

BITOU LOCAL MUNICIPALITY



**Budget Statement for the month
ended 31 August
2022**

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Glossary

Adjustments budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may 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 a 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 timing. For example, when an invoice is received by the Municipality it is shown as expenditure in the Quarter 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.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting.

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.

Rates – Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

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

Strategic objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

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

Virement – A transfer of budget.

Virement policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

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Legislative Framework

This report has been prepared in terms of the following enabling legislation. The Municipal Finance Management Act – No. 56 of 2003 Section 71 Monthly budget statements. Local Government: Municipal Finance Management Act (56/2003): Municipal budget and reporting regulations (MBRR)

PART 1 – IN-YEAR REPORT

Section 1 – August Report

1.1 In-Year Report – Monthly Budget Statement

The report outlines the financial performance and position of the municipality for the month ended August 2022. The budget of the municipality is compiled with the objective that Bitou municipality remains a financially viable and sustainable institution. The latter could be achieved if the municipality spend its budget prudently.

The financial viability is measured through the, liquidity ratio, current ratio and quick ratio, these ratios are critical in terms of evaluating the ability of the municipality to meet its short term obligation.

Although the plan to monitor the implementation of the current year's budget under strict conditions, management has not been consistent in following its internal procedures and protocols which makes it challenging to detect wrongful transactions, and these are only detected after the event.

As can be seen on the C7 Cash flow statement, the current cash, and cash equivalents as at end of August 2022 amounts to an overdraft of R16.2 million although the cash in the bank is still positive, this is due to lack of controls where grants received was not receipted, but the matter is currently being addressed. The municipality has zero short term investments. The municipality on average requires an amount in excess of R65 million to cover its monthly operational expenditure, this include the cost associated with the payment of employee cost and suppliers. It however excludes payments made to suppliers for capital assets.

Section 2 – Resolutions

IN-YEAR REPORTS 2022/2023

This is the resolution that will be presented to Council when the In-Year Report is tabled:

RECOMMENDATION:

- That Council notes the monthly budget statement and supporting documentation for the month ended 31 August 2022.

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Section 3 – Executive Summary

3.1 Introduction

The Monthly budget statement has been prepared in terms of the Municipal Budget and Reporting Regulations and section 71 of the Municipal Finance Management Act 56 of 2003.

Consolidated performance

WC047 Bitou - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -										
Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue By Source										
Property rates		157,194	159,956	159,956	12,368	26,922	26,659	262	1%	159,956
Service charges - electricity revenue		202,469	207,720	207,720	17,988	32,470	34,620	(2,150)	-6%	207,720
Service charges - water revenue		85,578	93,277	93,277	7,348	13,763	15,546	(1,783)	-11%	93,277
Service charges - sanitation revenue		88,009	87,047	87,047	6,950	14,030	14,508	(477)	-3%	87,047
Service charges - refuse revenue		37,424	53,272	53,272	4,123	8,323	8,879	(556)	-6%	53,272
Rental of facilities and equipment		1,255	1,193	1,193	83	166	199	(33)	-16%	1,193
Interest earned - external investments		3,747	4,600	4,600	335	593	767	(174)	-23%	4,600
Interest earned - outstanding debtors		14,777	14,572	14,572	1,652	3,201	2,429	773	32%	14,572
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		54,430	35,870	35,870	36	61	5,978	(5,918)	-99%	35,870
Licences and permits		1,091	1,002	1,002	138	199	167	32	19%	1,002
Agency services		2,423	2,414	2,414	236	388	402	(14)	-3%	2,414
Transfers and subsidies		137,299	153,896	153,896	-	-	25,649	(25,649)	-100%	153,896
Other revenue		9,341	7,875	7,875	790	1,463	1,312	150	11%	7,875
Gains		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		795,036	822,693	822,693	52,048	101,580	137,115	(35,536)	-26%	822,693
Expenditure By Type										
Employee related costs		278,100	306,473	306,473	24,176	47,795	51,078	(3,284)	-6%	306,473
Remuneration of councillors		6,198	6,944	6,944	561	1,123	1,157	(35)	-3%	6,944
Debt impairment		126,876	103,440	103,440	12,197	16,242	17,240	(998)	-6%	103,440
Depreciation & asset impairment		36,223	37,400	37,400	3,117	6,233	6,233	-	-	37,400
Finance charges		11,102	10,739	10,739	90	178	1,790	(1,612)	-90%	10,739
Bulk purchases - electricity		159,802	161,902	161,902	21,881	22,115	26,984	(4,869)	-18%	161,902
Inventory consumed		14,864	17,674	18,074	1,105	1,268	3,012	(1,744)	-58%	18,074
Contracted services		102,726	91,004	90,604	2,405	3,670	15,101	(11,431)	-76%	90,604
Transfers and subsidies		4,527	4,750	4,750	864	864	792	72	9%	4,750
Other expenditure		57,505	78,447	78,447	3,070	8,316	13,074	(4,758)	-36%	78,447
Losses		(5,128)	-	-	-	-	-	-	-	-
Total Expenditure		792,795	818,774	818,774	69,467	107,804	136,461	(28,657)	-21%	818,774
Surplus/(Deficit)		2,240	3,919	3,919	(17,419)	(6,225)	655	(6,879)	(0)	3,919
Transfers and subsidies - capital (financial assistance)		-	-	-	-	-	-	-	-	-
(National / Provincial and District)		50,997	46,335	46,335	-	-	7,722	(7,722)	(0)	46,335
Transfers and subsidies - capital (financial assistance)		-	-	-	-	-	-	-	-	-
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		1,562	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		54,800	50,254	50,254	(17,419)	(6,225)	8,377			50,254
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		54,800	50,254	50,254	(17,419)	(6,225)	8,377			50,254
Attributable to minorities		-	-	-	-	-	-			-
Surplus/(Deficit) attributable to municipality		54,800	50,254	50,254	(17,419)	(6,225)	8,377			50,254
Share of surplus/ (deficit) of associate		-	-	-	-	-	-			-
Surplus/ (Deficit) for the year		54,800	50,254	50,254	(17,419)	(6,225)	8,377			50,254

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Revenue by Source

Property Rates

Property rates as at end of August 2022 amounts to R26.9 million compared to YTD budget of R26.6 million that was anticipated, this translates to 1% over performance. This can mainly be ascribed to the property rates that are billed annually.

Electricity

Revenue from electricity as at end of August 2022 amounts to R32.4 million when compared to the YTD budget of R34.6 million. This translates to 6% under performance compared when compared to year-to-date budget. This revenue source is influenced by consumption that fluctuates during peak and off-peak periods.

Water Service

Water revenue as at end of August 2022 amounts to R13.7 million while YTD budget amounts to R15.5 million. This is an under performance of 11%. The variance can mainly be ascribed to the off-season period as well as the colder winter months when water consumption is less.

Sanitation Service

Sanitation revenue as at end of August 2022 amounts to R14 million while YTD budget amounts to R14.5 million. This translates to 3% under performance. This category of revenue will be closely monitored to ensure that the budgeted revenue is achieved.

Refuse Service

Refuse revenue as at end of August 2022 amounts to R8.3 million while the YTD budget amounts to R8.8 million date. This translates to an under performance of 6%. This category of revenue will also be closely monitored to ensure that the revenue targets will be met as budgeted.

Rental of facilities and Equipment

The revenue for rental of facilities and equipment as at end of August 2022 amounts to R166 232.22. This source of revenue is under-performing by 16% compared to the YTD budget of R198 872.00. It is anticipated that the revenue for this source will increase over the remainder of the financial year.

Interest earned on external investment and outstanding debtors

Interest earned on external investment and outstanding debtors' revenue as at end of August 2022 amounts to R593 046.56 and R1.6 million respectively while the YTD budget amounts to R766 664.00 and R2.4 million respectively. The main contributing factor to under performance of interest on external investments of 23%, is as a result of the depletion of cash prior to the Local Government elections resulting in a lack of surplus funding to invest for the year. The interest charged on outstanding debtors is over performing by 32% although this source of revenue on outstanding debtor's accounts are mostly doubtful to collect

Revenue for fines, penalties and forfeits

Revenue from Fines as at end of August 2022 amounts to R60 660.19. The files are normally received from Traffic services and captured on a monthly basis, but this was not the case for month of August 2022, this was also the case for July 2022. It should be highlighted that this has been a trend that has been observed for the last three years outstanding information from Traffic Services resulting fines issued not recognised on the financial system. The matter will be corrected in the next reporting month.

Transfers and Subsidies

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No revenue from grants is reported, as there was no income recognition done for the month of August 2022 by Grants Register Section. It should be noted that no revenue was recognised in July 2022 as well. The Equitable share in the amount of R50.3 million was received during August yet needs to be allocated to the correct revenue votes.

Other revenue

Other revenue as at end of August 2022 amounts to R1.4 million. The majority of the revenue comes from Building Plan Approval fees, and include income sources such Town Planning Fees, Fire Services, Staff and Councillor Recoveries etc.

Total revenue as at end of August 2022 amounts to R52 million. This excludes revenue from capital contributions.

Expenditure

Employee related cost

Employee related cost as at end of August 2022 amounts to R47.7 million. The YTD budget amounts to R51 million. This translates to an under performance of 6%. Payment of overtime still remains a challenge for the municipality, with overspending by 25% compared to the year to date budget. It needs to be noted that the staff bonuses are paid only in November and that it will absorb the current surplus for this category of expenditure.

Remuneration of councillors

Remuneration of councillors as at end of August 2022 amounts to R1.1 million. This expenditure item is slightly under performing by 3% compared when compared to the YTD budget, increases in councillor remuneration have been processed in September and the next report will reflect said increases.

Debt Impairment

Debt Impairment as at end of August 2022 amounts to R16.2 million. The YTD budget amounts to R17.2 million. This translate to an under performance of 6%. Previously included in this expenditure was bad debts written off and provision for debt impairment. However impairment provisional journals that were captured in July 2022 were reversed in August 2022. The actual bad debts written off for August 2022 amounts to R16.2 million.

Bulk Purchases

Bulk purchases relates to payments made to Eskom and the expenditure as at end of August 2022 amounts to R21.8 million. , thus reporting an under performance of 18%, this can be ascribed to the fact that the account for electricity due to Eskom for August are only due in September 2022.

Depreciation

Depreciation as at the end of August 2022 amounts to R6.2 million. The YTD budget amounts to R6.2 million. The item is performing as anticipated with no variance as one 12th of the budgeted amount is allocated on a monthly basis. Actual expenditure for this item will reflect most accurately at the end of the financial year.

Inventory Consumed

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Expenditure for this item as at end of August 2022 amounts to R1.2 million. The YTD budget amounts to R3 million. This expenditure item is under-performing by 58% when compared to the YTD budget. This expenditure type relates to the purchase of materials and supplies/inventory at stores and we are anticipating that expenditure will improve as we enter the third month of the financial year.

Contracted Services

Expenditure as at end of August 2022 amounts to R3.6 million and under-performing by 76% when compared to the YTD budget of R15.1 million. Normally expenditure on this item improves towards the end of the first quarter due to tender processes that are to be completed in order for programmes to be implemented.

Transfers and subsidies

Expenditure as at end of August 2022 amounts to R864 000. The item is performing as anticipated when compared to the YTD budget amounting to R791 664. It should be noted that expenditure on this item will significantly improve towards the end of the first quarter due to tender processes that are to be completed in order for programmes to be implemented.

Other expenditure

Other expenditure as at end of August 2022 amounts to R8.3 million while the YTD budget amounts to R13 million, which translates to significant underperformance of 36%. This includes items such as the rental expenses of offices spaces, insurance, travel and subsistence and telephone accounts.

Total expenditure as at end of August 2022 amounts to R69.4 million. The municipality is reporting an operating deficit of R17.4 million for the month.

Conclusion on Financial Position and performance

The financial performance as at end of August 2022 does not bid well for the financial sustainability of the municipality, it is quite clear that less than appropriate budgeting techniques coupled with incomplete or unclear statistical information was used in the compilation of the MTREF, it must be acknowledged that the budget was drafted using past performance and information as a basis which were inadequate to say the least.

The current cash flow is not sufficient to sustain operations in the short, medium as well as the long term and the current ratio is far below best practice norms. The liquidity position remains very concerning. The Municipality thus finds itself in a situation where it is doubtful that it can continue as a going concern.

The depletion of all cash reserves over the last 4 years is the main contributor to the position that the municipality finds itself in. It must be emphasized that it will be possible, yet extremely difficult to manage the municipality out of this situation and a combination of revenue enhancement, collection, savings and austerity measures will be necessary to ensure a financial turnaround.

In order to ensure a structured financial turnaround, a financial recovery plan has been developed, adopted and applied for at least the next three to four years. The Acting Chief Financial Officer has drafted a financial recovery strategy plan that has been presented to management and will also be presented to council for consideration during September 2022.

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Section 4 – In-year budget statement tables

4.1 Monthly budget statements

The tables included in section 4 to the end of this report are from the 'C Schedule monthly Budget Statement legislated as part of the MBRR.

Below tables analyse the income and expenditure by Function and the performance of each sub function. As mentioned above the performance will increased with the implementation of the SDBIP.

Table below relates to the budget performance by municipal vote. Most of the departments has underspent on their expenditure budget and under collected on their revenue budget below. Management to note that expenditure is more that revenue since the beginning of the year. This is a red flag as deficit gets reported monthly.

See tables below C1 and C3 for the month ending 31 August 2022.

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WC047 Bitou - Table C1 Monthly Budget Statement Summary -

Description	2021/22	Budget Year 2022/23							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	157,194	159,956	159,956	12,368	26,922	26,659	262	1%	159,956
Service charges	413,479	441,315	441,315	36,409	68,586	73,553	(4,966)	-7%	441,315
Investment revenue	3,747	4,600	4,600	335	593	767	(174)	-23%	4,600
Transfers and subsidies	137,299	153,896	153,896	-	-	25,649	(25,649)	-100%	153,896
Other own revenue	83,317	62,926	62,926	2,935	5,479	10,488	(5,009)	-48%	62,926
Total Revenue (excluding capital transfers and contributions)	795,036	822,693	822,693	52,048	101,580	137,115	(35,536)	-26%	822,693
Employee costs	278,100	306,473	306,473	24,176	47,795	51,078	(3,284)	-6%	306,473
Remuneration of Councillors	6,198	6,944	6,944	561	1,123	1,157	(35)	-3%	6,944
Depreciation & asset impairment	36,223	37,400	37,400	3,117	6,233	6,233	-	-	37,400
Finance charges	11,102	10,739	10,739	90	178	1,790	(1,612)	-90%	10,739
Materials and bulk purchases	174,666	179,576	179,976	22,986	23,383	29,996	(6,613)	-22%	179,976
Transfers and subsidies	4,527	4,750	4,750	864	864	792	72	9%	4,750
Other expenditure	281,979	272,892	272,492	17,673	28,228	45,415	(17,186)	-38%	272,492
Total Expenditure	792,795	818,774	818,774	69,467	107,804	136,461	(28,657)	-21%	818,774
Surplus/(Deficit)	2,240	3,919	3,919	(17,419)	(6,225)	655	(6,879)	-1051%	3,919
Transfers and subsidies - capital (monetary alloc	50,997	46,335	46,335	-	-	7,722	(7,722)	-100%	46,335
Contributions & Contributed assets	1,562	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	54,800	50,254	50,254	(17,419)	(6,225)	8,377	(14,602)	-174%	50,254
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	54,800	50,254	50,254	(17,419)	(6,225)	8,377	(14,602)	-174%	50,254
Capital expenditure & funds sources									
Capital expenditure	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Capital transfers recognised	60,306	41,078	41,078	456	456	4,217	(3,761)	-89%	41,078
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	38,843	38,843	-	-	1,341	(1,341)	-100%	38,843
Internally generated funds	18,943	18,529	18,529	0	0	1,585	(1,585)	-100%	18,529
Total sources of capital funds	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Financial position									
Total current assets	368,500	272,028	272,028	-	99,287	-	-	-	272,028
Total non current assets	1,218,624	1,345,582	1,345,582	-	1,208,993	-	-	-	1,345,582
Total current liabilities	353,304	150,778	150,778	-	70,730	-	-	-	150,778
Total non current liabilities	160,322	226,140	226,140	-	165,719	-	-	-	226,140
Community wealth/Equity	1,062,663	1,240,692	1,240,692	-	1,071,831	-	-	-	1,240,692
Cash flows									
Net cash from (used) operating	(1,124,326)	120,049	120,049	(21,832)	(63,657)	(171,611)	(107,955)	63%	(1,029,667)
Net cash from (used) investing	(34,893)	(98,450)	(98,450)	(456)	(456)	(7,143)	(6,687)	94%	(98,450)
Net cash from (used) financing	9,848	(21,828)	(21,828)	(387)	(752)	-	752	#DIV/0!	-
Cash/cash equivalents at the month/year end	(1,075,907)	110,234	110,234	-	(16,233)	(68,291)	(52,058)	76%	(1,079,485)
Debtors & creditors analysis	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
Debtors Age Analysis									
Total By Income Source	38,728	14,647	15,804	8,154	212,021	-	-	-	289,354
Creditors Age Analysis									
Total Creditors	1,390	-	-	-	-	-	-	-	1,390

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Financial Performance Expenditure by Municipal Vote

WC047 Bitou - Table C1 Monthly Budget Statement Summary -									
Description	2021/22	Budget Year 2022/23							
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Transfers and subsidies	137,299	153,896	153,896	-	-	25,649	(25,649)	-100%	153,896
Other own revenue	83,317	62,926	62,926	2,935	5,479	10,488	(5,009)	-48%	62,926
Total Revenue (excluding capital transfers and contributions)	795,036	822,693	822,693	52,048	101,580	137,115	(35,536)	-26%	822,693
Employee costs	278,100	306,473	306,473	24,176	47,795	51,078	(3,284)	-6%	306,473
Remuneration of Councillors	6,198	6,944	6,944	561	1,123	1,157	(35)	-3%	6,944
Depreciation & asset impairment	36,223	37,400	37,400	3,117	6,233	6,233	-	-	37,400
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Materials and bulk purchases	174,666	179,576	179,576	22,986	23,383	29,996	(6,613)	-22%	179,576
Transfers and subsidies	4,527	4,750	4,750	864	864	792	72	9%	4,750
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Surplus/(Deficit)	2,240	3,919	3,919	(17,419)	(6,225)	655	(6,879)	-1051%	3,919
Transfers and subsidies - capital (monetary alloc	50,997	46,335	46,335	-	-	7,722	(7,722)	-100%	46,335
Contributions & Contributed assets	1,562	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	54,800	50,254	50,254	(17,419)	(6,225)	8,377	(14,602)	-174%	50,254
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	54,800	50,254	50,254	(17,419)	(6,225)	8,377	(14,602)	-174%	50,254
Capital expenditure & funds sources									
Capital expenditure	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Capital transfers recognised	60,306	41,078	41,078	456	456	4,217	(3,761)	-89%	41,078
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	38,843	38,843	-	-	1,341	(1,341)	-100%	38,843
Internally generated funds	18,943	18,529	18,529	0	0	1,585	(1,585)	-100%	18,529
Total sources of capital funds	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Financial position									
Total current assets	368,500	272,028	272,028	-	99,287	-	-	-	272,028
Total non current assets	1,218,624	1,345,582	1,345,582	-	1,208,993	-	-	-	1,345,582
Total current liabilities	353,304	150,778	150,778	-	70,730	-	-	-	150,778
Total non current liabilities	160,322	226,140	226,140	-	165,719	-	-	-	226,140
Community wealth/Equity	1,062,663	1,240,692	1,240,692	-	1,071,831	-	-	-	1,240,692
Cash flows									
Net cash from (used) operating	(1,124,326)	120,049	120,049	(21,832)	(63,657)	(171,611)	(107,955)	63%	(1,029,667)
Net cash from (used) investing	(34,893)	(98,450)	(98,450)	(456)	(456)	(7,143)	(6,687)	94%	(98,450)
Net cash from (used) financing	9,848	(21,828)	(21,828)	(387)	(752)	-	752	#DIV/0!	-
Cash/cash equivalents at the month/year end	(1,075,907)	110,234	110,234	-	(16,233)	(68,291)	(52,058)	76%	(1,079,485)
Debtors & creditors analysis	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
Debtors Age Analysis									
Total By Income Source	38,728	14,647	15,804	8,154	212,021	-	-	-	289,354
Creditors Age Analysis									
Total Creditors	1,390	-	-	-	-	-	-	-	1,390

Revenue by vote

The performance of revenue by vote as at end August 2022 amounts to R52 million, this is under performance of 26%. The detail on revenue per item can be seen on executive summary.

Expenditure by vote

The expenditure by vote as at August 2022 amounts R69.4 million. The total expenditure budget is under performing by 21%.

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Capital expenditure

WC047 Bitou - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) -										
Vote Description	Ref	2021/22	Budget Year 2022/23							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Council		-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Community Services		2,428	1,400	1,400	-	-	233	(233)	-100%	1,400
Vote 4 - Corporate Services		520	1,804	1,804	-	-	301	(301)	-100%	1,804
Vote 5 - Financial Services		-	600	600	-	-	100	(100)	-100%	600
Vote 6 - Economic Development & Planning		-	-	-	-	-	-	-	-	-
Vote 7 - Engineering Services		22,377	45,556	45,556	0	0	3,448	(3,448)	-100%	45,556
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	25,324	49,360	49,360	0	0	4,082	(4,082)	-100%	49,360
Single Year expenditure appropriation	2									
Vote 1 - Council		-	-	-	-	-	-	-	-	-
Vote 2 - Office of the Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Community Services		6,575	9,026	9,026	-	-	1,453	(1,453)	-100%	9,026
Vote 4 - Corporate Services		2,592	635	635	-	-	106	(106)	-100%	635
Vote 5 - Financial Services		19	-	-	-	-	-	-	-	-
Vote 6 - Economic Development & Planning		-	-	-	-	-	-	-	-	-
Vote 7 - Engineering Services		44,739	39,429	39,429	456	456	1,502	(1,046)	-70%	39,429
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	53,925	49,090	49,090	456	456	3,062	(2,605)	-85%	49,090
Total Capital Expenditure	3	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Capital Expenditure - Functional Classification										
Governance and administration		3,143	3,835	3,835	-	-	639	(639)	-100%	3,835
Executive and council		-	-	-	-	-	-	-	-	-
Finance and administration		3,143	3,835	3,835	-	-	639	(639)	-100%	3,835
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		5,340	8,204	8,204	-	-	1,316	(1,316)	-100%	8,204
Community and social services		605	3,930	3,930	-	-	655	(655)	-100%	3,930
Sport and recreation		2,449	3,794	3,794	-	-	581	(581)	-100%	3,794
Public safety		2,286	480	480	-	-	80	(80)	-100%	480
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		27,344	10,790	10,790	0	0	315	(315)	-100%	10,790
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		27,344	10,790	10,790	0	0	315	(315)	-100%	10,790
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		43,422	75,621	75,621	456	456	4,873	(4,416)	-91%	75,621
Energy sources		11,947	21,116	21,116	0	0	823	(823)	-100%	21,116
Water management		14,768	40,579	40,579	456	456	3,685	(3,229)	-88%	40,579
Waste water management		13,058	12,400	12,400	-	-	110	(110)	-100%	12,400
Waste management		3,650	1,526	1,526	-	-	254	(254)	-100%	1,526
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	3	79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450
Funded by:										
National Government		42,019	35,048	35,048	456	456	3,912	(3,456)	-88%	35,048
Provincial Government		18,287	6,030	6,030	-	-	305	(305)	-100%	6,030
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		60,306	41,078	41,078	456	456	4,217	(3,761)	-89%	41,078
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	38,843	38,843	-	-	1,341	(1,341)	-100%	38,843
Internally generated funds		18,943	18,529	18,529	0	0	1,585	(1,585)	-100%	18,529
Total Capital Funding		79,249	98,450	98,450	456	456	7,143	(6,687)	-94%	98,450

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Capital Expenditure Analysis

Capital expenditure as at end of August 2022 amounts to R456 408.66. We anticipate an improved performance in spending in the next months. There's currently capital commitments (Shadow Balances) on the financial system amounting to R8 524 270.57 from Engineering and Corporate Services.

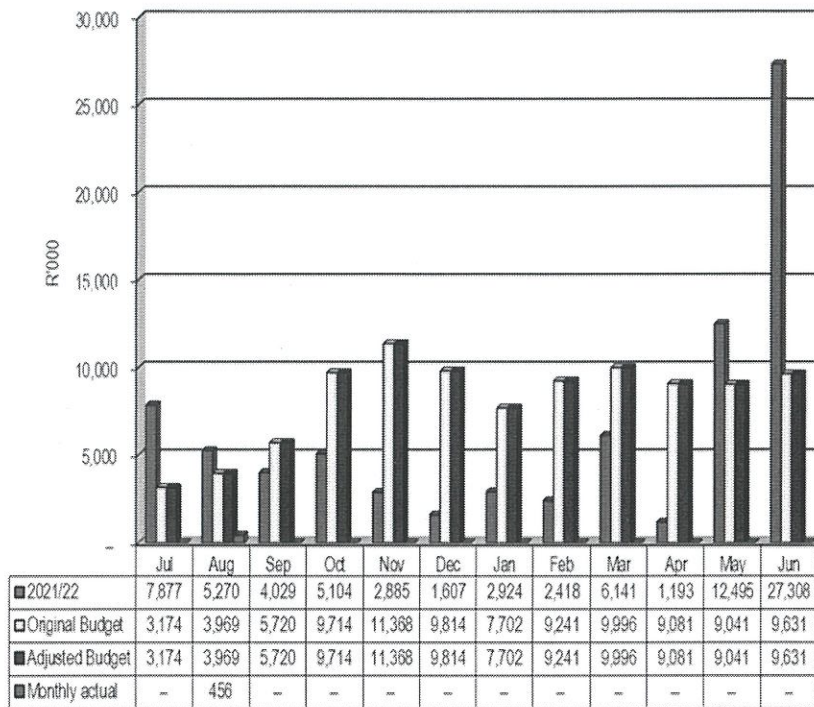
It is crucial to prioritise spending on grants, as slow spending on grants may result in municipality applying for rollovers, and these applications at times may get rejected.

Capital Grants Analysis

Grants	Original Budget	Monthly Actual	Shadow Balance	YTD Expenditure
MIG	19 572 174.00	0	0	19 572 174.00
INEP	7 580 869.00	0	7 502 619.00	78 250.00
WSIG	7 894 782.00	456 408.64	0	7 438 373.36
HOUSING	6 000 000.00	0	0	6 000 000.00
MRF	30 000.00	0	0	30 000.00
BORROWINGS	38 843 300.00	0	645 830.12	37 135 469.88
AFR	18 528 900.00	0	375 821.45	19 215 078.55
TOTAL	R98 450 025.00	456 408.64	8 524 270.57	R98 447 099.71

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Chart C1 2022/23 Capital Expenditure Monthly Trend: actual v target



BITOU LOCAL MUNICIPALITY

Statement of Financial Position

WC047 Bitou - Table C6 Monthly Budget Statement - Financial Position -						
Description	Ref	2021/22	Budget Year 2022/23			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		48,627	27,525	27,525	(16,234)	27,525
Call investment deposits		—	85,710	85,710	0	85,710
Consumer debtors		73,178	112,671	112,671	62,890	112,671
Other debtors		223,387	29,921	29,921	36,506	29,921
Current portion of long-term receivables		9	—	—	9	—
Inventory		23,298	16,201	16,201	16,114	16,201
Total current assets		368,500	272,028	272,028	99,287	272,028
Non current assets						
Long-term receivables		1	—	—	1	—
Investments		9,857	—	—	9,857	—
Investment property		12,692	25,663	25,663	22,228	25,663
Investments in Associate		—	—	—	—	—
Property, plant and equipment		1,196,038	1,319,883	1,319,883	1,176,871	1,319,883
Agricultural		—	—	—	—	—
Biological assets		—	—	—	—	—
Intangible assets		—	(0)	(0)	(0)	(0)
Other non-current assets		35	35	35	35	35
Total non current assets		1,218,624	1,345,582	1,345,582	1,208,993	1,345,582
TOTAL ASSETS		1,587,124	1,617,610	1,617,610	1,308,280	1,617,610
LIABILITIES						
Current liabilities						
Bank overdraft		—	—	—	—	—
Borrowing		—	(328)	(328)	—	(328)
Consumer deposits		9,848	9,948	9,948	10,073	9,948
Trade and other payables		293,275	91,269	91,269	5,501	91,269
Provisions		50,181	49,889	49,889	55,156	49,889
Total current liabilities		353,304	150,778	150,778	70,730	150,778
Non current liabilities						
Borrowing		88,704	104,142	104,142	87,649	104,142
Provisions		71,618	121,998	121,998	78,070	121,998
Total non current liabilities		160,322	226,140	226,140	165,719	226,140
TOTAL LIABILITIES		513,626	376,918	376,918	236,449	376,918
NET ASSETS	2	1,073,498	1,240,692	1,240,692	1,071,831	1,240,692
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		1,044,113	1,114,615	1,114,615	969,831	1,114,615
Reserves		18,550	126,077	126,077	102,000	126,077
TOTAL COMMUNITY WEALTH/EQUITY	2	1,062,663	1,240,692	1,240,692	1,071,831	1,240,692

The table above reflects the statement of financial position of the municipality. The total Current Assets at the end of August 2022 amounts to R 99.2 million compared to R132.2 million in July 2022. This is a decrease compared to the previous month and is as a result of a

BITOU LOCAL MUNICIPALITY

reduction in consumer deposits, other debtors and a significant reduction in cash that should be noted with concern.

The Current Liabilities for the month amounts to R70.7 million compared to R87.7 million in the previous month, which is due to a significant decrease in trade and other payables as the year. The current ratio for the month still equates 1.5: 1 as previous month, which is within the acceptable National Treasury norm. This means that the municipality is able to cover its short term obligations. It should be noted that current ratio has weakened from the 1.7:1 in June 2022. The higher the current ratio, the more capable the municipality will be to pay its current or short-term obligations.

Cash flow analysis

WC047 Bitou - Table C7 Monthly Budget Statement - Cash Flow -										
Description	Ref	2021/22	Budget Year 2022/23							
		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		26,295	159,956	159,956	15,828	25,281	(27,599)	52,881	-192%	(165,597)
Service charges		32,114	375,118	375,118	46,052	63,891	(56,982)	120,873	-212%	(341,892)
Other revenue		9,192	38,050	38,050	(17,414)	(18,316)	1,886	(20,201)	-1071%	11,313
Transfers and Subsidies - Operational		120,285	153,896	153,896	33	33	17,619	(17,587)	-100%	105,717
Transfers and Subsidies - Capital		-	46,335	46,335	-	775	(8,717)	9,492	-109%	(52,305)
Interest		3,593	4,600	4,600	2,759	4,692	767	3,925	512%	4,600
Dividends		-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees		(1,315,804)	(644,455)	(644,455)	(68,136)	(138,970)	(98,584)	40,386	-41%	(591,504)
Finance charges		(1)	(8,700)	(8,700)	(90)	(178)	-	178	0%	-
Transfers and Grants		-	(4,750)	(4,750)	(864)	(864)	-	864	0%	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		(1,124,326)	120,049	120,049	(21,832)	(63,657)	(171,611)	(107,955)	63%	(1,029,667)
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current receivables		(1)	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments		-	-	-	-	-	-	-	-	-
Payments										
Capital assets		(34,892)	(98,450)	(98,450)	(456)	(456)	(7,143)	(6,687)	94%	(98,450)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(34,893)	(98,450)	(98,450)	(456)	(456)	(7,143)	(6,687)	94%	(98,450)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		9,848	-	-	101	225	-	225	0%	-
Payments										
Repayment of borrowing		-	(21,828)	(21,828)	(488)	(978)	-	978	0%	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		9,848	(21,828)	(21,828)	(387)	(752)	-	752	0%	-
NET INCREASE/ (DECREASE) IN CASH HELD		(1,149,371)	(229)	(229)	(22,675)	(64,865)	(178,755)			(1,128,117)
Cash/cash equivalents at beginning:		73,465	110,464	110,464		48,632	110,464			48,632
Cash/cash equivalents at month/year end:		(1,075,907)	110,234	110,234		(16,233)	(68,291)			(1,079,485)

The municipality is reporting a negative R21.8 million on monthly actual net cash from operating activities. These are mostly month to month operating expenses and operating income.

Monthly actual net cash (used) on investing activities is reported at R456 408.66, expenditure is expected to increase in the next months.

The net cash (used) for financing activities are mostly influenced by the repayment of loans. The repayment of loans for the month of August 2022 amounts to R487 986.34.

The municipality reports cash and cash equivalents amounting to R6.4 million, this includes cash at the bank only as the municipality has no short-term investments.

Section 5 – Debtors' analysis

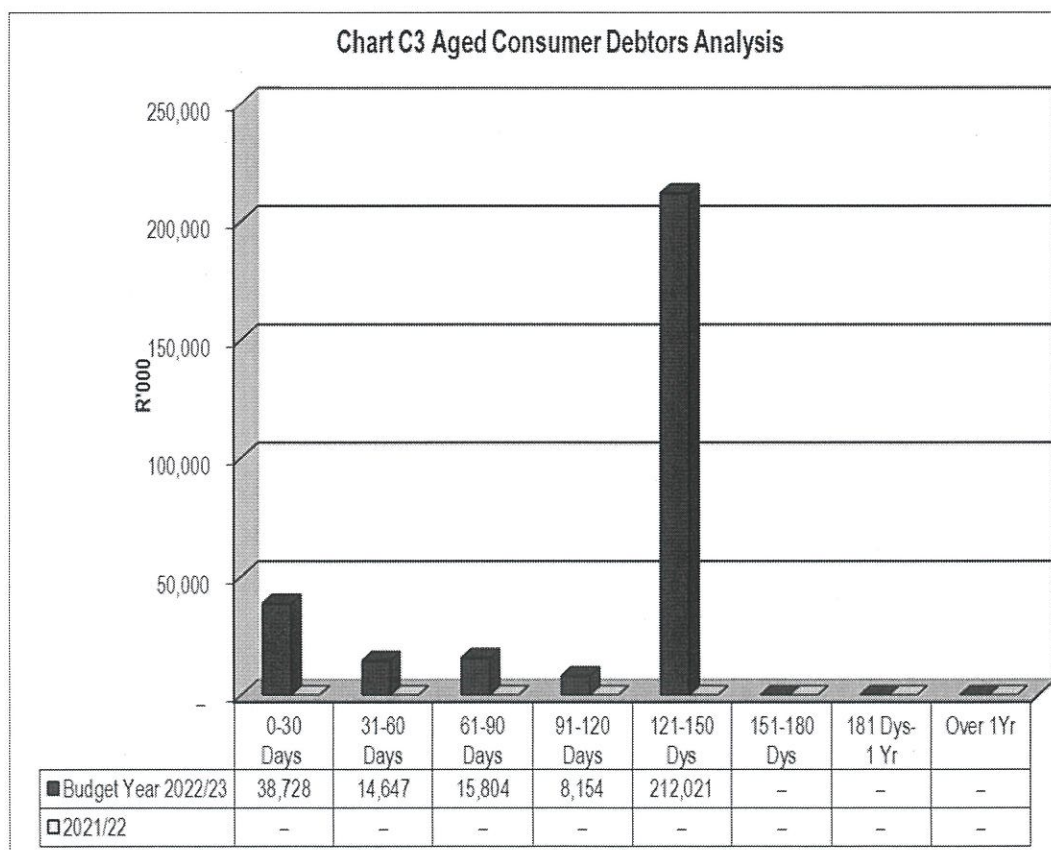
5.1 Supporting Table SC3

WC047 Bitou - Supporting Table SC3 Monthly Budget Statement - aged debtors -													
Description	NT Code	Budget Year 2022/23									Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy	
		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			
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	6,925	4,235	6,857	2,341	54,829	-	-	-	75,187	57,170	11,781	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	13,123	1,779	3,012	769	11,647	-	-	-	30,330	12,416	193	-
Receivables from Non-exchange Transactions - Property Rates	1400	8,378	2,023	1,578	1,328	40,101	-	-	-	54,007	41,429	503	-
Receivables from Exchange Transactions - Waste Water Management	1500	6,391	3,695	2,406	2,254	76,073	-	-	-	90,819	78,327	-	-
Receivables from Exchange Transactions - Waste Management	1600	3,766	2,161	1,411	1,339	45,154	-	-	-	53,831	46,492	3,712	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
	1900	146	152	541	123	(15,783)	-	-	-	(14,821)	(15,660)	54	-
Total By Income Source	2000	38,728	14,647	15,804	8,154	212,021	-	-	-	289,354	220,174	16,242	-
2021/22 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	404	275	96	92	1,687	-	-	-	2,553	1,779	-	-
Commercial	2300	4,858	866	896	344	7,742	-	-	-	14,526	8,086	-	-
Households	2400	33,467	13,466	15,013	7,718	202,562	-	-	-	272,275	210,310	-	-
Other	2500	-	-	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	38,728	14,647	15,804	8,154	212,021	-	-	-	289,354	220,174	-	-

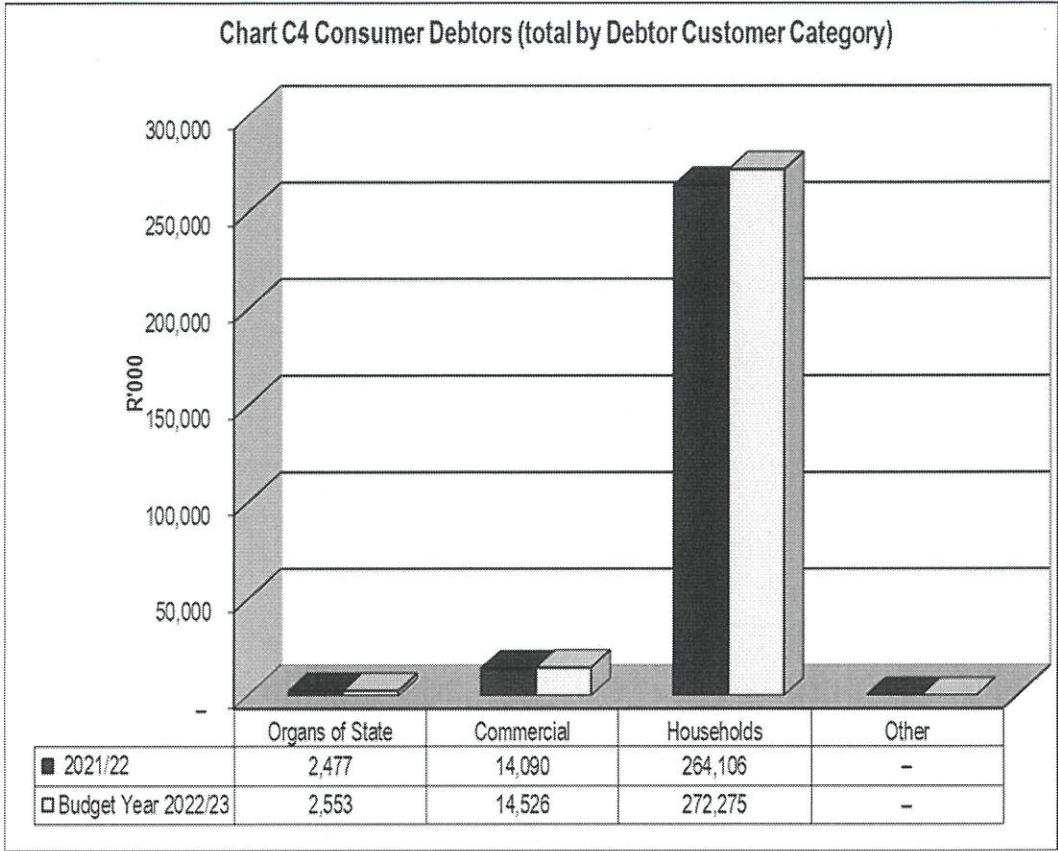
Debtor's age analysis

The debtors' book of the municipality reflects R 212 million on outstanding debtors older than 121 days and a total outstanding amount of R289.3 million. This is an increase of R27.2 million compared to the previous month's balance.

The contributors to this huge debts still remains the household debt which represents 94% of the total debt, followed by Businesses with 5% and Organs of State contributing 1%



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Section 6 – Creditors' age analysis

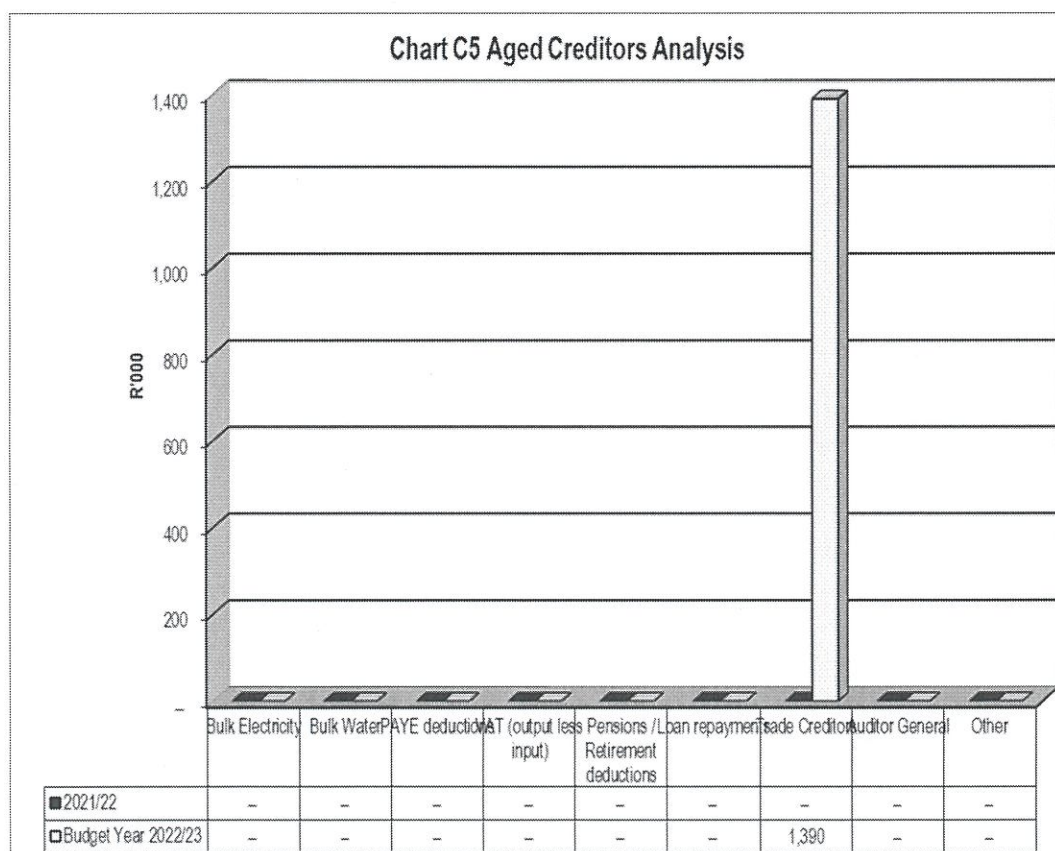
6.1 Supporting Table SC4

Table SC4 reflects the trade creditors

WC047 Bitou - Supporting Table SC4 Monthly Budget Statement - aged creditors -											
Description	NT Code	Budget Year 2022/23									Prior year totals for chart (same period)
		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	
R thousands											
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	-	-	-	-	-	-	-	-	-	-
Bulk Water	0200	-	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	1,390	-	-	-	-	-	-	-	1,390	-
Auditor General	0800	-	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	1,390	-	-	-	-	-	-	-	1,390	-

Creditors Age Analysis

The municipality reports an amount of R1.3 million on trade creditors in August 2022 compared to R331 430 at July 2022.



Section 7 – Investment portfolio analysis

7.1 Supporting Table SC5

WC047 Bitou - Supporting Table SC5 Monthly Budget Statement - investment portfolio -									
Investments by maturity Name of Institution & investment ID	Ref	Period of	Type of	Expiry date	Accrued	Yield for the	Market value	Change in	Market value
		Investment	Investment	of investment	interest for	month 1	at	market	at end of the
R thousands		Yrs/Months			the month	(%)	beginning	value	month
Municipality									
Nedbank: 03/7881052406/000075		LONG TERM	Fixed deposit	30/12/2022	-	0	9,857	-	9,857
Municipality sub-total					-		9,857	-	9,857
Entities									
-		-	-	-	-		-	-	-
Entities sub-total					-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2				-		9,857	-	9,857

Investment portfolio analysis

The municipality reports one long-term investment with a market value of R9.8 million as at August 2022. Council and Management should note with great concern that the municipality has no short-term investments. All short-term investments has been utilised to fund operations in the previous financial year.

Section 8 – Grant Performance

8.1 Supporting Table SC6

WC047 Bitou - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts -										
Description	Ref	2021/22		Budget Year 2022/23						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
RECEIPTS:	1,2									
Capital Transfers and Grants										
National Government:		34,354	40,305	40,305	-	775	-	775	#DIV/0!	-
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		4,250	8,718	8,718	-	-	-	-	-	-
Municipal Infrastructure Grant [Schedule 5B]		30,104	22,508	22,508	-	-	-	-	-	-
Water Services Infrastructure Grant [Schedule 5B]		-	9,079	9,079	-	775	-	775	#DIV/0!	-

For the month of August 2022 the municipality has not reported any revenue from grants as there was no income recognition done.

Municipal manager's quality certification

Municipal manager's quality certification

An in-year report must be covered by a quality certificate in the format described below:

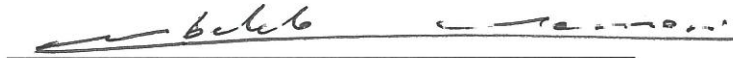
QUALITY CERTIFICATE

I, **Mbulelo Memani**, the Municipal Manager of Bitou Local Municipality, hereby certify that
- (mark as appropriate)

- ☒ The monthly budget statement
- ☐ Quarterly report on the implementation of the budget and financial state of affairs of the municipality
- ☐ Mid-year budget and performance assessment

for the month ending 31 August 2022 has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Signature



Print Name: Mr. M Memani

Municipal Manager of Bitou Local Municipality – WC047

Date

14/09/2022