	484,047.00	(339,519.00)	181,478.00
4090	Grants and subsidies paid - other municipalities	-	-	-
4100	Grants and subsidies paid - other	-	-	-
4110	General expenses	2,158,008.00	(644,080.00)	1,149,682.00
4120	Cash Payments by Type	9,896,362.00	(2,695,210.00)	4,297,097.00
4130	Other Cash Flows/Payments by Type			
4140	Capital assets	-	586,545.00	2,200,335.00
4150	Repayment of borrowing	143,000.00	143,000.00	143,000.00
4160	Other Cash Flows/Payments	17,973,167.00	21,344,176.00	4,134,215.00
4170	Total Cash Payments by Type	28,012,530.00	19,378,511.00	10,774,647.00
4180	Net Increase/(Decrease) in Cash Held	1,221,402.00	2,431,877.00	(351,305.00)
4190	Cash/cash equivalents at the month/year begin:	(866,315.00)	355,087.00	2,786,964.00
4200	Cash/cash equivalents at the month/year end:	355,087.00	2,786,964.00	2,435,659.00

CASH FLOW CHALLENGES

- During July 2012 R29,3 million was received, this however was mostly due to conditional grants received to the value of R21.9 million. Service charges contributed to R2,700,000 and property rates plus interest paid on outstanding debtors contributed to R453,852.
- "Other revenue" existed mostly out of inter-bank transfers.
- The opening cash balance of (R866,315) was due to MIG payments within the last quarter that still had to go through the bank and as a result left the cashbook balance in credit.
- During July 2012 the equitable allocation of R7,9 million was used to pay year-end creditors. This led to cash flow problems with free basic services being rendered without funds to finance the cost of delivering these services.
- During August 2012, a few credit balances appeared on the expenditure side of the Cash Flow Analysis. This was caused by the writing back of previous year-end creditors and the effect was that July expenses were overstated and August expenses understated.
- Municipal income through service charges during the 1st quarter, amounted to R8,833,000, while the Eskom bulk account alone amounted to R8,6 million.
- Total income generated by the Municipality for the quarter amounted to R10,707,000, while the employee related costs and councilors remuneration amounted to R7,8 million. Only R2.9 million was left to pay bulk accounts in access of R8,7 million and with all other service delivery cost excluded, we were already in a R5.8 million deficit. This emphasize the importance of the equitable share application and cash planning that is needed to keep Kannaland's liquidity in such a state that service delivery won't be interrupted due to non-payment.
- Grant funds are kept on investment accounts until needed and are not reflected within the cashbook balance. It is important to keep all grants cash backed and that funding is not being used for operational expenditure.

INVESTMENTS

1st Quarter Long Term Investment - RMB											
			Movements for the month								
		Balance as at 01 Jul 2012	Investments matured	Investments made	Interest capitalised	Costs & Fees	Balance as at 31 Jul 2012	Interest earned		Interest earned	
								Month	Yield	Year to date	Yield
RMB - Gauranteed Investment Trust		3,551,607.00	-	-	37,488.32	-	3,589,095.32	37,488.32	0.09%	37,488.32	0.09%
BANK DEPOSITS											
			Movements for the month								
		Balance as at 01 AUG 2012	Investments matured	Investments made	Interest capitalised	Costs & Fees	Balance as at 31 AUG 2012	Interest earned		Interest earned	
								Month	Yield	Year to date	Yield
RMB - Gauranteed Investment Trust		3,589,095.32	-	-	37,884.78	-	3,626,980.10	37,884.78	0.09%	37,884.78	0.09%
BANK DEPOSITS											
			Movements for the month								
		Balance as at 01 SEP 2012	Investments matured	Investments made	Interest capitalised	Costs & Fees	Balance as at 30 SEP 2012	Interest earned		Interest earned	
								Month	Yield	Year to date	Yield
RMB - Gauranteed Investment Trust		3,626,980.10	-	-	38,284.59	-	3,665,264.69	38,284.59	0.09%	38,284.59	0.09%
BANK DEPOSITS											
			Movements for the 1st QUARTER								
		Balance as at 01 Jul 2012	Investments matured	Investments made	Interest capitalised	Costs & Fees	Balance as at 30 SEP 2012	Interest earned		Interest earned	
								Month	Yield	Year to date	Yield
RMB - Gauranteed Investment Trust		3,551,607.00	-	-	113,657.69	-	3,665,264.69			113,657.69	0.09%

- During the 1st quarter interest of R113,658 was capitalized.
- The opening balance of this particular investment was R3,551,607 and the closing balance R3,666,265.
- This investment stands as security for the long term DBSA loan.

Kannaland Munisipaliteit: Beleggings Bestuur

Beleggings Register soos op: 30/09/2012

	Belegging	Grant	Datum bele	Datum verval	Saldo voor onttrekking	Onttrekking	Begin saldo na onttrekking
1	FNB	Housing/Asla	16/8/2012	17/9/2012	1,760,000.00	1,760,000.00	-
2	FNB	Library	16/8/2012	17/9/2012	411,334.00	273,113.70	138,220.30
3	Standard Bank	MIG	14/8/2012	28/8/2012	5,954,000.00	82,675.66	5,871,324.34
4	ABSA	DOE	17/8/2012	18/9/2012	3,246,225.18	-	3,246,225.18
5	ABSA	FMG	15/8/2012	29/8/2012	552,351.12	-	552,351.12
6	ABSA	DWA - Water meters	15/8/2012	29/8/2012	426,134.00	-	426,134.00
7	ABSA	LED Strat	15/8/2012	29/8/2012	175,000.00	175,000.00	-
							10,234,254.94

- On the 30th September 2012 we had R10,234,255 in short term investment accounts.
- These investments are to ensure that all grants are cash-backed and to ensure that no grant funding is being used for operational expenditure that is not in line with the conditions as set out in the Dora or Memorandum of Agreement in any of these particular grants.
- All investments are done in accordance with the MFMA Act 56 of 2003 and the Cash and Investment Policy as adopted by the council of Kannaland Municipality.

BORROWINGS

Long term DBSA loan schedule

Quarter	Loans											Additional	
Q4 Apr-June	**Yes**		Principal						Interest	Balance	Debt Repaid	Principal	Balance
	Planned	Term	Debt raised	Commitment	Loan	Loan	Amortization	% Interest	Paid	at Begin	or redeemed	Accrued	at End
Start Date	End Date	Value	at the Inception	Fees	Type	Raised for	Structure	Rate (2 dec)	This Quarter	of Quarter	This Quarter	This Quarter	of Quarter
(ccyy/mm/dd)	(ccyy/mm/dd)	(no)	(Rand)	(Rand)				Per Annum	(Rand)	(Rand)	(Rand)	(Rand)	(Rand)
2008/04/30	2023/04/30	15	11,587,527	11,587,527	LT - Long-Term Loans (07)	Consolidation of Existing Borrow ing (03)	Annuity/Compound (01)	12.52	320,039	10,257,676	108,961	0	10,148,715
		0	0	0	LT - Long-Term Loans (07)	Overdue Amounts Capitalised (02)	Annuity/Compound (01)	0.00	0	6,952,457	0	0	6,952,457
		0											0
Q1 July-Sept	**Yes**		Principal						Interest	Balance	Debt Repaid	Principal	Balance
	Planned	Term	Debt raised	Commitment	Loan	Loan	Amortization	% Interest	Paid	at Begin	or redeemed	Accrued	at End
Start Date	End Date	Value	at the Inception	Fees	Type	Raised for	Structure	Rate (2 dec)	This Quarter	of Quarter	This Quarter	This Quarter	of Quarter
(ccyy/mm/dd)	(ccyy/mm/dd)	(no)	(Rand)	(Rand)				Per Annum	(Rand)	(Rand)	(Rand)	(Rand)	(Rand)
2008/04/30	2023/04/30	15	11,587,527	11,587,527	LT - Long-Term Loans (07)	Consolidation of Existing Borrow ing (03)	Annuity/Compound (01)	12.52	316,592	10,148,714	112,408	0	10,036,306

Currently the long term borrowing of Kannaland Municipality is limited to one long term long from DBSA. This loan was taken up in 2008 to consolidate all existing borrowings at the time. Another DBSA loan of R6,952,457 was written off during June 2012 and transferred to income within the 2011/12 Annual Financial Statements.

The current balance, as at the end of the 1st quarter, ending 30 September 2012, was R10,036,306. During the 1st quarter interest to the amount of R316,592 was paid and debt redeemed amounts to R112,408. A fixed monthly installment of R143,000 to repay this long term loan is in place.

This particular loan is securitized by the RMB long term investment.

QUARTELY WITHDRAWALS

PROVINCIAL TREASURY
Withdrawals from Municipal Bank Accounts
In accordance with Section 11, Sub-section 1 (b) to (j)

NAME OF MUNICIPALITY:	KANNALAND MUNICIPALITY	
MUNICIPAL DEMARCATION CODE:	WC041	
QUARTER ENDED:	Sep-12	
MFMA section 11. (1) Only the *accounting officer* or the *chief financial officer* of a *municipality*, or any other senior financial *official* of the *municipality* acting on the written authority of the *accounting officer* may withdraw money or authorise the withdrawal of money from any of the *municipality* bank accounts, and may do so only -	**Amount**	**Reason for withdrawal**
(b) to defray expenditure authorised in terms of section 26(4);	N/A	
(c) to defray unforeseeable and unavoidable expenditure authorised in terms of section 29(1);	N/A	
(d) in the case of a bank account opened in terms of section 12. to make payments from the account in accordance with subsection (4) of that section;	N/A	
(e) to pay over to a person or organ of state money received by the *municipality* on behalf of that person or organ of state, including -	N/A	
(i) money collected by the *municipality* on behalf of that person or organ of state by agreement; or	R 889,949.00	Money received as an agency for Dept of Transport
(ii) any insurance or other payments received by the *municipality* for that person or organ of state;	N/A	
(f) to refund money incorrectly paid into a bank account;	N/A	
(g) to refund guarantees, sureties and *security* deposits;	N/A	
(h) for cash management and *investment* purposes in accordance with section 13;	N/A	
(i) to defray increased expenditure in terms of section 31; or	N/A	
(j) for such other purposes as may be *prescribed*.	N/A	
(4) The *accounting officer* must within 30 days after the end of each *quarter* -	**Name and Surname:**	Nigel Delo
(a) table in the *municipal council* a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that *quarter*; and	**Rank/Position:**	Chief Financial Officer
(b) submit a copy of the report to the relevant *provincial treasury* and the *Auditor-General*.	**Signature:**	

Tel number	**Fax number**	**Email Address**
028-5511023	028-5511766	nigel.delo@kannaland.co.za

MFMA IMPLEMENTATION

MunCde	Municipality Name	Financial Year End	Quarter
WC041	Kannaland	2013	Q1 July-Sept

Ref	Question	Council Use Only	
		Response	Date (if applicable)
1	**PREPARING AN IMPLEMENTATION PLAN**		
All municipalities are required to prepare an MFMA implementation plan that focuses on what the municipality intends to implement and achieve over the next few years. The plan should contain a list of activities together with target (and actual) dates, with provision to show ongoing (possibly monthly) progress with comments and a responsible councillor / official for each activity. A copy of the MFMA Implementation Plan (Circular 7) must be submitted to the National Treasury by October each year as well as each time it is updated. Note that the MFMA Implementation Plan should include implementation issues to align implementation with amendments to the Municipal Systems Act.			
1.1	Is an MFMA implementation plan prepared that contains realistic and achievable activities together with target dates, responsible councillors or officials and provision to record ongoing progress to meet targeted implementation? (If not, please download the implementation plan template from the NT website).	Yes	
2	**ALLOCATING APPROPRIATE RESPONSIBILITIES UNDER THE MFMA TO THE ACCOUNTING OFFICER**		
The accounting officer of the municipality (municipal manager) must take on the responsibilities assigned to the position under the MFMA. A full list of these responsibilities is provided in Chapter 8 of the MFMA and throughout the legislation.			
2.1	Has council appointed a person to assume the duties of the municipal manager?	Yes	
2.2	Has a report to the current council been tabled that creates an awareness of the roles and responsibilities of the municipal manager as the accounting officer of the municipality who must exercise the powers and functions of this position in terms of the MFMA, and to provide guidance and advice to council and officials? (s 60).	Yes	
2.3	Are the appropriate systems in place to allow the municipal manager to take responsibility for managing the financial administration of the municipality to ensure compliance with the MFMA. (s 62)	Yes	
2.4	Are the appropriate systems in place to allow the municipal manager to take full responsibility for managing the municipality's assets, liabilities, revenue and expenditure? (s 63, s 64, s 65)	Yes	
2.5	Does the municipal manager ensure that expenditure on staff benefits is reported to council on a regular basis? (s 66) If so, how often is this expenditure reported ie: monthly, quarterly, six-monthly , annually or other?	Mth	
2.6	Does the municipal manager assist the mayor in carrying out his or her responsibilities under the MFMA? (s 68)	Yes	
2.7	Is the municipal manager provided with the appropriate autonomy and flexibility to implement the budget? (s 69)	Yes	
3	**ESTABLISHING A TOP (SENIOR) MANAGEMENT TEAM**		
The municipal manager is required to formally establish and maintain a top management team, to include all those senior managers who are responsible for a vote or the budget of a vote. Detail of top management is provided in section 77 of the MFMA. All councils should comply with the provisions of the Municipal Systems Act (as amended) and its regulations in relation to annual staff performance agreements.			
3.1	Has council appointed a person to assume the duties of the Chief Financial Officer (CFO)? (s 77, 80, 81)	Yes	
3.2	Has council appointed persons to assume the duties of other senior managers ie: to form top (or senior) management, with appropriate responsibilities and delegations? (s 77, 78)	Yes	
3.3	Is the CFO able to effectively assist the municipal manager in carrying out his or her duties with respect to financial management generally, in providing financial advice to senior managers and undertaking specific financial management duties? (s 81)	Yes	
3.4	Are other senior managers able to exercise the appropriate financial management responsibilities as required by legislation? (s 78)	Yes	
3.5	Does an appropriate system of delegations exist, that maximises administrative and operational efficiency and provides adequate checks and balances in financial administration within the municipality, within the confines of the MFMA in terms of limits to delegations? (s 79)	Yes	
3.6	Has a report to the current council been tabled that creates an awareness of and endorses the roles and responsibilities of the top (or senior) management team within the municipality? (s 77)	Yes	
3.7	Does council comply with the provisions of the MFMA and the Municipal Systems Act (as amended) and its regulations in relation to the establishment and review of annual staff performance agreements? (MFMA s 53 and Municipal Systems Act s 57)	Yes	

4	IMPLEMENTING APPROPRIATE CONTROLS OVER MUNICIPAL BANK ACCOUNTS AND CASH MANAGEMENT		
Municipalities must establish controls over their bank accounts, cash management and investments. Further details of these requirements are provided in Chapter 3 of the MFMA.			
4.1	Does the municipality maintain at least one bank account, designated the primary bank account which receives all allocations (including those for a municipal entity), income from investments and money collected by an entity on behalf of the municipality? (s 8)	Yes	
4.2	During the quarter under review has there been any changes to the details of the primary bank account of the municipality and were such changes reported to the National Treasury and Auditor-General? (s 8(5))	No changes	
4.3	During the quarter under review did the municipality open any new bank accounts and were these reported to the Provincial Treasury and Auditor-General? (s 9)	No changes	
4.4	Does the municipal manager administer all bank accounts and is the municipal manager accountable to council for this? (s 10)	Yes	
4.5	Is an appropriate system of delegation in place in instances where the municipal manager has delegated the administration of a bank account to another officer (or the CFO)? Note limitation on delegations with respect to enforcement of sections 7, 8 and 11 that may only be delegated to the CFO (s 10).	Yes	
5	**MEETING OF FINANCIAL COMMITMENTS**		
Municipal managers must ensure that they take the appropriate steps to implement effective systems of expenditure control, and meet their financial commitments to other parties promptly and in accordance with the Act.			
5.1	Does the municipality operate and maintain an effective system of expenditure control that includes procedures for approval, authorisation, withdrawal and payment of all funds? (s 65(2)(a))	Yes	
5.2	Is the municipal manager able to confirm that all moneys owing by the municipality are paid within 30 days of receiving the relevant invoice or statement? (s 65(2)(e))	No	
5.3	Does the municipality promptly meet all financial commitments toward other municipalities, national and provincial organs of state? (s 37(1)(c))	No	
5.4	Is the municipality currently party to any formal dispute concerning non-payment of monies owing between the municipality and another organ of state? (s 65(2)(g)). Note: formal disputes between organs of state are discussed in s 44 and Circular 21.	No	
6	**REPORTING REVENUE AND EXPENDITURE**		
Municipal managers must take steps to put systems in place that ensure that they report on the implementation of the current budget by submitting monthly reports to the mayor and quarterly reports to the council on revenue collected and total spending. Further detail on reporting is contained in sections 71 and 72 of the MFMA. The municipality must monthly report on the implementation of the current budget to the National Treasury and to the relevant Provincial Treasury.			
6.1	Has the municipal manager submitted monthly budget statements to the mayor, National Treasury and the Provincial Treasury for each of the months of this quarter? (s 71)	Yes	
6.2	Has the municipal manager submitted a quarterly budget statement to council, reflecting expenditure incurred and income collected? (s 71)	Yes	
7	**SUPPLY CHAIN MANAGEMENT (SCM)**		
All municipalities must adopt and implement a supply chain management (SCM) policy in accordance with the Municipal Supply Chain Management Regulations and consistent with the "model policy" provided in MFMA Circular No 22.			
7.1	Has council adopted a supply chain management policy that complies with the Supply Chain Management Regulations? (SCM Regulations 2 & 3, Circular No 22)	Yes	
7.2	Has council delegated SCM powers and duties to the municipal manager as required in SCM Regulation 4?	Yes	
7.3	Does the municipal manager report at least quarterly to the mayor and at least annually to council on implementation of the supply chain management policy? (SCM Regulation 6)	Yes	
7.4	Has the municipal manager submitted monthly reports on contracts awarded above R100 000 to National Treasury for each of the months of this quarter? (Circular No 34)	Yes	
7.5	If a tender other than one recommended in the normal course of implementing the SCM policy was approved during this quarter, has the municipal manager reported the approval of tenders not recommended and the reasons for deviating from such recommendation to the National Treasury, provincial treasury and Auditor-General? (s 114)	Yes	
7.6	If there has been any deviation from or breach of the SCM policy during this quarter, has the municipal manager reported the reasons for such deviation from or ratification of minor breaches of procurement processes to council during this quarter? (SCM Regulations 36)	No	

8	IMPLEMENTING REFORMS IN RELATION TO MUNICIPAL ENTITIES AND LONG-TERM CONTRACTS		
Municipalities must ensure compliance with the MFMA and Municipal Systems Act (as amended) where relevant, for any new undertaking relating to a municipal entity, Public-Private Partnership (PPP), long-term contract (LTC) or any borrowings.			
8.1	Has the municipal manager submitted to the National Treasury the Municipal Entity Return Form, for this quarter? (See "Municipal Entity Return Form" under National Treasury Return Forms on website www.treasury.gov.za/mfma).	Yes	
8.2	Has the municipal manager submitted to the National Treasury the Long Term Contract Return Form, for this quarter? (See "Long Term Contract Return Form" under National Treasury Return Forms on website	Yes	
9	**COMPLETING FINANCIAL STATEMENTS AND ADVISING NATIONAL TREASURY**		
The municipal manager must ensure that financial statements are promptly prepared and submitted to the Auditor-General for audit by 31 August each year. In the case of a parent municipality, the municipal manager must ensure that consolidated financial statements (including all municipal entities) are promptly prepared and submitted to the Auditor-General by 30 September each year (s 126). Also refer MFMA Circular No. 36.			
9.1	Have the 2011/2012 annual financial statements of the municipality been prepared and submitted to the Auditor-General for audit? >If Yes, provide actual date submitted in the space provided for date.	No	
9.2	Have the 2011/2012 annual financial statements of the municipality been prepared in compliance with the prescibed accounting framework? > If Yes also indicate in the space provided for date the format (framework) of the annual financial statements.	Yes	GRAP
9.3	In the case of a parent municipality, have the consolidated 2011/2012 annual financial statements of the municipality and all its entities been prepared and submitted to the Auditor-General for audit? >If Yes, provide actual date submitted in the space provided for date.	No entities	
9.4	If the accounting officer did not submit either the 2011/2012 annual financial statements and/or the 2011/2012 consolidated annual financial statements (including all municipal entities) to the Auditor-General for audit on time, (a) did the mayor table a written explanation in council setting out the reasons for the failure and (b) did the municipal council investigate the matter and take the appropriate steps as required by section 133(1)(c)	3. Yes to both (a) & (b)	
10	**COMPLETING AND TABLING ANNUAL REPORT**		
The municipal manager must ensure that the annual report of the municipality and the annual reports of all of its municipal entity(s) have been tabled in council by 31 January each year. Refer NT Circulars No 11 and 18.			
10.1	Are the appropriate management systems in place to ensure that the annual report of the municipality and the annual reports of all its municipal entity(s) will be tabled in council by 31 January each year? (s 121 & 127)	No	
10.2	Have the 2011/2012 annual report of the municipality and the 2011/2012 annual reports of all of its entities been tabled in council by 31 January?	No	6/30/2012
11	**COMPLYING WITH PROVISIONS FOR TENDER COMMITTEES, BOARDS OF MUNICIPAL ENTITIES AND IN RELATION TO FORBIDDEN ACTIVITIES**		
Municipalities must ensure that there is no councillor that serves on a bid or tender committee or on any board of an entity. Municipalities must also ensure that the composition of all boards of entities comply with the Municipal Systems Act (as amended). Boards of an entity should consist of at least one-third non-executive directors and a non-executive chairperson. Municipalities must also ensure that councillors do not engage in any forbidden activities prohibited under section 164 of the MFMA. Refer MFMA Circular No 8 - Forbidden loans - Oct 2004.			
11.1	Does council comply with s 117 which precludes councillors from serving on a bid or tender committee? (s 117)	Yes	
11.2	Does council comply with s 118 which precludes undue interference from any person in relation to the municipal tender process? (s 118)	Yes	
11.3	Does council comply with s 93F of the amended Municipal Systems Act which precludes any councillor of any municipality or official of the municipality, or member of the National Assembly or a provincial legislature or permanent delegate to the NCOP from serving on boards of a municipal entity? (Municipal Systems Act, as amended s 93F)	Yes	
11.4	Does council comply with s 103 which precludes improper interference by any councillor in relation to the financial affairs or responsibilities of the board of directors of a municipal entity? (s 103)	Yes	
11.5	Does council comply with s 164 which precludes loans to councillors or officials of the municipality, directors or officials of a municipal entity or members of the public? (s 164)	Yes	

12	COMPLYING WITH PROVISIONS FOR INTERNAL AUDIT AND AUDIT COMMITTEES		
The municipality and each of its municipal entity(s) must have an internal audit unit and an audit committee. (Refer s165 and 166).			
12.1	Does the municipality have an internal audit (IA) unit (s 165) and indicate whether the function is in-house or outsourced or shared?	5. Yes, 100% outsourced to external provider	
12.2	Does each of the municipality's entity(s) have an internal audit unit? (s 165)	Municipality has no entities	
12.3	Does the municipality have an audit committee (AC)? (s 166) > If Yes, indicate in the space provided for date whether the function is shared	Yes	
12.4	Does each of the municipality's entity(s) have an audit committee (AC)? (s 166)	Municipality has no entities	
13	**COMPLYING WITH PROVISIONS FOR BUDGETS**		
The municipality may only incur expenditure in terms of an approved budget and within the limits of the amounts appropriated for the different votes in its approved budget. (s15). When a municipality revises an approved annual budget it may do so only through an adjustments budget and within the framework as set-out in s 28.			
13.1	Did the municipality revise its approved annual budget? > If Yes, indicate the number of adjustments budget(s) tabled in council **to date** in the space provided for date.	Yes	1. 1 adjustment
13.2	If the municipality revised its approved annual budget, were the Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements of the municipal manager and all senior managers (section 57 (Systems Act)) accordingly amended?	Yes	
14	**INFORMATION TO BE PLACED ON WEBSITE OF MUNICIPALITY**		
The municipal manager must ensure that the documents set out in s75 are placed on the website (refer s 21A of the Systems Act) of the municipality.			
14.1	Does the municipality have a webiste?	1. Yes	
14.1.1	If **Yes** in 14.1 or share district website or other website arrangement, provide the website address in the space provided.	http://www.kannaland.gov.za	
14.2	Is all the information as set-out in s75 displayed on the municipality's / shared district website?	No	10/31/2012

FINANCIAL OUTLOOK

- The current financial outlook is bleak. Within the 2011/12 Annual Financial Statements the current- and-acid test ratio's, which indicates the liquidity within the municipality, were 0.3. This is according to industry norms suppose too be on 1 and 2 respectively. This means that we are basically bankrupt in cash flow terms.

- On face value we appear to be solvent. It should however be taken into account that the assets that makes us solvent form part of the PPE, which consist mostly out of infrastructure and cannot be sold.

- Taken the above into account, the question could be raised if we qualify as a "going concern" and currently it is becoming more and more difficult to answer this question positively with any conviction.

- After the annual grant roll-over application was lodged with National treasury and the relevant Provincial Departments, the Side Demand Management Grant roll-over was declined. In the Annual Financial Statements of 2011/12 there was an unspent balance of R2,577,000 on this particular grant with no current commitment against it due to a dispute between the contractor and Kannaland Municipality. The dispute was however resolved and a R1,9 million was spent on this uncommitted amount.
  With the rollover being declined, the net effect of the loss amounts to R4,477,000, of which R2,577,000 will be offset against the equitable share allocation of Kannaland Municipality

Without the November equitable share allocation we shall found ourselves in an impossible cash flow situation. (Annexure A)

- The 2011/12 Annual Financial Statements were submitted during October 2012. The due date was the 31st of August 2012. Late submission was due to a delayed Audit Report (received 27 August 2012), which had a substantial influence on opening balances and made it impossible to submit in time. This situation led to National Treasury sending us a communication of intention *to invoke section 216 of the Constitution of the Republic of South Africa (Act 108 of 1996) for serious and persistent breach of the law.*

  A letter in response to the intention to invoke section 216 was prepared by the CFO and sent to the relevant parties without any response to date. (See Annexure B) Provincial Treasury however did respond to a proposed meeting at a date to be announced.

- Nersa's rejection of Kannaland Municipality's tariff increase is also having a negative effect on our electricity income and our ability to pay Eskom for bulk purchases. (See Annexure C)
  Nersa's ignorance towards per capita income and their blind faith in benchmarking is harmful towards poorer municipalities and is rather creating poverty than having any effect on protecting the poor. Fixed charges as being charged on conventional meters, is income being lost on pre-paid meters. The Nersa's proposed tariffs to be implemented only makes provision for a 5% increase (Eskom increase 16%) on the first scale of the tariff structure, which on pre-paid leaves no chance of recovering fixed costs and the deficit they attempt to recover from business. This inevitably will lead to economic decline and job losses within the community.
  Due to low per capita income and low average usage, makes it difficult to recover cost of service delivery to residential households and threatens the financial viability of Kannaland Municipality.
  Above mentioned combined with "time of use" during June, July and August, makes it difficult to pay our bulk electricity purchases and causes these months to run on a net loss within the biggest contributor to revenue in Kannaland.

This report should be considered in a very serious light and hard decisions need to be made to ensure the future of Kannaland Municipality.