

KOUGA MUNICIPALITY (EC108)

FINANCE

DATE:

ITEM NO:

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1. MONTHLY BUDGET STATEMENTS FOR THE PERIOD JULY 2017 TO APRIL 2018 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 30 APRIL 2018 (2017/18 FINANCIAL YEAR)

1.1. PURPOSE

This report is submitted in compliance with Section 71 (1) of the Municipal Finance Management Act (MFMA) and the Municipal Budget and Reporting Regulations (MBRR).

1.2. LEGISLATIVE REQUIREMENTS

The Municipality is required to assess on an ongoing basis whether it collects sufficient revenue to meet its commitments, such as paying Employees, Councillors, Eskom, Nelson Mandela Bay Municipality, service providers etc.

In accordance with Section 71(1) of the MFMA, the Accounting officer must by no later than 10 working days after the end of each month, submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget.

In accordance with regulation 28 of the MBRR, the monthly budget statements of a municipality must be in the format specified in Schedule C.

1.3 EXECUTIVE SUMMARY

This report provides a balanced and consolidated financial performance overview to assist the Executive Mayor in her oversight role.

An analysis of the financial position and performance was undertaken to determine the relative financial strength and liquidity of the Municipality. This was complemented by analysing the cash flow position, the investment portfolio, ratios, the operating and capital budget performance for the period July to April 2018, so as to facilitate an informed assessment of the relative liquidity and financial position of the Municipality.

The financial performance highlights are as follows:

- Operating revenue amounted to R 597,107 million, whilst operating expenditure amounted to R 526,762 million, resulting in an operating surplus of R 70,344 million.
- Capital expenditure constituted 48.16% of the approved 2017/18 Adjusted Capital Budget.

- Overdue consumer debts increased by R 13,616 million (11.82%) since June 2017.
- An amount of R 76,294 million is owing to creditors, of which R 24,267 million (31.81%) represents current creditors.
- The municipality's investment portfolio has increased by R 55,781,152 (66.41%) since June 2017, from R 83,998,799 to R 139,779,951.

The following key financial ratios are monitored on an on-going basis:

Ratio	Actuals as at June 2015	Actuals as at June 2016	Actuals as at 30 June 2017	Actuals as at 30 April 2017	Actuals as at 30 April 2018	2017/18 Approved Adjusted Budget
Current Ratio	0.72:1	0.85:1	1.13:1	1.30:1	1.39:1	0.91:1
Liquidity Ratio	0.22:1	0.40:1	0.62:1	0.81:1	0.96:1	0.37:1
Cost Coverage (Excluding unspent conditional grants)	0.82 months	1.60 months	1.74 months	2.25 months	2.68 months	1.15 months
Debt servicing costs to Operating Revenue Ratio	0.05:1	0.04:1	0.02:1	0.02:1	0.01:1	0.01:1

1.3. DETAILED REPORTS

In order to comply with Schedule C of the Municipal Budget and Reporting Regulations, the following detailed schedules are attached for the month, ending 30 April 2018:

Annexure "A1" – Operating Revenue and Expenditure Performance

Annexure "A2" - Capital Budget Performance

Annexure "A3"- Projected Cash Flow Statement

Annexure "A4" – Municipal Monthly Budget Tables


Annexure "A5"- Analysis of Municipality's Statement of Financial Performance

- i. Overview of Outstanding Consumer Debtors
- ii. Overview of Creditors position
- iii. Investment portfolio
- iv. Grants receipts and Expenditure
- v. Councillors & Employee benefits

vi. Key performance Indicators

1.4. RECOMMENDATION

- I. That the Executive Mayor notes the Municipal Manager's report on the monthly budget statements, in accordance with Section 71(1) of the Municipal Finance Management Act.
- II. That the monthly budget statements accordingly be submitted to Provincial Treasury as stipulated in Section 71(1) of the MFMA.


 Mr. Charl Du Plessis (Municipal Manager)

1.1. Municipal Manager's Quality Certificate

I, Charl Du Plessis, Municipal Manager of Kouga Local Municipality, hereby certify that the monthly budget statements have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the monthly budget statements are consistent with the Integrated Development Plan of the municipality.

Print Name Charl Du Plessis

Municipal Manager of Kouga Local Municipality

Signature



Date

 14/05/2018

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO APRIL 2018

Below is an analysis of the operating revenue and expenditure performance compared to the approved 2017/18 Adjusted Budget.

Item Description	Adjusted Budget 2017/18	Actuals as at 30 April 2018	% of Budget
<u>OPERATING REVENUE</u>			
Property rates	160 564 962	143 060 092	89.10%
Total Service Charges	370 093 665	304 272 547	82.22%
Service charges - electricity revenue	230 405 160	183 991 571	79.86%
Service charges - water revenue	58 871 483	52 867 116	89.80%
Service charges - sanitation revenue	40 622 425	31 840 188	78.38%
Service charges - refuse revenue	27 412 365	24 303 294	88.66%
Service charges - other	12 782 232	11 270 379	88.17%
Rental of Facilities and Equipment	1 774 142	928 360	52.33%
Interest Earned - External Investments	7 404 934	5 716 663	77.20%
Interest Earned - Outstanding Debtors	8 939 204	5 506 245	61.60%
Fines, penalties and forfeits	3 962 443	3 201 892	80.81%
Licences and Permits	12 275 879	9 629 403	78.44%
Grants & Subsidies Received - Operating	114 382 237	116 369 029	101.74%
Other Revenue	9 628 889	8 422 542	87.47%
Total Direct Operating Revenue	689 026 355	597 106 774	86.66%
<u>OPERATING EXPENDITURE</u>			
Employee Related Costs	249 044 490	203 841 264	81.85%
Remuneration of Councillors	12 110 618	7 840 946	64.74%
Bad Debts	49 996 841	613 086	1.23%
Depreciation & Asset Impairment	83 730 150	53 285 276	63.64%
Repairs & Maintenance - Municipal Assets	16 022 150	7 900 991	49.31%
Finance Charges - External Borrowings	3 768 124	2 889 656	76.69%
Total Bulk Purchases	225 623 251	184 030 829	81.57%
Bulk purchases - electricity	187 239 233	158 499 053	84.65%
Bulk purchases - water	38 384 018	25 531 776	66.52%
Contracted Services	42 618 392	22 952 753	53.86%
Transfers and Grants	29 600	24 800	83.78%
Other expenditure	72 477 693	43 382 889	59.86%
Total Direct Operating Expenditure	755 421 309	526 762 490	69.73%
Surplus/(Deficit)	-66 394 954	70 344 283	

The statement of financial performance indicates a surplus of R 70,344,283.

Below is a discussion of the significant revenue and expenditure variations:

Revenue Variations

Property Rates

As at 30 April 2018, the Municipality has recognised 89.10% of its property rates revenue, compared to the budget.

Approximately 30% of total property rates revenue was raised in July 2017. This represents property rates payable on an annual basis, instead of a monthly basis.

Service charges – Other

Other service charges relate to Environmental Management Fees, with approximately 12% of the total environmental management revenue raised in July 2017.

Rental of Facilities and Equipment

Rental of facilities and equipment relate to rental of municipal buildings, community halls and other municipal facilities.

Interest Earned – External Investments

Interest earnings are influenced by the extent of the municipality's investment portfolio.

Interest Earned – Outstanding Debtors

Interest is influenced by the extent of outstanding debtors. The actual overdue debtors as at 30 April 2018 amounted to R128,814 million.

Expenditure Variations

Bad Debts

Bad debts are written off upon Council approval.

General expenses – other

Other expenditure relates to various general expenses, relating to the running costs of the municipality, such as printing and stationery, telephone accounts, etc.

Repairs and Maintenance

Below is an analysis of actual repairs and maintenance expenditure by Directorate, compared to the approved 2017/18 Adjusted Budget.

Directorate	Approved Adjusted Budget 2017/18	Actuals as at 30 April 2018	% of Budget
Executive & Council	97,198	5,153	5.30%
Corporate Services	3,700	3,991	107.87%
Finance	317,059	72,252	22.79%
Community Services	6,800,737	3,526,496	51.85%
Infrastructure and Engineering	24,577,090	14,066,154	57.23%
Planning, Development and Tourism	-	-	-
Total	31,795,784	17,674,047	55.59%

It is to be noted that actual repairs and maintenance expenditure constituted 55.59% of the approved 2017/18 Adjusted Budget.

Annexure "A2"

CAPITAL BUDGET PERFORMANCE

Below is an analysis of the capital expenditure compared to the approved 2017/18 Adjusted Capital Budget.

Directorate	Approved Adjusted Budget 2017/18	Actuals as at 30 April 2018	% of Budget
	R	R	
Executive and Council	2,781,000	175,290	6.30%
Corporate Services	2,384,030	1,246,800	52.30%
Finance	2,691,976	1,130,758	42.00%
Community Services	18,442,726	14,138,590	76.66%
Infrastructure and Engineering	39,996,165	16,538,578	41.35%
Planning, Development and Tourism	3,137,823	210,598	6.71%
Total	69,433,720	33,440,614	48.16%
Source of Funding	Adjusted Budget 2017/18	Actuals as at 30 April 2018	% of Budget
	R	R	
Internally Generated Funding	32,977,371	19,699,390	58.06%
Government Grants	36,456,349	13,741,224	38.70%
Total	69,433,720	33,440,614	48.16%

It is to be noted that capital expenditure as at 30 April 2018 amounted to 48.16%, compared to the adjusted capital budget of R 69,433,720.

Annexure "A3"

PROJECTED CASH FLOW STATEMENT FOR THE 2017/18 FINANCIAL YEAR

Projected Cash Flow Statement as at 30 April 2018

The purpose of the cash flow statement is to compare the cash inflows (receipts) with the cash outflows (payments), so as to ascertain the adequacy of the cash inflows to cover the cash outflows.

Table C7 Monthly Budget Statement – Cash Flow – M10 April 2018

Description	Ref	2016/17	Budget Year 2017/18								
		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			150 931	144 894	7 800	123 401	108 670	14 731	14%	144 894	
Service charges			348 047	334 125	24 736	257 720	250 594	7 126	3%	334 125	
Other revenue			23 328	26 760	7 461	113 393	20 070	93 323	465%	26 760	
Government - operating			114 219	113 664	-	109 959	113 664	(3 705)	-3%	113 664	
Government - capital			34 660	35 660	-	31 274	35 660	(4 386)	-12%	35 660	
Interest			16 134	16 344	1 400	13 245	12 258	987	8%	16 344	
Dividends							-			-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(39 467)	(551 253)	(463 423)	87 830	-19%	(617 897)	
Finance charges			(3 768)	(3 768)	(313)	(3 149)	(2 826)	323	-11%	(3 768)	
Transfers and Grants			(1 580)	(30)		-	(23)	(23)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	49 752	1 616	94 590	74 645	(19 945)	-27%	49 752
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				1 600				-		1 600	
Decrease (Increase) in non-current debtors				-				-		-	
Decrease (increase) other non-current receivables				-				-		-	
Decrease (increase) in non-current investments				-				-		-	
Payments											
Capital assets			(59 680)	(69 434)	(10 323)	(33 441)	(52 075)	(18 635)	36%	(69 434)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(67 834)	(10 323)	(33 441)	(52 075)	(18 635)	36%	(67 834)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-			
Borrowing long term/refinancing								-			
Increase (decrease) in consumer deposits								-			
Payments											
Repayment of borrowing			(6 443)	(6 443)	(538)	(5 368)	(4 832)	536	-11%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(538)	(5 368)	(4 832)	536	-11%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD			-	(8 235)	(24 524)	(9 245)	55 781	17 738			(24 524)
Cash/cash equivalents at beginning:			68 249	84 254		83 999	84 254				83 999
Cash/cash equivalents at month/year end:			-	60 014	59 729		139 780	101 992			59 474

MUNICIPAL MONTHLY BUDGET TABLES**1. MONTHLY BUDGET TABLES**

The seven main budget tables, as required in terms of the Municipal Budget and Reporting Regulations, are included in this section of the report. These tables set out the Municipality's 2017/18 budget performance for the period July to April 2018 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M10 April 2018

Description	2016/17	Budget Year 2017/18							
	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	148 075	160 565	160 565	8 785	143 060	133 804	9 256	7%	160 565
Service charges	337 384	370 094	370 094	28 850	304 273	308 411	(4 139)	-1%	370 094
Investment revenue	7 776	7 195	7 405	621	5 717	6 171	(454)	-7%	7 405
Transfers and subsidies	106 979	114 219	113 664	(118)	116 369	94 720	21 649	23%	113 664
Other own revenue	39 649	32 267	37 299	3 194	27 688	31 082	(3 394)	-11%	37 299
Total Revenue (excluding capital transfers and contributions)	639 862	684 339	689 026	41 332	597 107	574 189	22 918	4%	689 026
Employee costs	228 043	256 022	249 044	19 545	203 841	207 537	(3 696)	-2%	249 044
Remuneration of Councillors	11 101	11 725	12 111	932	7 841	10 092	(2 251)	-22%	12 111
Depreciation & asset impairment	71 047	83 730	83 730	5 921	53 285	69 775	(16 490)	-24%	83 730
Finance charges	15 491	3 768	3 768	-	2 890	3 140	(250)	-8%	3 768
Materials and bulk purchases	254 706	243 424	253 028	17 112	191 932	210 857	(18 925)	-9%	253 028
Transfers and subsidies	1 080	1 580	30	25	25	25	0	1%	30
Other expenditure	91 217	144 593	153 710	7 702	66 949	128 092	(61 143)	-48%	153 710
Total Expenditure	672 685	744 842	755 421	51 237	526 762	629 518	(102 755)	-16%	755 421
Surplus/(Deficit)	(32 823)	(60 503)	(66 395)	(9 905)	70 344	(55 329)	125 673	-227%	(66 395)
Transfers and subsidies - capital (monetary allocation)	37 326	34 660	35 660	-	13 849	29 717	(15 868)	-53%	35 660
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)	109 805	-429%	(30 735)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)	109 805	-429%	(30 735)
Capital expenditure & funds sources									
Capital expenditure	-	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434
Capital transfers recognised	-	35 460	35 506	1 365	13 741	29 589	(15 847)	-54%	35 506
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	24 219	33 927	8 957	19 699	28 273	(8 573)	-30%	33 927
Total sources of capital funds	-	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434
Financial position									
Total current assets	174 240	145 598	148 539	-	202 662	-	-	-	148 539
Total non current assets	2 296 003	2 647 186	2 656 940	-	2 590 481	-	-	-	2 656 940
Total current liabilities	179 777	153 131	163 348	-	145 871	-	-	-	163 348
Total non current liabilities	187 477	148 939	148 939	-	165 124	-	-	-	148 939
Community wealth/Equity	2 102 989	2 490 714	2 493 192	-	2 482 149	-	-	-	2 493 192
Cash flows									
Net cash from (used) operating	-	57 887	49 752	1 616	94 590	74 645	(19 945)	-27%	49 752
Net cash from (used) investing	-	(59 680)	(67 834)	(10 323)	(33 441)	(52 075)	(18 635)	36%	(67 834)
Net cash from (used) financing	-	(6 443)	(6 443)	(538)	(5 368)	(4 832)	536	-11%	(6 443)
Cash/cash equivalents at the month/year end	-	60 014	59 729	-	139 780	101 992	(37 788)	-37%	59 474
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	31 295	6 552	4 026	2 699	2 565	2 812	19 854	90 306	160 109
Creditors Age Analysis									
Total Creditors	24 267	110	261	71	41	-	1 334	50 210	76 294

Explanatory notes to Table C 1 – Monthly Budget Summary

The aim of the Budget Summary is to provide a concise overview of the actual budget performance from all of the major financial perspective (operating expenditure, capital expenditure, financial position, cash flow, and MFMA funding compliance). The table provides an overview of the actual amounts spent compared to the monthly budget projections within the context of operating performance, resources utilised for capital expenditure, financial position, cash and funding compliance

Table C2 Monthly Budget Statement – Financial Performance (standard classification) – M10 April 2018

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Functional										
<i>Governance and administration</i>		-	281 833	466 104	10 464	264 180	388 420	(124 240)	-32%	466 104
Executive and council		-	34	15	16	46	13	34	268%	15
Finance and administration		-	281 799	466 089	10 448	264 133	388 407	(124 274)	-32%	466 089
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	14 965	18 580	301	9 251	15 483	(6 232)	-40%	18 580
Community and social services		-	2 428	2 515	38	2 394	2 096	298	14%	2 515
Sport and recreation		-	9 833	11 638	256	4 946	9 698	(4 752)	-49%	11 638
Public safety		-	4	1 875	1	6	1 563	(1 556)	-100%	1 875
Housing		-	-	-	-	-	-	-	-	-
Health		-	2 699	2 552	5	1 906	2 127	(221)	-10%	2 552
<i>Economic and environmental services</i>		-	29 175	30 077	2 723	30 477	25 064	5 413	22%	30 077
Planning and development		-	6 521	8 246	396	12 355	6 871	5 483	80%	8 246
Road transport		-	8 408	7 426	1 271	5 865	6 188	(323)	-5%	7 426
Environmental protection		-	14 247	14 405	1 057	12 258	12 004	253	2%	14 405
<i>Trading services</i>		-	393 027	209 927	27 844	307 047	174 939	132 108	76%	209 927
Energy sources		-	239 206	57 106	16 306	185 379	47 588	137 791	290%	57 106
Water management		-	60 871	59 871	5 582	53 740	49 893	3 847	8%	59 871
Waste water management		-	65 521	65 521	3 197	43 624	54 601	(10 977)	-20%	65 521
Waste management		-	27 429	27 429	2 759	24 304	22 857	1 447	6%	27 429
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	719 000	724 687	41 332	610 955	603 906	7 049	1%	724 687
Expenditure - Functional										
<i>Governance and administration</i>		-	169 788	172 034	10 188	107 785	143 362	(35 578)	-25%	172 034
Executive and council		-	43 765	47 505	(55)	34 710	39 588	(4 878)	-12%	47 505
Finance and administration		-	126 024	124 529	10 243	73 074	103 774	(30 700)	-30%	124 529
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	81 788	85 944	6 288	63 021	71 620	(8 599)	-12%	85 944
Community and social services		-	9 701	9 353	669	6 094	7 795	(1 700)	-22%	9 353
Sport and recreation		-	42 081	48 321	3 599	36 328	40 268	(3 940)	-10%	48 321
Public safety		-	20 985	19 773	1 392	14 349	16 477	(2 128)	-13%	19 773
Housing		-	4 369	3 812	199	2 442	3 177	(735)	-23%	3 812
Health		-	4 653	4 685	429	3 808	3 904	(96)	-2%	4 685
<i>Economic and environmental services</i>		-	111 075	104 133	7 931	72 490	86 778	(14 288)	-16%	104 133
Planning and development		-	30 274	30 503	2 156	20 170	25 419	(5 249)	-21%	30 503
Road transport		-	71 834	67 464	5 466	50 232	56 220	(5 988)	-11%	67 464
Environmental protection		-	8 966	6 167	309	2 089	5 139	(3 050)	-59%	6 167
<i>Trading services</i>		-	378 843	390 041	26 830	282 543	325 034	(42 491)	-13%	390 041
Energy sources		-	227 987	235 025	16 820	175 204	195 854	(20 650)	-11%	235 025
Water management		-	77 021	80 726	4 715	51 505	67 272	(15 767)	-23%	80 726
Waste water management		-	40 698	40 804	3 094	29 731	34 003	(4 273)	-13%	40 804
Waste management		-	33 136	33 486	2 200	26 104	27 905	(1 801)	-6%	33 486
<i>Other</i>		-	3 349	3 268	-	924	2 724	(1 800)	-66%	3 268
Total Expenditure - Functional	3	-	744 842	755 421	51 237	526 762	629 518	(102 755)	-16%	755 421
Surplus/ (Deficit) for the year		-	(25 843)	(30 734)	(9 905)	84 193	(25 612)	109 805	-429%	(30 734)

Explanatory notes to Table C2 – Budgeted Financial Performance (revenue and expenditure by standard classification)

The standard classification refers to a modified Government Finance Statistics (GFS) reporting structure. The aim of the standard classification approach is to ensure that all municipalities report their operations in one common format, to facilitate comparison across all municipalities.

Table C3 Monthly Budget Statement – Financial Performance (revenue and expenditure by municipal vote – M10 April 2018

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								%	
Revenue by Vote									
Vote 1 - Executive & Council	4	-	-	-	-	-	-		-
Vote 2 - Financial Services	261 637	277 541	279 731	10 248	261 293	233 109	28 184	12.1%	279 731
Vote 3 - Administration, Monitoring & Evaluation	16	752	733	16	46	611	(565)	-92.4%	733
Vote 4 - Led, Tourism & Creative Industries	-	1 440	1 885	-	-	1 571	(1 571)	-100.0%	1 885
Vote 5 - Infrastructure, Planning & Development	373 523	371 680	371 960	25 363	295 172	309 966	(14 794)	-4.8%	371 960
Vote 6 - Social Services	42 009	67 586	70 377	5 705	54 444	58 648	(4 203)	-7.2%	70 377
Total Revenue by Vote	677 188	719 000	724 687	41 332	610 955	603 906	7 050	1.2%	724 687
Expenditure by Vote									
Vote 1 - Executive & Council	30 867	35 224	35 302	(477)	22 319	29 418	(7 099)	-24.1%	35 302
Vote 2 - Financial Services	54 743	65 852	72 852	5 156	37 252	60 710	(23 457)	-38.6%	72 852
Vote 3 - Administration, Monitoring & Evaluation	34 858	41 583	38 587	3 484	31 470	32 156	(686)	-2.1%	38 587
Vote 4 - Led, Tourism & Creative Industries	9 279	11 017	10 562	190	3 889	8 802	(4 912)	-55.8%	10 562
Vote 5 - Infrastructure, Planning & Development	416 677	443 519	449 436	31 770	322 767	374 530	(51 763)	-13.8%	449 436
Vote 6 - Social Services	126 261	147 648	148 683	11 114	109 064	123 902	(14 838)	-12.0%	148 683
Total Expenditure by Vote	672 685	744 842	755 421	51 237	526 762	629 518	(102 755)	-16.3%	755 421
Surplus/ (Deficit) for the year	4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)	109 805	-428.7%	(30 735)

Explanatory notes to Table C3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

The purpose of the format in which the monthly budget reporting table is represented, is to enable the Council to enforce a vote in accordance with the municipality's organisational structure, so as to assign responsibility for the revenue and expenditure recorded against these votes to the Municipal Manager and Directors concerned.

Operating revenue and expenditure is thus presented by "vote". A "vote" is defined as one of the main segment into which a budget of a municipality is divided into, for the appropriation of funds.

Table C4 Monthly Budget Statement – Financial Performance (revenue and expenditure) – M10 April 2018

Description	Ref	2016/17	Budget Year 2017/18							
		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		148 075	160 565	160 565	8 785	143 060	133 804	9 256	7%	160 565
Service charges - electricity revenue		241 234	230 405	230 405	16 286	183 992	192 004	(8 013)	-4%	230 405
Service charges - water revenue		39 608	58 871	58 871	5 582	52 867	49 060	3 808	8%	58 871
Service charges - sanitation revenue		41 828	40 622	40 622	3 197	31 840	33 852	(2 012)	-6%	40 622
Service charges - refuse revenue		53 036	27 412	40 195	2 759	24 303	33 495	(9 192)	-27%	40 195
Service charges - other		(38 322)	12 782	-	1 026	11 270	-	11 270	#DIV/0!	-
Rental of facilities and equipment		1 506	1 309	1 774	95	928	1 478	(550)	-37%	1 774
Interest earned - external investments		7 776	7 195	7 405	621	5 717	6 171	(454)	-7%	7 405
Interest earned - outstanding debtors		8 144	8 939	8 939	657	5 506	7 449	(1 943)	-26%	8 939
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		10 552	3 761	3 962	234	3 202	3 302	(100)	-3%	3 962
Licences and permits		6 877	11 773	12 276	1 527	9 629	10 230	(600)	-6%	12 276
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		106 979	114 219	113 664	(118)	116 369	94 720	21 649	23%	113 664
Other revenue		12 570	6 484	10 347	681	8 423	8 623	(200)	-2%	10 347
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		639 862	684 339	689 026	41 332	597 107	574 189	22 918	4%	689 026
Expenditure By Type										
Employee related costs		228 043	256 022	249 044	19 545	203 841	207 537	(3 696)	-2%	249 044
Remuneration of councillors		11 101	11 725	12 111	932	7 841	10 092	(2 251)	-22%	12 111
Debt impairment		24 779	31 680	49 997	-	613	41 664	(41 051)	-99%	49 997
Depreciation & asset impairment		71 047	83 730	83 730	5 921	53 285	69 775	(16 490)	-24%	83 730
Finance charges		15 491	3 768	3 768	-	2 890	3 140	(250)	-8%	3 768
Bulk purchases		220 618	225 623	225 623	15 946	184 031	188 019	(3 989)	-2%	225 623
Other materials		34 087	17 801	27 405	1 166	7 901	22 837	(14 936)	-65%	27 405
Contracted services		13 293	41 751	42 971	5 861	22 953	35 809	(12 857)	-36%	42 971
Transfers and subsidies		1 080	1 580	30	25	25	25	0	1%	30
Other expenditure		51 086	71 162	60 742	1 841	43 383	50 619	(7 236)	-14%	60 742
Loss on disposal of PPE		2 058	-	-	-	-	-	-	-	-
Total Expenditure		672 685	744 842	755 421	51 237	526 762	629 518	(102 755)	-16%	755 421
Surplus/(Deficit)										
Transfers and subsidies - capital (municipality allocations)		(32 823)	(60 503)	(66 395)	(9 905)	70 344	(55 329)	125 673	(0)	(66 395)
(National / Provincial and District)		37 326	34 660	35 660	-	13 849	29 717	(15 868)	(0)	35 660
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)			(30 735)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)			(30 735)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)			(30 735)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		4 503	(25 843)	(30 735)	(9 905)	84 193	(25 612)			(30 735)

Explanatory notes to Table C4 – Budgeted Financial Performance (revenue and expenditure)

The Financial Performance Budget is required to be approved concurrently by revenue source and expenditure type, so as to ensure consistency with annual reporting format requirements. A key aim is to facilitate comparison between the monthly results, the monthly budget-to-date projections and the original budget, so as to assess performance.

Table C5 Monthly Budget Statement – Capital Expenditure (municipal vote, standard classification and funding) – M10 April 2018

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								%	
Single Year expenditure appropriation									
Vote 1 - Executive & Council	–	181	2 781	36	175	2 318	(2 142)	-92%	2 781
Vote 2 - Financial Services	–	3 304	2 790	–	1 180	2 325	(1 145)	-49%	2 790
Vote 3 - Administration, Monitoring & Evaluation	–	477	2 284	1 006	1 178	1 903	(726)	-38%	2 284
Vote 4 - Led, Tourism & Creative Industries	–	2 551	1 967	161	161	1 639	(1 478)	-90%	1 967
Vote 5 - Infrastructure, Planning & Development	–	40 408	41 347	2 734	16 539	34 456	(17 917)	-52%	41 347
Vote 6 - Social Services	–	12 759	18 265	6 385	14 208	15 221	(1 013)	-7%	18 265
Total Capital single-year expenditure	–	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434
Total Capital Expenditure	–	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434
Capital Expenditure - Functional Classification									
Governance and administration	–	4 813	8 231	1 042	2 660	6 859	(4 198)	-61%	8 231
Executive and council		157	2 757	36	175	2 298	(2 122)	-92%	2 757
Finance and administration		4 656	5 474	1 006	2 485	4 561	(2 076)	-46%	5 474
Internal audit		–	–	–	–	–	–		–
Community and public safety	–	6 993	10 415	876	1 604	8 679	(7 075)	-82%	10 415
Community and social services		599	849	–	61	708	(647)	-91%	849
Sport and recreation		4 869	7 041	722	1 389	5 868	(4 478)	-76%	7 041
Public safety		950	2 150	154	154	1 792	(1 638)	-91%	2 150
Housing		–	–	–	–	–	–		–
Health		575	375	–	–	313	(313)	-100%	375
Economic and environmental services	–	6 502	5 660	484	869	4 717	(3 848)	-82%	5 660
Planning and development		2 742	2 672	256	402	2 227	(1 825)	-82%	2 672
Road transport		2 820	1 688	–	118	1 407	(1 289)	-92%	1 688
Environmental protection		940	1 300	228	349	1 083	(734)	-68%	1 300
Trading services	–	41 372	45 128	7 920	28 307	37 607	(9 300)	-25%	45 128
Energy sources		7 255	4 940	4	1 020	4 117	(3 097)	-75%	4 940
Water management		5 292	8 013	1 057	3 183	6 678	(3 494)	-52%	8 013
Waste water management		25 680	26 538	1 578	12 050	22 115	(10 065)	-46%	26 538
Waste management		3 145	5 636	5 281	12 054	4 697	7 357	157%	5 636
Other		–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	–	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434
Funded by:									
National Government		35 460	35 361	1 365	13 741	29 468	(15 727)	-53%	35 361
Provincial Government		–	–	–	–	–	–		–
District Municipality		–	145	–	–	121	(121)	-100%	145
Other transfers and grants		–	–	–	–	–	–		–
Transfers recognised - capital	–	35 460	35 506	1 365	13 741	29 589	(15 847)	-54%	35 506
Public contributions & donations		–	–	–	–	–	–		–
Borrowing		–	–	–	–	–	–		–
Internally generated funds		24 219	33 927	8 957	19 699	28 273	(8 573)	-30%	33 927
Total Capital Funding	–	59 680	69 434	10 323	33 441	57 861	(24 421)	-42%	69 434

Explanatory notes to Table C5 – Budgeted Capital Expenditure by vote, standard classification and funding

Table C5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote; capital expenditure by standard classification; and the funding necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

Table C6 Monthly Budget Statement – Financial Position – M10 April 2018

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		5 687	18 004	5 973	27 235	5 973
Call investment deposits		78 567	42 010	53 757	112 545	53 757
Consumer debtors		42 559	55 213	55 213	54 716	55 213
Other debtors		42 472	25 677	28 902	3 219	28 902
Current portion of long-term receivables		3	3	3		3
Inventory		4 952	4 691	4 691	4 947	4 691
Total current assets		174 240	145 598	148 539	202 662	148 539
Non current assets						
Long-term receivables		65	150	150		150
Investments				–		–
Investment property		285 199	84 431	84 431	85 382	84 431
Investments in Associate				–		–
Property, plant and equipment		2 010 676	2 562 532	2 572 286	2 504 941	2 572 286
Agricultural				–		–
Biological assets				–		–
Intangible assets		62	73	73	159	73
Other non-current assets				–		–
Total non current assets		2 296 003	2 647 186	2 656 940	2 590 481	2 656 940
TOTAL ASSETS		2 470 243	2 792 784	2 805 479	2 793 144	2 805 479
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing		8 600	6 443	6 443	6 439	6 443
Consumer deposits		10 273	8 856	19 073	10 273	19 073
Trade and other payables		138 260	106 811	106 811	89 335	106 811
Provisions		22 644	31 021	31 021	39 824	31 021
Total current liabilities		179 777	153 131	163 348	145 871	163 348
Non current liabilities						
Borrowing		32 567	30 269	30 269	30 295	30 269
Provisions		154 910	118 670	118 670	134 829	118 670
Total non current liabilities		187 477	148 939	148 939	165 124	148 939
TOTAL LIABILITIES		367 254	302 070	312 287	310 995	312 287
NET ASSETS	2	2 102 989	2 490 714	2 493 192	2 482 149	2 493 192
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		2 102 989	2 490 714	2 493 192	2 482 149	2 493 192
Reserves		–				
TOTAL COMMUNITY WEALTH/EQUITY	2	2 102 989	2 490 714	2 493 192	2 482 149	2 493 192

Explanatory notes to Table C6 – Budgeted Financial Position

- i. The table represents Assets Less Liabilities as Community Wealth. The order of items within each group is also aligned to the convention of showing items in order of liquidity; i.e. assets readily converted to cash or liabilities immediately required to be met from cash appear first.
- ii. Any movement on the Budgeted Financial Performance or the Capital Budget will invariably impact on the Budgeted Financial Position. For example, the collection rate assumption will impact on the cash position of the municipality and consequently inform the level of cash and cash equivalents at year end.

Similarly, the collection rate assumption informs the budget provision for bad debts. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as compliance assessment is directly informed by forecasting the statement of financial position.

Table C7 Monthly Budget Statement – Cash Flow – M10 April 2018

Description	Ref	2016/17	Budget Year 2017/18								
		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			150 931	144 894	7 800	123 401	108 670	14 731	14%	144 894	
Service charges			348 047	334 125	24 736	257 720	250 594	7 126	3%	334 125	
Other revenue			23 328	26 760	7 461	113 393	20 070	93 323	465%	26 760	
Government - operating			114 219	113 664	-	109 959	113 664	(3 705)	-3%	113 664	
Government - capital			34 660	35 660	-	31 274	35 660	(4 386)	-12%	35 660	
Interest			16 134	16 344	1 400	13 245	12 258	987	8%	16 344	
Dividends								-		-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(39 467)	(551 253)	(463 423)	87 830	-19%	(617 897)	
Finance charges			(3 768)	(3 768)	(313)	(3 149)	(2 826)	323	-11%	(3 768)	
Transfers and Grants			(1 580)	(30)		-	(23)	(23)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	49 752	1 616	94 590	74 645	(19 945)	-27%	49 752
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				1 600				-		1 600	
Decrease (Increase) in non-current debtors				-				-		-	
Decrease (increase) other non-current receivables				-				-		-	
Decrease (increase) in non-current investments				-				-		-	
Payments											
Capital assets			(59 680)	(69 434)	(10 323)	(33 441)	(52 075)	(18 635)	36%	(69 434)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(67 834)	(10 323)	(33 441)	(52 075)	(18 635)	36%	(67 834)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans								-			
Borrowing long term/refinancing								-			
Increase (decrease) in consumer deposits								-			
Payments											
Repayment of borrowing			(6 443)	(6 443)	(538)	(5 368)	(4 832)	536	-11%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(538)	(5 368)	(4 832)	536	-11%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD			-	(8 235)	(24 524)	(9 245)	55 781	17 738			(24 524)
Cash/cash equivalents at beginning:			68 249	84 254		83 999	84 254				83 999
Cash/cash equivalents at month/year end:			-	60 014	59 729		139 780	101 992			59 474

Explanatory notes to Table C7 – Budgeted Cash Flow Statement

- i. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.
- ii. It reflects the expected cash inflows versus outflows that are likely to result from the implementation of the budget.

Annexure "A5"

ANALYSIS OF THE MUNICIPALITY'S STATEMENT OF FINANCIAL POSITION

In this section the Municipality's Debtors, Creditors and Investments will be analysed. These components have a significant impact on the Municipality's financial position.

1. Overview of outstanding Consumer Debtors (Inclusive of VAT)

Below is an analysis of the outstanding consumer debtors as at 30 June 2017, compared to the position as at 31 March 2018.

Debtors' Age Analysis (Inclusive of VAT) as at 30 June 2017

Description	Budget Year 2016/17								Total
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	
R thousands									
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	5 438	1 163	849	714	751	555	3 886	18 371	31 728
Trade and Other Receivables from Exchange Transactions - Electricity	15 151	1 167	617	437	329	255	2 103	6 284	26 344
Receivables from Non-exchange Transactions - Property Rates	7 491	729	570	474	377	320	6 460	16 408	32 829
Receivables from Exchange Transactions - Waste Water Management	3 614	607	409	325	457	264	1 790	8 445	15 911
Receivables from Exchange Transactions - Waste Management	2 694	498	410	365	384	311	1 676	10 431	16 769
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	58	66	70	80	93	83	1 189	15 104	16 743
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(11 383)	225	237	194	156	153	2 127	6 228	(2 062)
Total By Income Source	23 063	4 455	3 163	2 588	2 547	1 940	19 232	81 272	138 261
									-
Debtors Age Analysis By Customer Group									
Organs of State	500	352	150	42	34	33	743	969	2 823
Commercial	5 547	375	261	185	133	97	1 019	2 518	10 134
Households	17 017	3 729	2 752	2 361	2 380	1 810	17 470	77 785	125 304
Other									-
Total By Customer Group	23 063	4 455	3 163	2 588	2 547	1 940	19 232	81 272	138 261

Debtors' Age Analysis (Inclusive of VAT) as at 30 April 2018

Description	Budget Year 2017/18								Total
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	
R thousands									
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	8 667	2 079	1 270	767	778	855	3 818	20 053	38 286
Trade and Other Receivables from Exchange Transactions - Electricity	16 587	1 497	670	434	349	275	2 169	6 620	28 602
Receivables from Non-exchange Transactions - Property Rates	8 977	750	507	404	374	380	7 413	17 151	35 957
Receivables from Exchange Transactions - Waste Water Management	4 624	851	630	346	351	317	1 820	9 124	18 064
Receivables from Exchange Transactions - Waste Management	4 199	840	458	400	370	345	1 728	11 808	20 149
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	74	89	82	78	88	102	944	17 824	19 281
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(11 833)	444	409	270	255	536	1 962	7 725	(232)
Total By Income Source	31 295	6 552	4 026	2 699	2 565	2 812	19 854	90 306	160 109
Debtors Age Analysis By Customer Group									
Organs of State	703	353	110	120	110	41	1 238	1 537	4 212
Commercial	6 726	415	390	181	160	245	935	3 187	12 237
Households	23 866	5 784	3 527	2 398	2 295	2 526	17 681	85 583	143 659
Other	-	-	-	-	-	-	-	-	-
Total By Customer Group	31 295	6 552	4 026	2 699	2 565	2 812	19 854	90 306	160 109

The aforementioned analysis indicates that from 30 June 2017 to 30 April 2018, the overdue debts have increased from R 115,198 million to R 128,814 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
	30-Jun-17	30-Apr-18	Difference
Debtors Age Analysis By Income Source			
Trade and Other Receivables from Exchange Transactions - Water	26 290	29 620	3 329
Trade and Other Receivables from Exchange Transactions - Electricity	11 192	12 015	822
Receivables from Non-exchange Transactions - Property Rates	25 337	26 981	1 643
Receivables from Exchange Transactions - Waste Water Management	12 297	13 441	1 144
Receivables from Exchange Transactions - Waste Management	14 074	15 950	1 875
Receivables from Exchange Transactions - Property Rental Debtors	1	1	-
Interest on Arrear Debtor Accounts	16 685	19 207	2 522
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-
Other	9 321	11 601	2 280
Total By Income Source	115 198	128 814	13 616
Debtors Age Analysis By Customer Group			
Organs of State	2 323	3 508	1 185
Commercial	4 588	5 512	924
Households	108 287	119 794	11 507
Other	-	-	-
Total By Customer Group	115 198	128 814	13 616

2. Overview of Creditors position

Below is an analysis of the status of the major creditors

Description	Budget Year 2017/18								
	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	15 675	-	-	-	-	-	-	-	15 675
Bulk Water	-	8	-	7	7	-	1 290	48 950	50 262
PAYE deductions	2 868	-	-	-	-	-	-	-	2 868
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	2 960	-	-	-	-	-	-	-	2 960
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	2 765	102	261	64	34	-	43	1 260	4 530
Auditor General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total By Customer Type	24 267	110	261	71	41	-	1 334	50 210	76 294

The above amounts represent invoices still to be paid. The major creditors as at 30 April 2018 are as follows:

Department of Transport	R 1,469 million
Eskom	R 15,675 million
NMBM (Bulk water)	R 50,262 million
Pension	R 2,960 million
SARS (PAYE)	R 2,868 million
Other Creditors	R 3,060 million
TOTAL	<u>R 76,294 million</u>

It is to be noted that the Eskom amount of R 15,675 million, represents the current account for April 2018, which will be paid by 24 May 2018.

The pension fund deductions represent employee related costs for the month of April 2018, with the amounts in question being paid on 4 May 2018 to the relevant pension funds.

The PAYE deductions represent employee related costs for the month of April 2018, with the amounts in question being paid on 4 May 2018 to SARS.

The municipality received a significant bulk water account in May 2016. According to the Nelson Mandela Bay Municipality, the Kouga municipality was incorrectly billed from December 2012 to April 2016. The Kouga municipality's bulk water account was accordingly adjusted to reflect the correct billing for the aforementioned period, based on the relevant meter readings.

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 30 April 2018.

	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 30 April 2018
Standard Bank	16 256 857	5 000 000	1 161 585	-	-	22 418 442
ABSA	16 288 040	8 000 000	1 249 873	-	312	25 537 601
Nedbank	17 053 655	5 000 000	1 220 941	-	-	23 274 595
RMB	13 300 134	30 030 312	1 401 507	27 349 467	-	17 382 484
INVESTEC	15 668 170	7 000 000	1 264 119	-	-	23 932 290
Total	78 566 856	55 030 312	6 298 024	-27 349 467	-312	112 545 412
INVESTMENT	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 30 April 2018
General Account	71 159 248	30 119 312	5 226 756	7 000 000	312	99 505 003
Conditional Grants	4 619 926	24 911 000	919 319	20 349 467	-	10 100 778
Housing Funds	2 787 682	-	151 949	-	-	2 939 631
Total	78 566 856	55 030 312	6 298 024	-27 349 467	-312	112 545 412
Bank	5 431 943	21 802 596				27 234 539
Total	83 998 799	76 832 907	6 298 024	(27 349 467)	(312)	139 779 951

The increase in the investment portfolio since 30 June 2017 amounts to R 55,781,152. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 27,234,539
Short-term Investment Deposits	R 112,545,412
	<u>R 139,779,951</u>

Application of Cash

Unspent Conditional Grants	13,040,409
Internally Generated Funding	14,227,981
Outstanding Creditors Liability	<u>76,294,137</u>
	<u>R 103,562,527</u>

Reserves in excess of Commitments

R 36,217,424

The cash backed reserves exceed the commitments at this stage by an amount of R 36,217,424. It should be noted that the excess of reserves over commitments as at 30 April 2018, is mainly due to an amount of R 25,659 million in respect of the Equitable Share allocation being received in March 2018, but not yet fully spent.

These funds are already committed towards spending in the 2017/18 Operating budget.

4. Allocation and Grants receipts and expenditure for the 2017/2018 financial year

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M09 March 2018.

Description	Budget Year 2017/18							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
RECEIPTS:								
Operating Transfers and Grants								
National Government:	106 951	106 951	–	106 418	106 951	(283)	-0.3%	106 951
Local Government Equitable Share	102 637	102 637		102 354	102 637	(283)	-0.3%	102 637
Finance Management	1 700	1 700		1 700	1 700			1 700
MIG - Administration Fees	1 614	1 614		1 364	1 614			1 614
EPWP Incentive	1 000	1 000		1 000	1 000			1 000
Provincial Government:	4 050	2 050	–	2 050	2 050	–		–
ACIP-Water	2 000					–		
Sport and Recreation	2 050	2 050		2 050	2 050	–		
District Municipality:	2 500	4 218	–	3 630	4 218	(588)	-13.9%	–
<i>Environmental Health Subsidy</i>	2 500	2 353		1 765	2 353	(588)	-25.0%	
<i>Fire Services Subsidy</i>		1 865		1 865	1 865	–		
Other grant providers:	718	445	–	445	445	–		–
<i>Skills Development Grant</i>	718					–		
<i>Local development Grant</i>		445		445	445			
Total Operating Transfers and Grants	114 219	113 664	–	112 543	113 664	(871)	-0.8%	106 951
Capital Transfers and Grants								
National Government:	34 660	34 660	–	29 910	34 660	(4 750)	-13.7%	–
Municipal Infrastructure Grant (MIG)	30 660	30 660		25 910	30 660	(4 750)	-15.5%	
Intergrated National Electrification Prog	4 000	4 000		4 000	4 000	–		
District Municipality:	–	1 000	–	1 000	1 000	–		–
				1 000	1 000	–		
<i>Disaster Boreholes Grant</i>		1 000				–		
Total Capital Transfers and Grants	34 660	35 660	–	30 910	35 660	(4 750)	-13.3%	–
TOTAL RECEIPTS OF TRANSFERS & G	148 879	149 324	–	143 453	149 324	(5 621)	-3.8%	106 951

Below is an analysis of the spending associated with the grants as at 30 April 2018

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M10 April 2018.

Description	Budget Year 2017/18							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
EXPENDITURE								
Operating expenditure of Transfers and Grants								
National Government:	106 951	106 951	309	105 855	89 126	16 729	18.8%	106 951
Local Government Equitable Share	102 637	102 637		102 354	85 531	16 823	19.7%	102 637
Finance Management	1 700	1 700	61	1 177	1 417	(239)	-16.9%	1 700
MIG - Administration Fees	1 614	1 614	134	1 345	1 345	-		1 614
EPWP Incentive	1 000	1 000	114	979	833	145	17.5%	1 000
Provincial Government:	4 050	2 050	-	2 050	2 050	-		2 050
ACIP-Water	2 000					-		
Sport and Recreation	2 050	2 050		2 050	2 050	-		2 050
District Municipality:	2 500	4 218	-	1 765	1 961	(196)	-10.0%	4 218
		1 865				-		1 865
<i>Environmental Health Subsidy</i>	2 500	2 353		1 765	1 961	(196)	-10.0%	2 353
Other grant providers:	718	445	-	-	334	(334)	-100.0%	445
		445			334	(334)	-100.0%	445
<i>Skills Development Grant</i>	718					-		
Total operating expenditure of Transfers and Grants:	114 219	113 664	309	109 670	93 470	16 199	17.3%	113 664
Capital expenditure of Transfers and Grants								
National Government:	34 660	34 660	14 927	13 371	28 884	(15 513)	-53.7%	34 660
Municipal Infrastructure Grant (MIG)	30 660	30 660	13 811	12 259	25 550	(13 291)	-52.0%	30 660
Integrated National Electrification Programme	4 000	4 000	1 116	1 111	3 333	(2 222)	-66.7%	4 000
District Municipality:	-	1 000	-	1 000	1 000	-		1 000
<i>Disaster Boreholes Grant</i>		1 000		1 000	1 000	-		1 000
Total capital expenditure of Transfers and Grants	34 660	35 660	14 927	14 371	29 884	(15 513)	-51.9%	35 660
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	148 879	149 324	15 236	124 040	123 354	686	0.6%	149 324

Note: The equitable share allocation is utilised to fund indigent household's subsidies granted to qualifying households, with the remainder being used to support the Municipality's operations.

Grants received from National Government

DORA Operating Grants

Financial Management Grant (FMG)

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

DORA Allocation:	R 1,700,000
Amount of Grant Received:	R 1,700,000
Expenditure to date:	R 1,177,209
Unspent as at 30 April 2018:	R 522,791

The spending of the grant amounted to 69.25% as at 30 April 2018, compared to the amount of the grant received.

Expanded Public Works Programme (EPWP)

The purpose of this grant is to provide Expanded Public Works Programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive methods can be maximised.

DORA Allocation:	R 1,000,000
Amount of Grant Received:	R 1,000,000
Expenditure to date:	R 978,772
Unspent as at 30 April 2018:	R 21,228

The spending of the grant amounted to 97.88% as at 30 April 2018, compared to the amount of the grant received.

DORA Capital Grants

Municipal Infrastructure Grant (MIG)

The purpose of this grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs.

DORA Allocation:	R 32,274,000
Amount of Grant Received:	R 27,274,000
Expenditure to date:	R 15,155,680
Unspent as at 30 April 2018:	R 12,118,320

The spending of the grant amounted to 55.57% as at 30 April 2018, compared to the amount of the grant received.

Integrated National Electrification Programme (INEP)

The purpose of this grant is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

DORA Allocation:	R 4,000,000
Amount of Grant Received:	R 4,000,000
Expenditure to date:	R 1,116,232
Unspent as at 30 April 2018:	R 2,883,768

The spending of the grant amounted to 27.91% as at 30 April 2018, compared to the amount of the grant received.

Human Settlements Grant

The purpose of this grant is to provide funding for the creation of sustainable and integrated human settlements.

Amount of Grant Received:	R 4,926,325
Expenditure to date:	R 2,093,046
Unspent as at 30 April 2018:	R 2,924,847

The spending of the grant amounted to 59.37% as at 30 April 2018, compared to the amount of the grant received.

5. Councillor and employee benefits-

Below is an analysis of Councillor and employee benefits:

Table SC8 Monthly Budget Statement – Councillor and staff benefits – M10 April 2018.

Summary of Employee and Councillor remuneration	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands						%	
Councillors (Political Office Bearers plus Other)							
Basic Salaries and Wages	8 047	622	6 241	6 035	206	3%	
Medical Aid Contributions	650		6	488	(482)	-99%	
Motor Vehicle Allowance	2 602	207	622	1 951	(1 330)	-68%	
Cellphone Allowance	812	104	972	609	363	60%	
Sub Total - Councillors	12 111	932	7 841	9 083	(1 242)	-14%	-
Senior Managers of the Municipality							
Basic Salaries and Wages	5 159	456	4 488	3 869	619	16%	
Pension and UIF Contributions	377	34	310	283	27	10%	
Medical Aid Contributions	211	19	172	158	14	9%	
Performance Bonus	3		3		3		
Motor Vehicle Allowance	229	32	210	172	38	22%	
Other benefits and allowances	395	12	368	296	72	24%	
Sub Total - Senior Managers of Municipality	6 374	553	5 551	4 779	773	16%	-
Other Municipal Staff							
Basic Salaries and Wages	153 814	11 724	116 164	115 361	803	1%	
Pension and UIF Contributions	24 723	1 879	19 155	18 543	612	3%	
Medical Aid Contributions	15 143	1 140	10 971	11 357	(386)	-3%	
Overtime	10 425	1 866	16 944	7 819	9 125	117%	
Performance Bonus	14 739	50	11 279	11 054	225	2%	
Motor Vehicle Allowance	7 907	558	7 586	5 930	1 657	28%	
Housing Allowances	2 301	144	1 515	1 725	(211)	-12%	
Other benefits and allowances	19 181	1 588	13 996	14 386	(390)	-3%	
Long service awards	812	39	675	609	66	11%	
Sub Total - Other Municipal Staff	249 044	18 988	198 285	186 783	11 501	6%	-
Total Parent Municipality	267 529	20 473	211 677	200 645	11 032	5%	-
TOTAL SALARY, ALLOWANCES & BENEFITS	267 529	20 473	211 677	200 645	11 032	5%	-
TOTAL MANAGERS AND STAFF	255 419	19 541	203 836	191 562	12 274	6%	-

6. Key performance indicators

The table below reflects the key performance indicators as per the 2017/18 Approved Adjusted Budget and the associated performance to date.

Borrowing Management		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Approved Adjusted Budget 2017/18	Actuals as at 30 April 2018
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.35%	1.62%
Borrowed funding of "own" capital expenditure	Borrowings/Capital expenditure excl. transfers & grants	0%	0%	0%	0%	0%	0%	0%
Debt Servicing Costs to Operating Revenue	Debt Servicing Costs / Total Operating Revenue - Conditional Grants	0.05	0.06	0.05	0.04	0.02	0.01	0.01
Liquidity								
Current Ratio	Current assets / current liabilities	0.54	0.54	0.72	0.85	1.13	0.91	1.39
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.37	0.96
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%	90%	85.59%

Other indicators		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Approved Adjusted Budget 2017/18	Actuals as at 30 April 2018
Cost coverage	(Cash and cash equivalents - Unspent Conditional Grants - Overdraft) + Short term investment)/monthly fixed operational expenditure excluding (depreciation, amortisation, provision for bad debts, impairment and loss on disposal of assets)	0.23	0.25	0.82	1.60	1.74	1.15	2.68
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	35.70%	35.62%	35.27%	32.97%	38.70%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	63.84%	95.00%	48.16%
Repairs and Maintenance as % of Total Operating Expenditure	Repairs and Maintenance / Total Operating Expenditure	3.52%	3.81%	4.46%	4.61%	4.87%	4.21%	3.36%
Repairs and Maintenance as % of PPE (Book Value)	Repairs and Maintenance / Net PPE	0.79%	0.95%	1.06%	1.17%	1.24%	1.24%	0.71%
Own Revenue Sources / Total Operating Revenue (Including operating grants)	Own Revenue Sources / Total Operating Revenue (Including Conditional Grants)	87.04%	87.21%	69.55%	74.74%	84.32%	83.40%	80.51%

The above table is discussed in detail below.

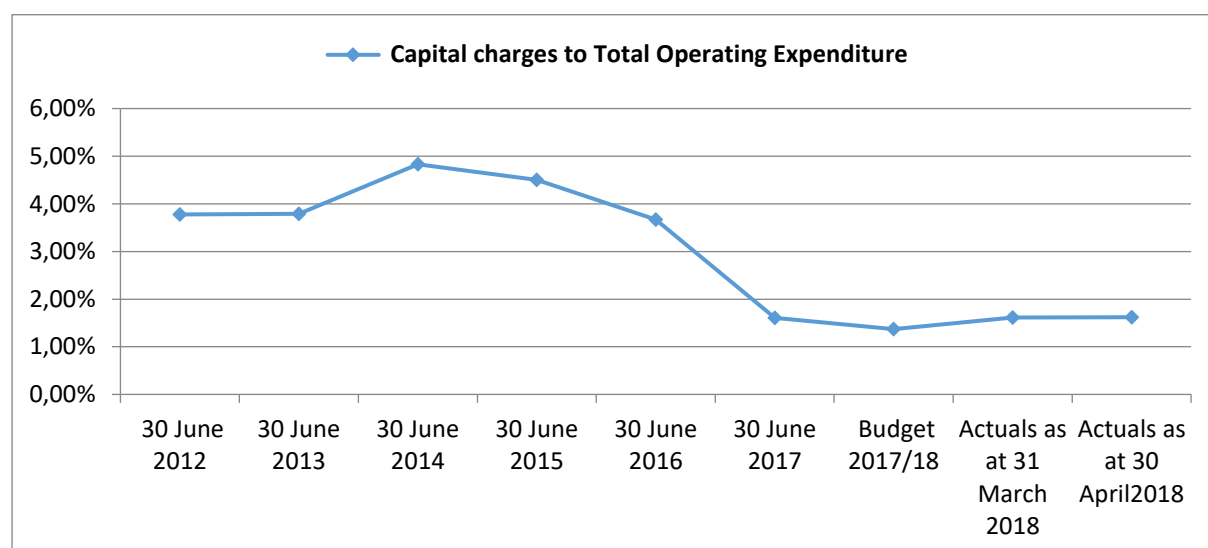
6.1. Borrowing Management

6.1.1. Capital charges to Operating Expenditure

The Ratio indicates the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as percentage of Total Operating Expenditure.

Capital charges/Total Operating Expenditure to date

The ratio indicates that 1.62% of the Total Operating Expenditure was utilised for capital charges as at 30 April 2018, compared to the budgeted ratio of 1.35%.



6.1.2. Borrowed funding of capital expenditure

This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded expenditure.

The ratio is determined as follows:

Capital expenditure funded from Borrowings/Total Capital Expenditure to date (excluding transfers and grants)

The ratio is 0% as no capital expenditure was funded from borrowings, which is in line with the budgeted target as per the 2017/18 Operating Budget as no borrowing is planned for the 2017/18 to 2019/20 financial years.

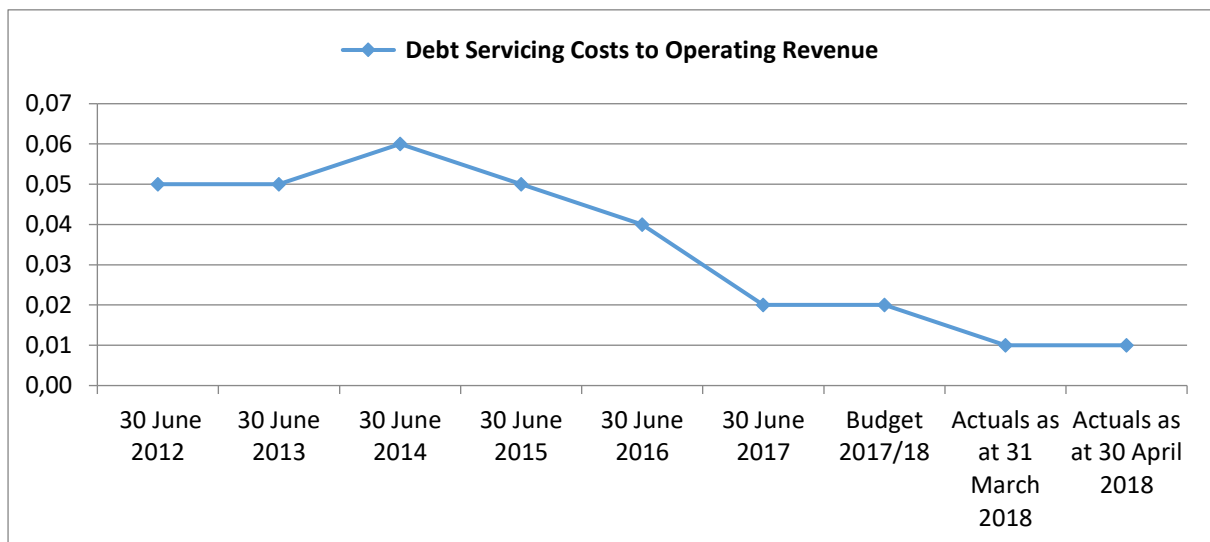
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

This ratio indicates the proportion of debt servicing costs (interest and principal paid on borrowing) to actual operating revenue to date.

The ratio is determined as follows:

Debt Servicing Costs/Operating Revenue

As at 30 April 2018, the ratio was 0.01:1, compared to the budgeted ratio of 0.01:1.



6.2. Liquidity

6.2.1. Current ratio

The Ratio assesses the Municipality's ability to meet its Short-term Liabilities (Debt and Payables) with its Short-term Assets (Cash, Inventory, Receivables etc.).

The ratio is determined as follows:

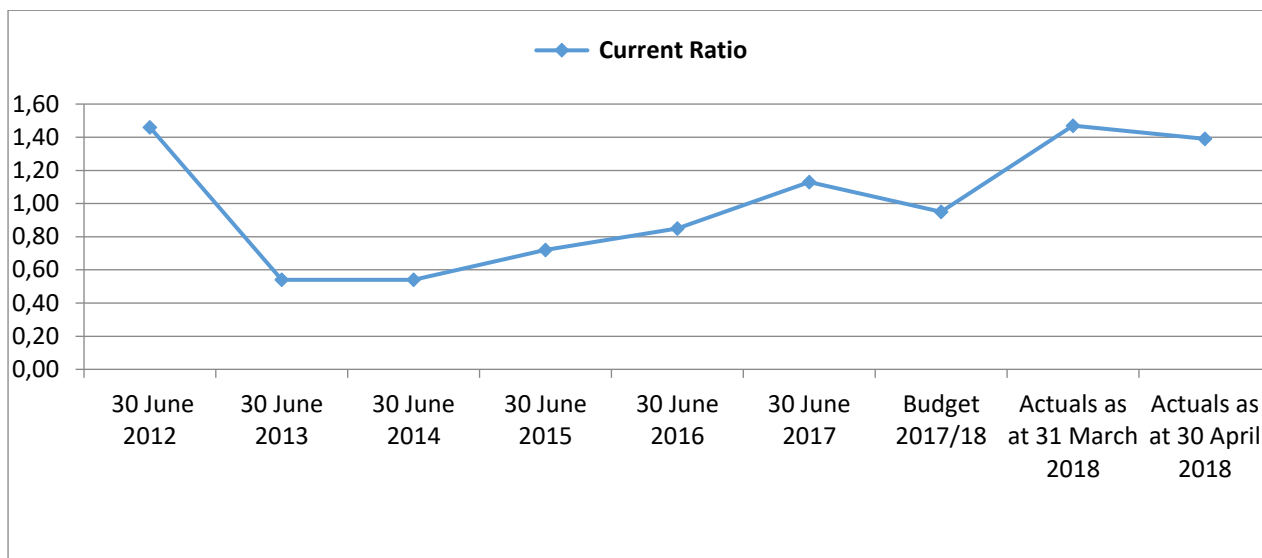
Current assets/Current liabilities

The ratio as at 30 April 2018 was 1.39:1, compared to the budgeted ratio of 0.91:1.

In terms of the MFMA Circular No. 71, the norm is 1.5:1 to 2:1

The higher the current Ratio, the stronger the Municipality's financial capacity to meet its current obligations.

A ratio of below 1:1 would suggest that the Municipality would be unable to meet all of its current obligations as and when they fall due.



6.2.2. Liquidity Ratio

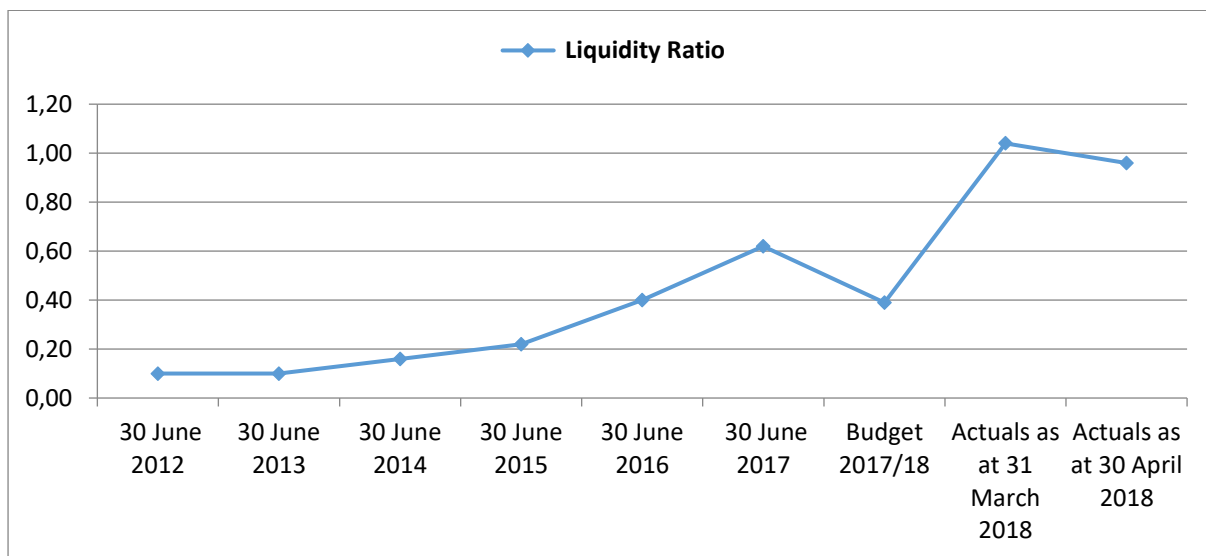
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

The ratio is determined as follows:

$$\text{Monetary assets/Current liabilities}$$

A favourable ratio would ensure that the Municipality is able to settle its short-term commitments from monetary assets. The liquidity ratio as at 30 April 2018 was 1.04:1, compared to the budgeted ratio of 0.37:1.

The liquidity ratio is of the utmost importance to measure the financial liquidity and sustainability of the municipality.



6.3. Revenue Management

6.3.1. Annual Debtors Collection Rate

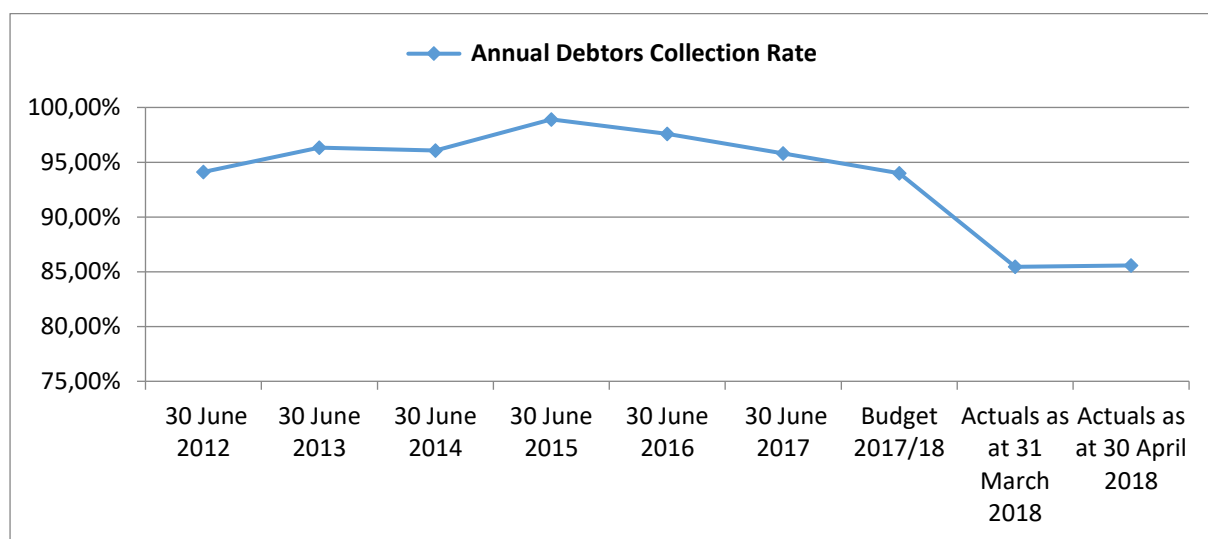
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

The ratio to determine the percentage collection rate is as follows:

Total Payments Received in Current month/Total Value of Accounts Rendered in the Previous Month X 100

Note: the reason for using the previous month's billing is due to the accounts only being payable the following month (i.e. account-holders are given one calendar month to pay their current accounts).

The average collection rate as at 30 April 2018 was 85.59%, compared to the budgeted collection rate of 90%. The collection rate of 85.59% as at 30 April 2018 is influenced by the annual property rates raised in July 2017, but not yet paid. The collection rates have been calculated, based on the revenue receipted, compared to the revenue billed on a month – to - month basis.



6.4. Other indicators

6.4.1. Cost coverage

The Ratio indicates the Municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investments, without collecting any additional revenue, during that particular month.

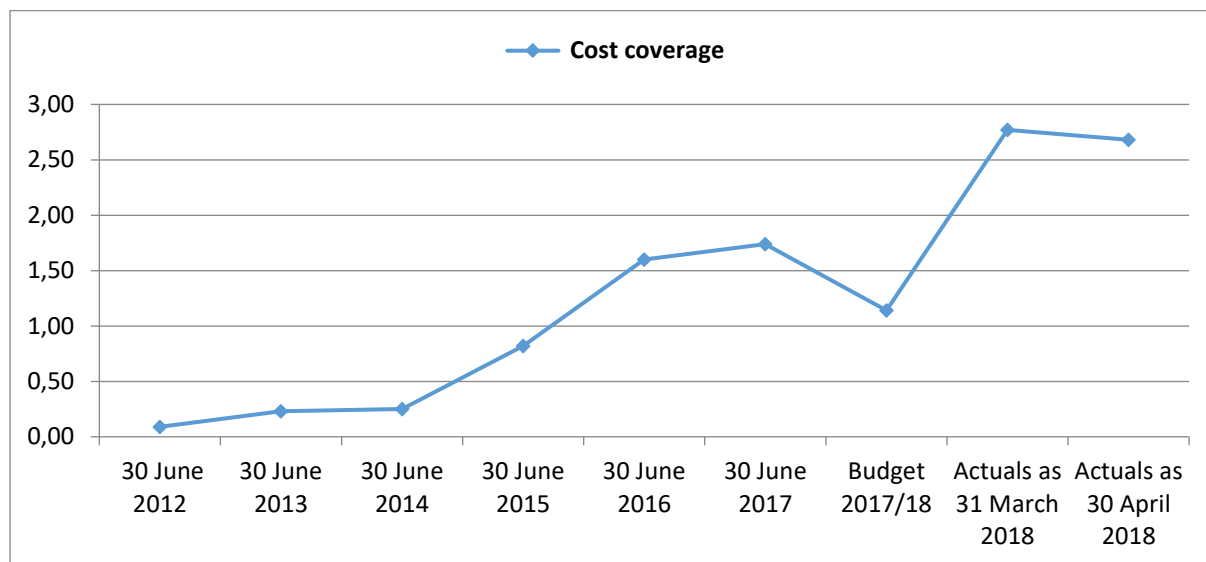
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

The ratio is determined as follows:

Cash and cash equivalents – unspent conditional grants – overdraft + short-term investments/ monthly fixed operational expenditure excluding (depreciation, amortisation, provisions for bad debts, impairment and loss on the disposal of assets)

As at 30 April 2018, the Ratio was 2.68 months compared to the budgeted ratio of 1.15 months.

In terms of MFMA Circular No. 71, the norm is 1 month to 3 months



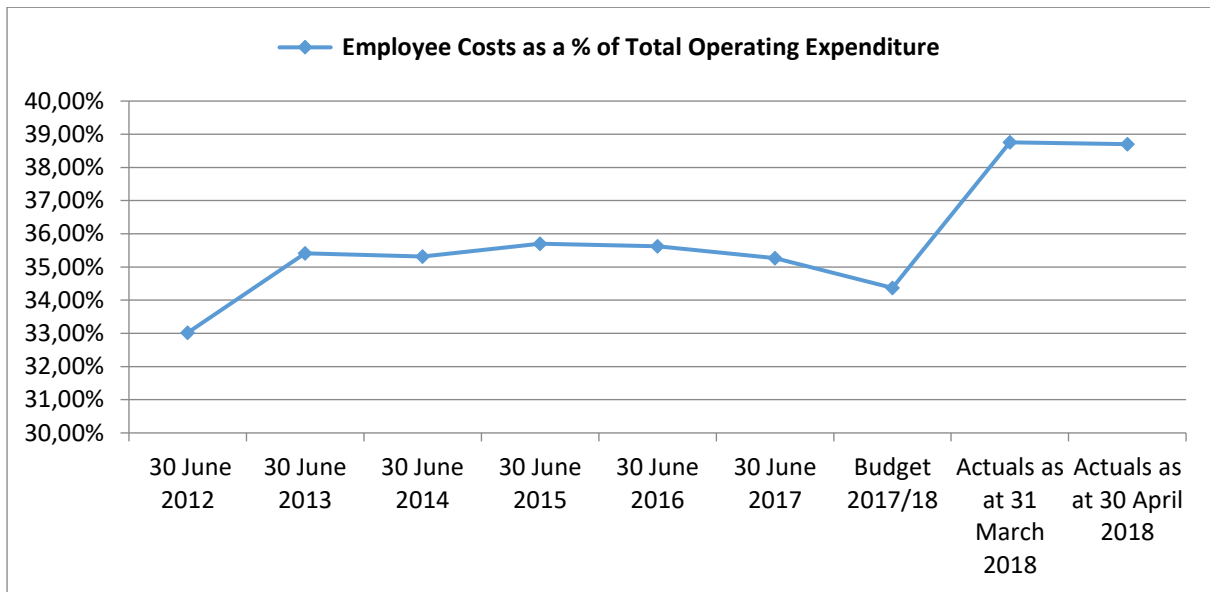
6.4.2. Employee costs as a % of Total Operating Expenditure

This ratio assesses the extent to which the Municipality's Total Operating Expenditure is consumed by costs associated with the employment of human resources.

The ratio is determined as follows:

Employee Costs to date/Total Operating Expenditure to Date

As at 30 April 2018, Employee Related Costs constituted 38.70% of the Total Operating Expenditure, compared to the budgeted ratio of 32.97%.



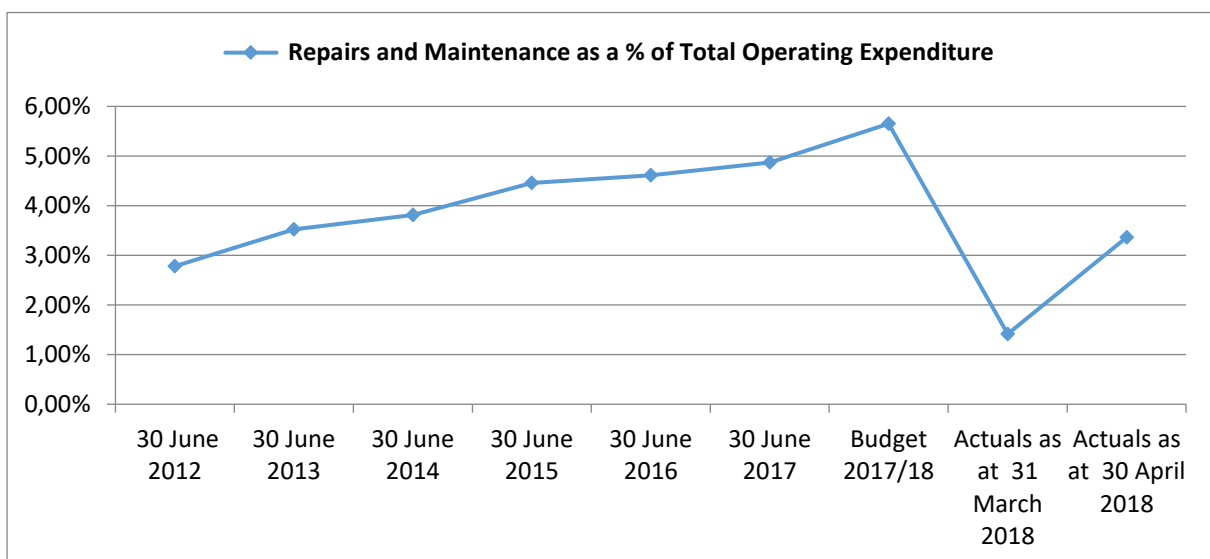
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

This ratio assesses the extent to which the Municipality's Total Operating Expenditure is consumed by costs associated with the repairs and maintenance of its assets.

The ratio is determined as follows:

Repairs and maintenance expenditure to date / Total Operating Expenditure to date

As at 30 April 2018, the ratio was 3.36%, compared to the budgeted ratio of 4.21%.



6.4.4. Repairs and Maintenance as a % of the book value of Property, Plant and Equipment (PPE)

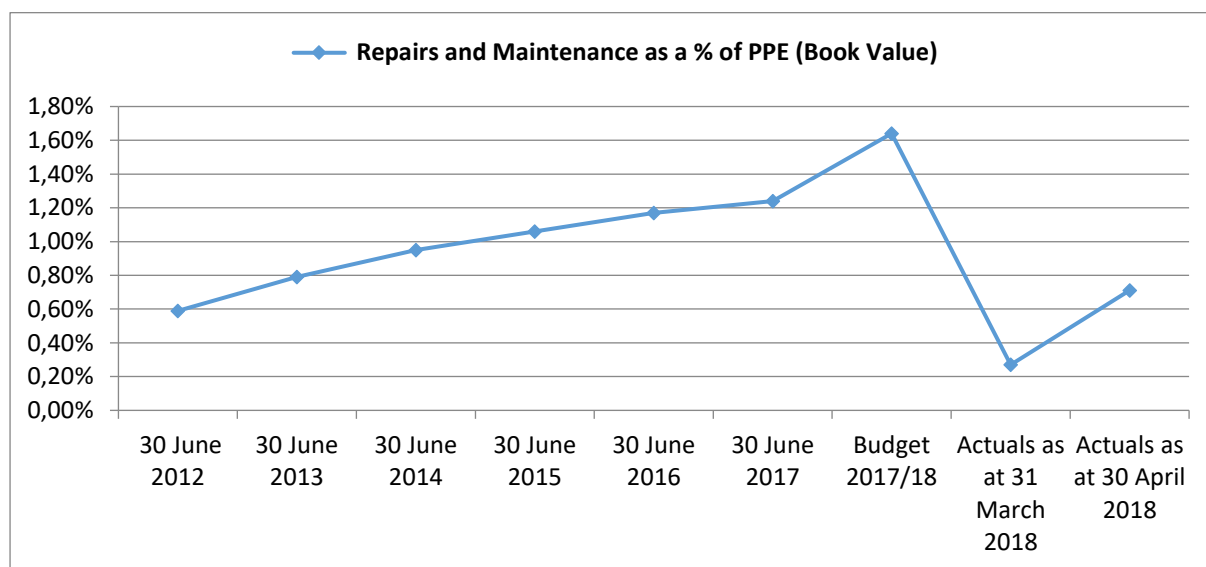
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

Repairs and maintenance expenditure to date / Book value of PPE to date

As at 30 April 2018, repairs and maintenance expenditure constituted 0.71% of the book value of PPE, compared to the budgeted ratio of 1.24%.

In terms of the MFMA Circular No.71, the norm is 8%.



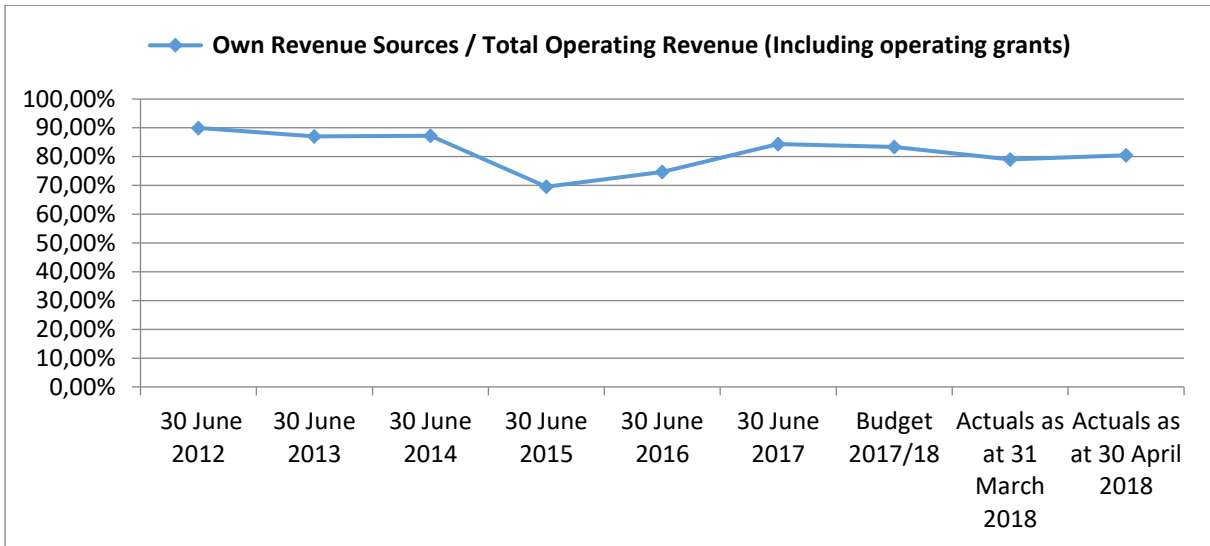
6.4.5. Own Revenue Generation

This ratio measures the extent to which the Municipality has control over its revenue sources, i.e. what percentage of its revenue is generated locally. The higher the ratio, the less reliant a Municipality is on Provincial and National Government to support its operations.

The ratio is determined as follows:

Own Revenue Sources / Total Operating Income (includes operating grants)

As at 30 April 2018, the Municipality's own revenue sources constituted 80.51% of its total Operating Income, compared to the budgeted ratio of 83.40%.



6.4.6. Capital Budget Spending

This ratio assesses the level of actual capital spending, compared to the budgeted capital expenditure.

The ratio is determined as follows:

$$\text{Actual Capital spending} / \text{Approved Capital Budget}$$

The actual spending as at the end of April 2018 amounted to 48.16%, compared to the budgeted ratio of 95%.

