

2018-2019

KAROO HOOGLAND SECTION 52  
REPORT QUARTER 1



# Quarter 1 Report (1 July 2018- 30 September 2018)

## Purpose:

To inform council of the following schedules that relates to the revenue and expenditure implementation of the current budget.

## Background:

In accordance to Section 52 (d) of the MFMA no 56 of 2003, the mayor of a municipality must within 30 days of the end of each quarter, submit a report to council on the implementation of the budget and the financial affairs of the municipality.

### NC 066 Karoo Hoogland 1st Quarterly Report on Actual vs Budget

Description	Budget Year 2018/19				Comments
	Original Budget	YearTD actual	YearTD budget	Full Year Forecast	
<b>Revenue By Source</b>	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>	
Property rates	6 574	6 734	6 245	6 532	No material difference
Service charges - electricity revenue	9 855	2 955	3 124	11 277	Possible upwards adjustment in A/Budget. Winter months passed.
Service charges - water revenue	2 820	1 060	976	3 121	Possible upwards adjustment in A/Budget
Service charges - sanitation revenue	2 667	1 028	1 057	2 849	Possible upwards adjustment in A/Budget
Service charges - refuse revenue	2 098	833	830	2 215	Possible upwards adjustment in A/Budget
Service charges - other	-	33	2	133	Classification error due to mSCOA. Journalised at year end
Rental of facilities and equipment	734	213	182	850	Possible upwards adjustment in A/Budget
Interest earned - external investments	403	66	64	266	Grant funding of RBIG and MIG
Interest earned - outstanding debtors	1 620	541	297	2 166	Possible upwards adjustment in A/Budget
Fines	10	0	2	2	No material difference
Licences and permits	-	9	12	35	Possible upwards adjustment in A/Budget
Agency services	294	49	72	194	Adjustment budget. Renewal function to P/Office
Transfers recognised - operational	26 918	10 408	5 884	26 918	Operational Grants received in Q1
Other revenue	3 237	607	16	2 426	Classification error due to mSCOA. Investigate, Possible adjustment budget
Gains on disposal of PPE	7	-	2	-	No material difference
<b>Total Operational Revenue</b>	<b>57 237</b>	<b>24 536</b>	<b>18 765</b>	<b>58 984</b>	
<b>Expenditure By Type</b>					
Employee related costs	25 753	6 120	6 438	26 520	Travel and subsistence to be curbed.
Remuneration of councillors	2 668	617	667	2 468	Upper limit Provision
Debt impairment	2 468	-	766	-	Journalised at year end
Depreciation & asset impairment	400	-	100	-	Journalised at year end
Finance charges	231	58	58	231	No material difference
Bulk purchases	8 113	2 025	2 284	8 099	No material difference
Other materials	1 361	320	340	1 278	Possible downwards adjustment in A/Budget
Other expenditure	15 075	2 797	251	11 190	EEDSM Grant of R 3 Mil expenses not yet incurred.
<b>Total Operational Expenditure</b>	<b>56 069</b>	<b>11 937</b>	<b>10 905</b>	<b>49 787</b>	
<b>Surplus/(Deficit) before capital</b>	<b>1 168</b>	<b>12 599</b>	<b>7 860</b>	<b>9 197</b>	

## Explanations:

1. Income Section to investigate variance and if trend continue the service charges needs to be adjusted upwards with the compilation of an adjustment budget.
2. The total allocation for the FMG to the value of R 1.97 Mil was received and 0% of the allocation for the libraries to the value of R 1.493 Mil was received in the first quarter.

3. Agency services to be adjusted downwards as the renewal of motor vehicles function was re-allocated to the Post Office.
4. The municipality will ensure that all grant funding is spent to ensure that no funds in this regard are withheld due to a lack of spending.
5. Travel and subsistence to be curbed to ensure that the municipality stay within the original budget. See report of MPAC.

NC 066 Karoo Hoogland 1st Quarterly Report on Actual vs Budget					
Description	Budget Year 2018/19				
	Original Budget	YearTD actual	YearTD budget	Full Year Forecast	Comments
<b>Capital Revenue</b>					
Transfers recognised - capital					
MIG	8 020	3 000	2 005	8 020	Expect to receive total grant
WSIG	5 000	2 500	1 250	5 000	Expect to receive total grant
INEP	1 000	1 000	250	1 000	Expect to receive total grant
RBIG	27 000	-	6 750	27 000	Expect to receive total grant
<b>Total Capital Revenue</b>	<b>41 020</b>	<b>6 500</b>	<b>10 255</b>	<b>41 020</b>	
<b>Capital Expenditure</b>					
Contributions assets - capital					
MIG	8 020	1 084	2 005	4 336	Expect to spend total grant
WSIG	5 000	1 604	1 250	6 417	Expect to spend total grant
INEP	1 000	161	250	643	Expect to spend total grant
RBIG	27 000	495	6 750	1 981	Expect to spend total grant
<b>Total Capital Expenditure</b>	<b>41 020</b>	<b>3 345</b>	<b>10 255</b>	<b>13 378</b>	
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>1 168</b>	<b>15 755</b>	<b>7 860</b>	<b>36 839</b>	

### Legal Implications:

Municipal Finance Management Act no 56 of 2003. Section 52.

### Financial Implications:

None

### Recommendations to Council:

- (a) That council take note of the actual revenue and expenditure amounts in relation to the 2018/2019 budget.
- (b) That council take note that the municipality do not owe Eskom any monies.
- (c) That council take note that a ring-fenced agreement was signed with the AG for down-payment of arrears. The arrears of R 4.8 Mil have accumulated due to three years audits that were done in one year due to the late submission of the AFS 2011/2012, 2012/2013 and 2013/2014. Currently the municipality only owes the AG this year's invoices.

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- (d) That council take note that the municipality do owe Salga R 1.3 Mil due to non-payment of Salga fees during 2011/2012, 2012/2013 and 2013/2014. The invoices for 2014/2015, 2015/2016, 2016/2017 and 2017/2018 was paid in full. An additional R 60 000.00 per annum will be paid to Salga for down payment of the arrear amount.
- (e) That council take note that the municipality have a positive bank balance and that all grant monies are ring-fenced and only used according to the conditions of the grants as per the DORA.
- (f) That council take note of the implementation fees for mSCOA to the estimated amount of R 4.5 Mil. Expenses to the value of R 3.5 Mil have already been paid by the municipality. Unfortunately no grants were made available from national treasury to finance the implementation of mSCOA and all expenses must be financed out of own income. This will have the effect that the municipality will not be able to honour these expenditure payments from October 2018 and will need to negotiate with the service provider to only be invoiced in the 2019/2020 financial year when the municipality can partially use the FMG for payment.
- (g) That council take note that the municipality will need to curb **travelling and accommodation** costs drastically to ensure that expenses are within the allocated budget. Also refer to MPAC minutes.
- (h) That council take note that the credit control and debt collection policy will be strictly enforced to ensure that monies due to the municipality, is timeously paid.
- (i) That council take note that R 1.9 Mil worth of retention monies is due to be paid within this financial year.
- (j) That council take note that MIG co-funding to the value of R 2.4 Mil is due in this financial year.
- (k) That council take note that RBIG co-funding to the value of R 1.75 Mil is due in this financial year and needs to be paid upfront. The same amount needs to be paid in the 2019/2020 financial year.