

KOUGA MUNICIPALITY (EC108)

FINANCE

DATE:

ITEM NO:

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1. MONTHLY BUDGET STATEMENTS FOR THE PERIOD JULY 2017 TO MAY 2018 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 31 MAY 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 2017 to May 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 637,751 million, whilst operating expenditure amounted to R 570,251 million, resulting in an operating surplus of R 67,500 million.
- Capital expenditure constituted 61.44% of the approved 2017/18 Adjusted Capital Budget.

- Overdue consumer debts increased by R 10,921 million (9.48%) since June 2017.
- An amount of R 73,462 million is owing to creditors, of which R 21,597 million (29.40%) represents current creditors.
- The municipality's investment portfolio has increased by R 36,752,486 (43.75%) since June 2017, from R 83,998,799 to R 120,751,284.

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 31 May 2017	Actuals as at 31 May 2018	2017/18 Approved Adjusted Budget
Current Ratio	0.72:1	0.85:1	1.13:1	1.48:1	1.29:1	0.91:1
Liquidity Ratio	0.22:1	0.40:1	0.62:1	0.89:1	0.86:1	0.37:1
Cost Coverage (Excluding unspent conditional grants)	0.82 months	1.60 months	1.74 months	2.43 months	2.40 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 31 May 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

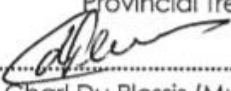
Annexure "A5"- Analysis of Municipality's Statement of Financial Performance

- 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.


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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 14/06/2018

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO MAY 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 31 May 2018	% of Budget
OPERATING REVENUE			
Property rates	160 564 962	151 834 726	94.56%
Total Service Charges	370 093 665	332 717 870	89.90%
Service charges - electricity revenue	230 405 160	201 137 807	87.30%
Service charges - water revenue	58 871 483	57 358 434	97.43%
Service charges - sanitation revenue	40 622 425	34 811 385	85.69%
Service charges - refuse revenue	27 412 365	27 103 789	98.87%
Service charges - other	12 782 232	12 306 455	96.28%
Rental of Facilities and Equipment	1 774 142	1 023 904	57.71%
Interest Earned - External Investments	7 404 934	6 298 024	85.05%
Interest Earned - Outstanding Debtors	8 939 204	6 182 370	69.16%
Fines, penalties and forfeits	3 962 443	3 501 125	88.36%
Licences and Permits	12 275 879	10 983 630	89.47%
Grants & Subsidies Received - Operating	113 664 015	116 253 509	102.28%
Other Revenue	10 347 111	8 956 181	86.56%
Total Direct Operating Revenue	689 026 355	637 751 340	92.56%
OPERATING EXPENDITURE			
Employee Related Costs	249 044 490	223 213 461	89.63%
Remuneration of Councillors	12 110 618	8 796 178	72.63%
Bad Debts	49 996 841	613 086	1.23%
Depreciation & Asset Impairment	83 730 150	65 126 449	77.78%
Other materials	27 404 582	16 436 234	59.98%
Finance Charges - External Borrowings	3 768 124	3 202 657	84.99%
Total Bulk Purchases	225 623 251	185 823 114	82.36%
Bulk purchases - electricity	187 239 233	158 761 081	84.79%
Bulk purchases - water	38 384 018	27 062 034	70.50%
Contracted Services	42 971 212	26 264 099	61.12%
Transfers and Grants	29 600	24 800	83.78%
Other expenditure	60 742 441	40 751 248	67.09%
Total Direct Operating Expenditure	755 421 309	570 251 327	75.49%
Surplus/(Deficit)	-66 394 954	67 500 014	

The statement of financial performance indicates a surplus of R 67,500,014.

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

Revenue Variations

Property Rates

As at 31 May 2018, the Municipality has recognised 94.56% 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 31 May 2018 amounted to R 126,119 million.

Expenditure Variations

Bad Debts

Bad debts are written off upon Council approval.

Other materials

Other materials relate to the inventory items, such as material and supplies, consumables, printing and stationery, fuel and oil etc.

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 31 May 2018	% of Budget
Executive & Council	97,198	11,153	11.47%
Corporate Services	3,700	3,991	107.87%
Finance	317,059	72,831	22.97%
Community Services	6,800,737	4,114,992	60.51%
Infrastructure and Engineering	24,577,090	15,511,930	63.12%
Planning, Development and Tourism	-	-	-
Total	31,795,784	19,714,898	62.00%

It is to be noted that actual repairs and maintenance expenditure constituted 62% 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 31 May 2018	% of Budget
	R	R	
Executive and Council	2,781,000	207,825	7.47%
Corporate Services	2,384,030	1,315,936	55.20%
Finance	2,691,976	1,510,656	56.12%
Community Services	18,442,726	16,195,103	87.81%
Infrastructure and Engineering	39,996,165	21,826,324	54.57%
Planning, Development and Tourism	3,137,823	1,607,372	51.23%
Total	69,433,720	42,663,216	61.44%
Source of Funding	Adjusted Budget 2017/18	Actuals as at 31 May 2018	% of Budget
	R	R	
Internally Generated Funding	33,927,371	22,214,908	65.48%
Government Grants	35,506,349	20,448,308	57.59%
Total	69,433,720	42,663,216	61.44%

It is to be noted that capital expenditure as at 31 May 2018 amounted to 61.44%, 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 31 May 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 – M11 May 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	7 540	130 941	132 819	(1 878)	-1%	144 894	
Service charges			348 047	334 125	23 544	281 264	306 282	(25 018)	-8%	334 125	
Other revenue			23 328	26 760	18 162	131 555	24 530	107 026	436%	26 760	
Government - operating			114 219	113 664	-	109 959	104 192	5 767	6%	113 664	
Government - capital			34 660	35 660	-	31 274	32 689	(1 415)	-4%	35 660	
Interest			16 134	16 344	1 315	14 560	14 982	(422)	-3%	16 344	
Dividends								-		-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(59 516)	(610 768)	(566 405)	44 363	-8%	(617 897)	
Finance charges			(3 768)	(3 768)	(381)	(3 531)	(3 454)	76	-2%	(3 768)	
Transfers and Grants			(1 580)	(30)	-	-	(28)	(28)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	49 752	(9 336)	85 254	45 606	(39 648)	-87%	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)	(9 223)	(42 663)	(63 648)	(20 984)	33%	(69 434)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(67 834)	(9 223)	(42 663)	(63 648)	(20 984)	33%	(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)	(470)	(5 838)	(5 906)	(68)	1%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(470)	(5 838)	(5 906)	(68)	1%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD			-	(8 235)	(24 524)	(19 029)	36 752	(23 947)			(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		120 751	60 306		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 2017 to May 2018 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M11 May 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	8 775	151 835	147 185	4 650	3%	160 565
Service charges	337 384	370 094	370 094	28 445	332 718	339 253	(6 535)	-2%	370 094
Investment revenue	7 776	7 195	7 405	581	6 298	6 788	(490)	-7%	7 405
Transfers and subsidies	106 979	114 219	113 664	(116)	116 254	104 192	12 061	12%	113 664
Other own revenue	39 649	32 267	37 299	2 959	30 647	34 191	(3 543)	-10%	37 299
Total Revenue (excluding capital transfers and contributions)	639 862	684 339	689 026	40 645	637 751	631 607	6 144	1%	689 026
Employee costs	228 043	256 022	249 044	19 372	223 213	228 291	(5 077)	-2%	249 044
Remuneration of Councillors	11 101	11 725	12 111	955	8 796	11 101	(2 305)	-21%	12 111
Depreciation & asset impairment	71 047	83 730	83 730	11 841	65 126	76 753	(11 626)	-15%	83 730
Finance charges	15 491	3 768	3 768	313	3 203	3 454	(251)	-7%	3 768
Materials and bulk purchases	254 706	243 424	253 028	3 643	202 259	231 942	(29 683)	-13%	253 028
Transfers and subsidies	1 080	1 580	30	–	25	27	(2)	-9%	30
Other expenditure	91 217	144 593	153 710	7 364	67 628	140 901	(73 273)	-52%	153 710
Total Expenditure	672 685	744 842	755 421	43 489	570 251	692 470	(122 218)	-18%	755 421
Surplus/(Deficit)	(32 823)	(60 503)	(66 395)	(2 844)	67 500	(60 862)	128 362	-211%	(66 395)
Transfers and subsidies - capital (monetary alloc	37 326	34 660	35 660	–	13 849	32 689	(18 840)	-58%	35 660
Contributions & Contributed assets	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)	109 522	-389%	(30 735)
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–
Surplus/ (Deficit) for the year	4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)	109 522	-389%	(30 735)
Capital expenditure & funds sources									
Capital expenditure	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	69 434
Capital transfers recognised	–	35 460	35 506	6 707	20 448	32 547	(12 099)	-37%	35 506
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	–	24 219	33 927	2 516	22 215	31 100	(8 885)	-29%	33 927
Total sources of capital funds	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	69 434
Financial position									
Total current assets	174 240	145 598	148 539		181 418				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		140 561				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		2 466 214				2 493 192
Cash flows									
Net cash from (used) operating	–	57 887	49 752	(9 336)	85 254	45 606	(39 648)	-87%	49 752
Net cash from (used) investing	–	(59 680)	(67 834)	(9 223)	(42 663)	(63 648)	(20 984)	33%	(67 834)
Net cash from (used) financing	–	(6 443)	(6 443)	(470)	(5 838)	(5 906)	(68)	1%	(6 443)
Cash/cash equivalents at the month/year end	–	60 014	59 729	–	120 751	60 306	(60 445)	-100%	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	27 508	5 736	4 379	3 109	2 222	2 226	19 438	89 008	153 626
Creditors Age Analysis									
Total Creditors	21 597	1 015	28	170	45	21	917	49 669	73 462

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 and 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) – M11 May 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	10 451	274 631	427 262	(152 631)	-36%	466 104
Executive and council		-	34	15	29	75	14	61	443%	15
Finance and administration		-	281 799	466 089	10 423	274 556	427 248	(152 692)	-36%	466 089
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	14 965	18 580	167	9 419	17 032	(7 613)	-45%	18 580
Community and social services		-	2 428	2 515	26	2 419	2 305	114	5%	2 515
Sport and recreation		-	9 833	11 638	136	5 082	10 668	(5 586)	-52%	11 638
Public safety		-	4	1 875	1	7	1 719	(1 712)	-100%	1 875
Housing		-	-	-	-	-	-	-	-	-
Health		-	2 699	2 552	5	1 910	2 340	(429)	-18%	2 552
<i>Economic and environmental services</i>		-	29 175	30 077	2 597	33 074	27 570	5 504	20%	30 077
Planning and development		-	6 521	8 246	393	12 747	7 558	5 189	69%	8 246
Road transport		-	8 408	7 426	1 166	7 031	6 807	224	3%	7 426
Environmental protection		-	14 247	14 405	1 039	13 296	13 205	91	1%	14 405
<i>Trading services</i>		-	393 027	209 927	27 429	334 476	192 433	142 043	74%	209 927
Energy sources		-	239 206	57 106	17 166	202 545	52 347	150 198	287%	57 106
Water management		-	60 871	59 871	4 491	58 231	54 882	3 349	6%	59 871
Waste water management		-	65 521	65 521	2 971	46 595	60 061	(13 466)	-22%	65 521
Waste management		-	27 429	27 429	2 801	27 105	25 143	1 962	8%	27 429
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	719 000	724 687	40 645	651 600	664 297	(12 697)	-2%	724 687
Expenditure - Functional										
<i>Governance and administration</i>		-	169 788	172 034	11 576	119 360	157 698	(38 338)	-24%	172 034
Executive and council		-	43 765	47 505	2 532	37 242	43 547	(6 305)	-14%	47 505
Finance and administration		-	126 024	124 529	9 044	82 119	114 152	(32 033)	-28%	124 529
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	81 788	85 944	6 097	69 118	78 782	(9 664)	-12%	85 944
Community and social services		-	9 701	9 353	614	6 708	8 574	(1 866)	-22%	9 353
Sport and recreation		-	42 081	48 321	3 383	39 711	44 295	(4 584)	-10%	48 321
Public safety		-	20 985	19 773	1 613	15 962	18 125	(2 163)	-12%	19 773
Housing		-	4 369	3 812	227	2 669	3 494	(826)	-24%	3 812
Health		-	4 653	4 685	260	4 068	4 294	(226)	-5%	4 685
<i>Economic and environmental services</i>		-	111 075	104 133	10 384	82 874	95 455	(12 581)	-13%	104 133
Planning and development		-	30 274	30 503	2 793	22 963	27 961	(4 998)	-18%	30 503
Road transport		-	71 834	67 464	7 443	57 675	61 842	(4 167)	-7%	67 464
Environmental protection		-	8 966	6 167	148	2 236	5 653	(3 416)	-60%	6 167
<i>Trading services</i>		-	378 843	390 041	15 332	297 875	357 538	(59 663)	-17%	390 041
Energy sources		-	227 987	235 025	2 704	177 909	215 440	(37 531)	-17%	235 025
Water management		-	77 021	80 726	5 095	56 600	73 999	(17 399)	-24%	80 726
Waste water management		-	40 698	40 804	5 094	34 824	37 404	(2 580)	-7%	40 804
Waste management		-	33 136	33 486	2 438	28 542	30 695	(2 153)	-7%	33 486
<i>Other</i>		-	3 349	3 268	100	1 024	2 996	(1 972)	-66%	3 268
Total Expenditure - Functional	3	-	744 842	755 421	43 489	570 251	692 470	(122 218)	-18%	755 421
Surplus/ (Deficit) for the year		-	(25 843)	(30 734)	(2 844)	81 349	(28 173)	109 522	-389%	(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 – M11 May 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	10 170	271 463	256 420	15 043	5.9%	279 731
Vote 3 - Administration, Monitoring & Evaluation	16	752	733	29	75	672	(597)	-88.9%	733
Vote 4 - Led, Tourism & Creative Industries	-	1 440	1 885	-	-	1 728	(1 728)	-100.0%	1 885
Vote 5 - Infrastructure, Planning & Development	373 523	371 680	371 960	24 905	320 077	340 963	(20 886)	-6.1%	371 960
Vote 6 - Social Services	42 009	67 586	70 377	5 541	59 985	64 512	(4 527)	-7.0%	70 377
Total Revenue by Vote	677 188	719 000	724 687	40 645	651 600	664 296	(12 696)	-1.9%	724 687
Expenditure by Vote									
Vote 1 - Executive & Council	30 867	35 224	35 302	2 015	24 334	32 360	(8 026)	-24.8%	35 302
Vote 2 - Financial Services	54 743	65 852	72 852	4 308	41 561	66 781	(25 220)	-37.8%	72 852
Vote 3 - Administration, Monitoring & Evaluation	34 858	41 583	38 587	3 329	34 799	35 371	(572)	-1.6%	38 587
Vote 4 - Led, Tourism & Creative Industries	9 279	11 017	10 562	400	4 289	9 682	(5 392)	-55.7%	10 562
Vote 5 - Infrastructure, Planning & Development	416 677	443 519	449 436	22 619	345 386	411 983	(66 597)	-16.2%	449 436
Vote 6 - Social Services	126 261	147 648	148 683	10 817	119 882	136 293	(16 411)	-12.0%	148 683
Total Expenditure by Vote	672 685	744 842	755 421	43 489	570 251	692 470	(122 218)	-17.6%	755 421
Surplus/ (Deficit) for the year	4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)	109 522	-388.7%	(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) – M11 May 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	8 775	151 835	147 185	4 650	3%	160 565
Service charges - electricity revenue		241 234	230 405	230 405	17 146	201 138	211 205	(10 067)	-5%	230 405
Service charges - water revenue		39 608	58 871	58 871	4 491	57 358	53 966	3 393	6%	58 871
Service charges - sanitation revenue		41 828	40 622	40 622	2 971	34 811	37 237	(2 426)	-7%	40 622
Service charges - refuse revenue		53 036	27 412	40 195	3 837	39 410	36 845	2 565	7%	40 195
Service charges - other		(38 322)	12 782	-	-	-	-	-	-	-
Rental of facilities and equipment		1 506	1 309	1 774	96	1 024	1 626	(602)	-37%	1 774
Interest earned - external investments		7 776	7 195	7 405	581	6 298	6 788	(490)	-7%	7 405
Interest earned - outstanding debtors		8 144	8 939	8 939	676	6 182	8 194	(2 012)	-25%	8 939
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		10 552	3 761	3 962	299	3 501	3 632	(131)	-4%	3 962
Licences and permits		6 877	11 773	12 276	1 354	10 984	11 253	(269)	-2%	12 276
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		106 979	114 219	113 664	(116)	116 254	104 192	12 061	12%	113 664
Other revenue		12 570	6 484	10 347	534	8 956	9 485	(529)	-6%	10 347
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		639 862	684 339	689 026	40 645	637 751	631 607	6 144	1%	689 026
Expenditure By Type										
Employee related costs		228 043	256 022	249 044	19 372	223 213	228 291	(5 077)	-2%	249 044
Remuneration of councillors		11 101	11 725	12 111	955	8 796	11 101	(2 305)	-21%	12 111
Debt impairment		24 779	31 680	49 997	-	613	45 830	(45 217)	-99%	49 997
Depreciation & asset impairment		71 047	83 730	83 730	11 841	65 126	76 753	(11 626)	-15%	83 730
Finance charges		15 491	3 768	3 768	313	3 203	3 454	(251)	-7%	3 768
Bulk purchases		220 618	225 623	225 623	1 792	185 823	206 821	(20 998)	-10%	225 623
Other materials		34 087	17 801	27 405	1 851	16 436	25 121	(8 685)	-35%	27 405
Contracted services		13 293	41 751	42 971	3 239	26 264	39 390	(13 126)	-33%	42 971
Transfers and subsidies		1 080	1 580	30	-	25	27	(2)	-9%	30
Other expenditure		51 086	71 162	60 742	4 125	40 751	55 681	(14 929)	-27%	60 742
Loss on disposal of PPE		2 058	-	-	-	-	-	-	-	-
Total Expenditure		672 685	744 842	755 421	43 489	570 251	692 470	(122 218)	-18%	755 421
Surplus/(Deficit)										
Transfers and subsidies - capital (municipality and district)		(32 823)	(60 503)	(66 395)	(2 844)	67 500	(60 862)	128 362	(0)	(66 395)
(National / Provincial and District)		37 326	34 660	35 660	-	13 849	32 689	(18 840)	(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)	(2 844)	81 349	(28 173)			(30 735)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)			(30 735)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)			(30 735)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		4 503	(25 843)	(30 735)	(2 844)	81 349	(28 173)			(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) – M11 May 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	33	208	2 549	(2 341)	-92%	2 781
Vote 2 - Financial Services	–	3 304	2 790	331	1 511	2 557	(1 047)	-41%	2 790
Vote 3 - Administration, Monitoring & Evaluation	–	477	2 284	69	1 247	2 094	(847)	-40%	2 284
Vote 4 - Led, Tourism & Creative Industries	–	2 551	1 967	1 397	1 558	1 803	(245)	-14%	1 967
Vote 5 - Infrastructure, Planning & Development	–	40 408	41 347	5 337	21 876	37 901	(16 025)	-42%	41 347
Vote 6 - Social Services	–	12 759	18 265	2 057	16 264	16 743	(479)	-3%	18 265
Total Capital single-year expenditure	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	69 434
Total Capital Expenditure	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	69 434
Capital Expenditure - Functional Classification									
Governance and administration	–	4 813	8 231	433	3 093	7 545	(4 452)	-59%	8 231
Executive and council		157	2 757	33	208	2 527	(2 319)	-92%	2 757
Finance and administration		4 656	5 474	400	2 885	5 017	(2 132)	-42%	5 474
Internal audit		–	–	–	–	–	–	–	–
Community and public safety	–	6 993	10 415	2 057	3 661	9 547	(5 887)	-62%	10 415
Community and social services		599	849	–	61	778	(717)	-92%	849
Sport and recreation		4 869	7 041	2 057	3 446	6 454	(3 009)	-47%	7 041
Public safety		950	2 150	–	154	1 971	(1 817)	-92%	2 150
Housing		–	–	–	–	–	–	–	–
Health		575	375	–	–	344	(344)	-100%	375
Economic and environmental services	–	6 502	5 660	1 421	2 290	5 189	(2 898)	-56%	5 660
Planning and development		2 742	2 672	1 421	1 823	2 449	(626)	-26%	2 672
Road transport		2 820	1 688	–	118	1 548	(1 429)	-92%	1 688
Environmental protection		940	1 300	–	349	1 192	(843)	-71%	1 300
Trading services	–	41 372	45 128	5 313	33 620	41 367	(7 748)	-19%	45 128
Energy sources		7 255	4 940	210	1 231	4 529	(3 298)	-73%	4 940
Water management		5 292	8 013	2 059	5 242	7 346	(2 103)	-29%	8 013
Waste water management		25 680	26 538	3 043	15 093	24 326	(9 233)	-38%	26 538
Waste management		3 145	5 636	–	12 054	5 166	6 887	133%	5 636
Other		–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional Classification	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	69 434
Funded by:									
National Government		35 460	35 361	6 707	20 448	32 415	(11 966)	-37%	35 361
Provincial Government		–	–	–	–	–	–	–	–
District Municipality		–	145	–	–	133	(133)	-100%	145
Other transfers and grants		–	–	–	–	–	–	–	–
Transfers recognised - capital	–	35 460	35 506	6 707	20 448	32 547	(12 099)	-37%	35 506
Public contributions & donations		–	–	–	–	–	–	–	–
Borrowing		–	–	–	–	–	–	–	–
Internally generated funds		24 219	33 927	2 516	22 215	31 100	(8 885)	-29%	33 927
Total Capital Funding	–	59 680	69 434	9 223	42 663	63 648	(20 984)	-33%	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 – M11 May 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	11 223	5 973
Call investment deposits		78 567	42 010	53 757	109 528	53 757
Consumer debtors		42 559	55 213	55 213	52 501	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	181 418	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	2 771 900	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	84 025	106 811
Provisions		22 644	31 021	31 021	39 824	31 021
Total current liabilities		179 777	153 131	163 348	140 561	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	305 685	312 287
NET ASSETS	2	2 102 989	2 490 714	2 493 192	2 466 214	2 493 192
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		2 102 989	2 490 714	2 493 192	2 466 214	2 493 192
Reserves		-				
TOTAL COMMUNITY WEALTH/EQUITY	2	2 102 989	2 490 714	2 493 192	2 466 214	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 – M11 May 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	7 540	130 941	132 819	(1 878)	-1%	144 894	
Service charges			348 047	334 125	23 544	281 264	306 282	(25 018)	-8%	334 125	
Other revenue			23 328	26 760	18 162	131 555	24 530	107 026	436%	26 760	
Government - operating			114 219	113 664	-	109 959	104 192	5 767	6%	113 664	
Government - capital			34 660	35 660	-	31 274	32 689	(1 415)	-4%	35 660	
Interest			16 134	16 344	1 315	14 560	14 982	(422)	-3%	16 344	
Dividends								-		-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(59 516)	(610 768)	(566 405)	44 363	-8%	(617 897)	
Finance charges			(3 768)	(3 768)	(381)	(3 531)	(3 454)	76	-2%	(3 768)	
Transfers and Grants			(1 580)	(30)	-	-	(28)	(28)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	49 752	(9 336)	85 254	45 606	(39 648)	-87%	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)	(9 223)	(42 663)	(63 648)	(20 984)	33%	(69 434)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(67 834)	(9 223)	(42 663)	(63 648)	(20 984)	33%	(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)	(470)	(5 838)	(5 906)	(68)	1%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(470)	(5 838)	(5 906)	(68)	1%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD											
			-	(8 235)	(24 524)	(19 029)	36 752	(23 947)			(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		120 751	60 306			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 May 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 31 May 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	7 818	1 722	1 570	1 028	658	687	3 864	19 681	37 029
Trade and Other Receivables from Exchange Transactions - Electricity	15 255	1 077	524	420	258	239	1 940	6 501	26 213
Receivables from Non-exchange Transactions - Property Rates	8 287	697	484	377	336	331	6 912	16 693	34 117
Receivables from Exchange Transactions - Waste Water Management	4 144	762	643	443	286	302	1 752	8 890	17 221
Receivables from Exchange Transactions - Waste Management	3 976	958	692	388	355	341	1 752	11 799	20 262
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	71	83	95	86	81	92	927	17 814	19 248
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(12 044)	437	371	366	247	235	2 292	7 630	(466)
Total By Income Source	27 508	5 736	4 379	3 109	2 222	2 226	19 438	89 008	153 626
									-
Debtors Age Analysis By Customer Group									
Organs of State	539	34	31	28	27	25	1 201	1 558	3 443
Commercial	6 454	286	261	302	118	116	935	3 127	11 600
Households	20 514	5 416	4 087	2 778	2 077	2 085	17 301	84 323	138 583
Other	-	-	-	-	-	-	-	-	-
Total By Customer Group	27 508	5 736	4 379	3 109	2 222	2 226	19 438	89 008	153 626

The aforementioned analysis indicates that from 30 June 2017 to 31 May 2018, the overdue debts have increased from R 115,198 million to R 126,119 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
	30-Jun-17	31-May-18	Difference
Debtors Age Analysis By Income Source			
Trade and Other Receivables from Exchange Transactions - Water	26 290	29 211	2 921
Trade and Other Receivables from Exchange Transactions - Electricity	11 192	10 959	(234)
Receivables from Non-exchange Transactions - Property Rates	25 337	25 831	494
Receivables from Exchange Transactions - Waste Water Management	12 297	13 077	780
Receivables from Exchange Transactions - Waste Management	14 074	16 286	2 211
Receivables from Exchange Transactions - Property Rental Debtors	1	1	-
Interest on Arrear Debtor Accounts	16 685	19 177	2 492
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-
Other	9 321	11 578	2 257
Total By Income Source	115 198	126 119	10 921
Debtors Age Analysis By Customer Group			
Organs of State	2 323	2 904	581
Commercial	4 588	5 146	558
Households	108 287	118 069	9 782
Other		-	
Total By Customer Group	115 198	126 119	10 921

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	14 922	-	-	-	-	-	-	-	14 922
Bulk Water	52	469	8	-	7	7	863	49 377	50 783
PAYE deductions	2 783	-	-	-	-	-	-	-	2 783
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	3 841	546	20	170	38	14	54	292	4 974
Auditor General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total By Customer Type	21 597	1 015	28	170	45	21	917	49 669	73 462

The above amounts represent invoices still to be paid. The major creditors as at 31 May 2018 are as follows:

Department of Transport	R 0,969 million
Eskom	R 14,922 million
NMBM (Bulk water)	R 50,783 million
SARS (PAYE)	R 2,783 million
Other Creditors	R 4,005 million
TOTAL	<u>R 73,462 million</u>

It is to be noted that the Eskom amount of R 14,922 million, represents the current account for May 2018, which will be paid by 23 June 2018.

The PAYE deductions represent employee related costs for the month of May 2018, with the amounts in question being paid on 6 June 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 31 May 2018.

	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 May 2018
Standard Bank	16 256 857	5 000 000	1 281 539	-	-	22 538 396
ABSA	15 184 980	8 000 000	1 386 361	-	369	24 570 972
Nedbank	17 053 655	5 000 000	1 346 464	-	-	23 400 119
RMB	14 403 194	30 081 131	1 428 788	30 957 537	-	14 955 576
INVESTEC	15 668 170	7 000 000	1 395 222	-	-	24 063 393
Total	78 566 856	55 081 131	6 838 374	-30 957 537	-369	109 528 456
INVESTMENT	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 May 2018
General Account	70 056 188	30 170 131	5 739 824	7 000 000	369	98 965 775
Conditional Grants	5 722 986	24 911 000	946 601	23 957 537	-	7 623 050
Housing Funds	2 787 682	-	151 949	-	-	2 939 631
Total	78 566 856	55 081 131	6 838 374	-30 957 537	-369	109 528 456
Bank	5 431 943	5 790 886				11 222 829
Total	83 998 799	60 872 017	6 838 374	-30 957 537	-369	120 751 284

The increase in the investment portfolio since 30 June 2017 amounts to R 36,752,486. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 11,222,829
Short-term Investment Deposits	R 109,528,456
	<u>R 120,751,285</u>

Application of Cash

Unspent Conditional Grants	10,562,681
Internally Generated Funding	11,712,463
Outstanding Creditors Liability	<u>73,462,006</u>
	<u>R 95,737,150</u>

Reserves in excess of Commitments

R 25,014,135

The cash backed reserves exceed the commitments at this stage by an amount of R 25,014,135. It should be noted that the excess of reserves over commitments as at 31 May 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 – M11 May 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	–		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	–	3 630	4 218	(588)	-13.9%	4 218
Environmental Health Subsidy	2 500	2 353		1 765	2 353	(588)	-25.0%	2 353
Fire Services Subsidy		1 865		1 865	1 865	–		1 865
Other grant providers:	718	445	–	445	445	–		445
Skills Development Grant	718					–		
Local development Grant		445		445	445			445
Total Operating Transfers and Grants	114 219	113 664	–	112 543	113 664	(871)	-0.8%	113 664
Capital Transfers and Grants								
National Government:	34 660	34 660	–	29 910	34 660	(4 750)	-13.7%	34 660
Municipal Infrastructure Grant (MIG)	30 660	30 660		25 910	30 660	(4 750)	-15.5%	30 660
Intergrated National Electrification Programme	4 000	4 000		4 000	4 000	–		4 000
District Municipality:	–	1 000	–	1 000	1 000	–		1 000
Disaster Boreholes Grant		1 000		1 000	1 000	–		1 000
Total Capital Transfers and Grants	34 660	35 660	–	30 910	35 660	(4 750)	-13.3%	35 660
TOTAL RECEIPTS OF TRANSFERS & GRANTS	148 879	149 324	–	143 453	149 324	(5 621)	-3.8%	149 324

Below is an analysis of the spending associated with the grants as at 31 May 2018

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M11 May 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	225	106 079	98 038	8 041	8.2%	106 951
Local Government Equitable Share	102 637	102 637		102 354	94 084	8 270	8.8%	102 637
Finance Management	1 700	1 700	69	1 246	1 558	(312)	-20.0%	1 700
MIG - Administration Fees	1 614	1 614	134	1 479	1 479	-		1 614
EPWP Incentive	1 000	1 000	21	1 000	917	83	9.1%	1 000
Provincial Government:	4 050	2 050	-	2 050	1 879	171	9.1%	2 050
ACIP-Water	2 000					-		
Sport and Recreation	2 050	2 050		2 050	1 879	171	9.1%	2 050
District Municipality:	2 500	4 218	-	3 630	3 867	(237)	-6.1%	4 218
Fire Services Subsidy		1 865		1 865	1 710	155	9.1%	1 865
Environmental Health Subsidy	2 500	2 353		1 765	2 157	(392)	-18.2%	2 353
Other grant providers:	718	445	-	-	408	(408)	-100.0%	445
Local development Grant		445			408	(408)	-100.0%	445
Skills Development Grant	718					-		
Total operating expenditure of Transfers and Grants:	114 219	113 664	225	111 759	104 192	7 567	7.3%	113 664
Capital expenditure of Transfers and Grants								
National Government:	34 660	34 660	7 698	21 069	31 772	(10 703)	-33.7%	34 660
Municipal Infrastructure Grant (MIG)	30 660	30 660	7 459	19 718	28 105	(8 387)	-29.8%	30 660
Integrated National Electrification Programme	4 000	4 000	240	1 351	3 667	(2 316)	-63.2%	4 000
District Municipality:	-	1 000	-	1 000	917	83	9.1%	1 000
Disaster Boreholes Grant		1 000		1 000	917	83	9.1%	1 000
Total capital expenditure of Transfers and Grants	34 660	35 660	7 698	22 069	32 689	(10 620)	-32.5%	35 660
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	148 879	149 324	7 923	133 828	136 881	(3 052)	-2.2%	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 1,246,140
Unspent as at 31 May 2018:	R 453,860

The spending of the grant amounted to 73.30% as at 31 May 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 1,000,000
Unspent as at 31 May 2018:	R 0,00

The spending of the grant amounted to 100% as at 31 May 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 22,748,821
Unspent as at 31 May 2018:	R 4,525,179

The spending of the grant amounted to 83.41% as at 31 May 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 1,355,989
Unspent as at 31 May 2018:	R 2,644,011

The spending of the grant amounted to 33.90% as at 31 May 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 31 May 2018:	R 2,939,631

The spending of the grant amounted to 59.37% as at 31 May 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 – M11 May 2018.

Summary of Employee and Councillor remuneration	Budget Year 2017/18							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
<u>Councillors (Political Office Bearers plus Other)</u>								
Basic Salaries and Wages	7 712	8 047	639	6 880	7 376	(496)	-7%	8 047
Medical Aid Contributions	650	650	-	6	596	(590)	-99%	650
Motor Vehicle Allowance	2 602	2 602	213	835	2 385	(1 550)	-65%	2 602
Cellphone Allowance	762	812	104	1 076	745	331	44%	812
Sub Total - Councillors	11 725	12 111	955	8 796	11 101	(2 305)	-21%	12 111
<u>Senior Managers of the Municipality</u>								
Basic Salaries and Wages	8 700	5 159	539	5 033	4 729	303	6%	5 159
Pension and UIF Contributions		377	34	344	346	(2)	-1%	377
Medical Aid Contributions		211	18	191	194	(3)	-1%	211
Performance Bonus	2 143	3		3	2	0	9%	3
Motor Vehicle Allowance	726	229	46	256	210	46	22%	229
Other benefits and allowances	21	395	14	382	362	20	6%	395
Sub Total - Senior Managers of Municipality	11 590	6 374	651	6 208	5 843	365	6%	6 374
<u>Other Municipal Staff</u>								
Basic Salaries and Wages	152 193	148 655	11 709	127 873	136 267	(8 394)	-6%	148 655
Pension and UIF Contributions	24 723	24 346	1 924	21 079	22 317	(1 239)	-6%	24 346
Medical Aid Contributions	15 143	14 931	1 138	12 109	13 687	(1 578)	-12%	14 931
Overtime	10 375	10 425	1 789	18 733	9 556	9 176	96%	10 425
Annual Bonus	12 595	14 736	12	11 291	13 508	(2 217)	-16%	14 736
Motor Vehicle Allowance	7 231	7 678	582	8 168	7 038	1 130	16%	7 678
Housing Allowances	2 301	2 301	174	1 688	2 109	(421)	-20%	2 301
Other benefits and allowances	19 059	18 786	1 303	15 298	17 221	(1 922)	-11%	18 786
Long service awards	812	812	91	766	744	22	3%	812
Sub Total - Other Municipal Staff	244 432	242 670	18 721	217 005	222 448	(5 442)	-2%	242 670
TOTAL SALARY, ALLOWANCES & BENEFITS	267 747	261 155	20 327	232 010	239 392	(7 383)	-3%	261 155
TOTAL MANAGERS AND STAFF	256 022	249 044	19 372	223 213	228 291	(5 077)	-2%	249 044

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 31 May 2018
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.35%	1.64%
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	1.29
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.37	0.86
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%	90%	85.56%

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 31 May 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	2.40
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	35.70%	35.62%	35.27%	32.97%	39.14%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	63.84%	95.00%	61.44%
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%	3.46%
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%	0.79%
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%	81.77%

The above table is discussed in detail below.

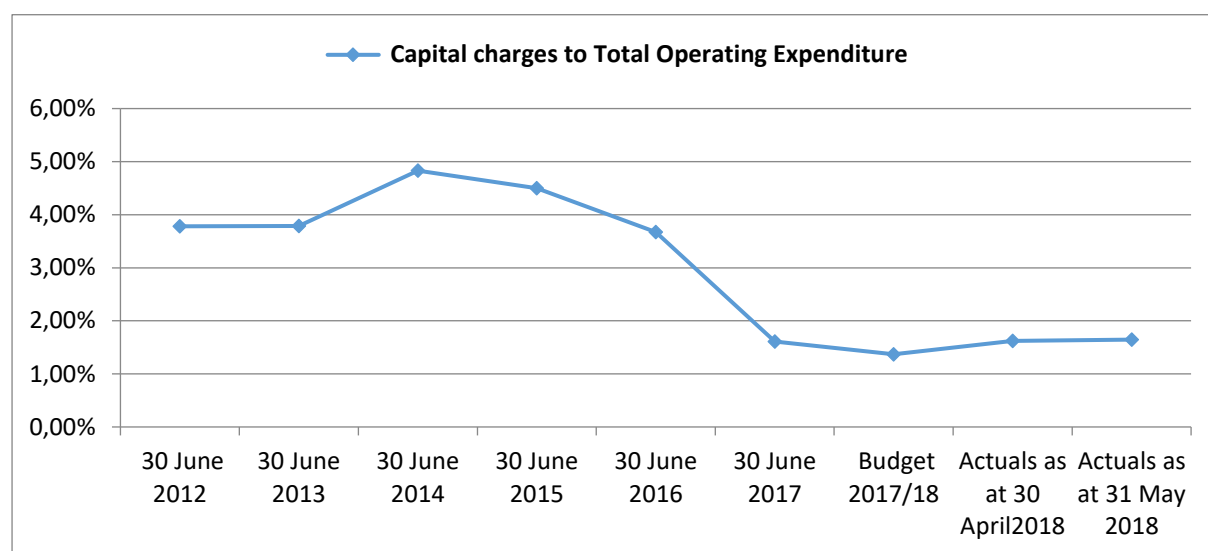
6.1. Borrowing Management

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 1.64% of the Total Operating Expenditure was utilised for capital charges as at 31 May 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.

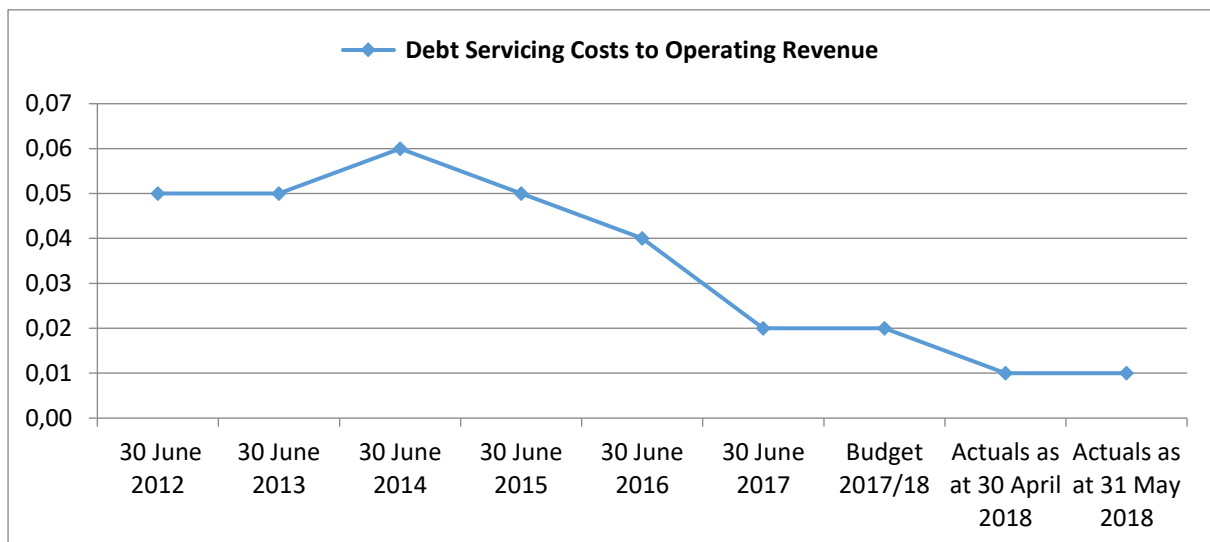
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 31 May 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:

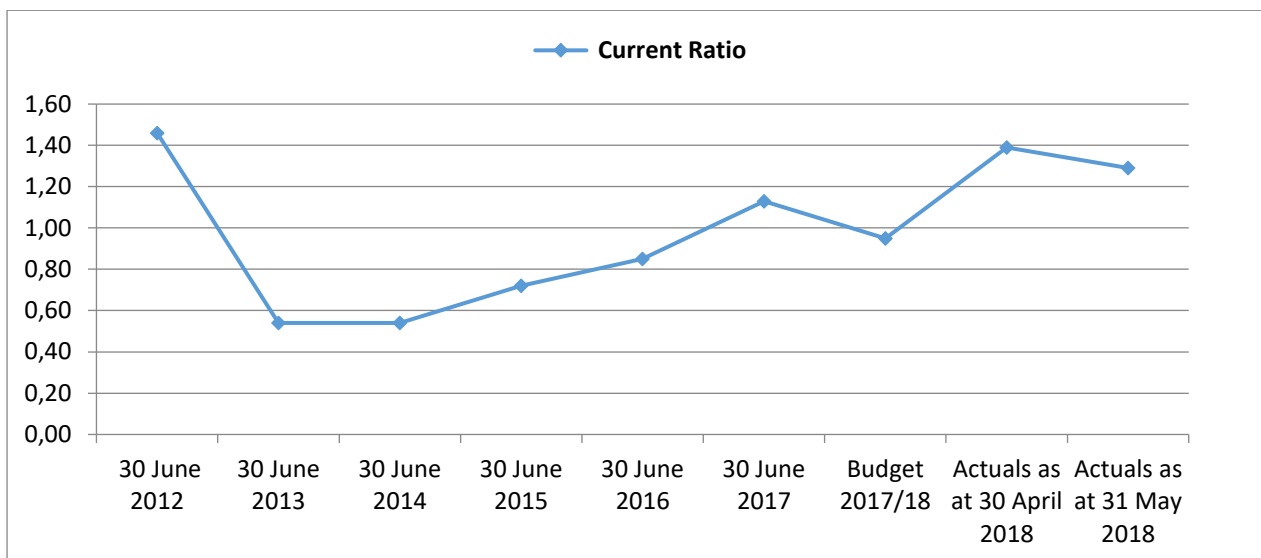
Current assets/Current liabilities

The ratio as at 31 May 2018 was 1.29:1, 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

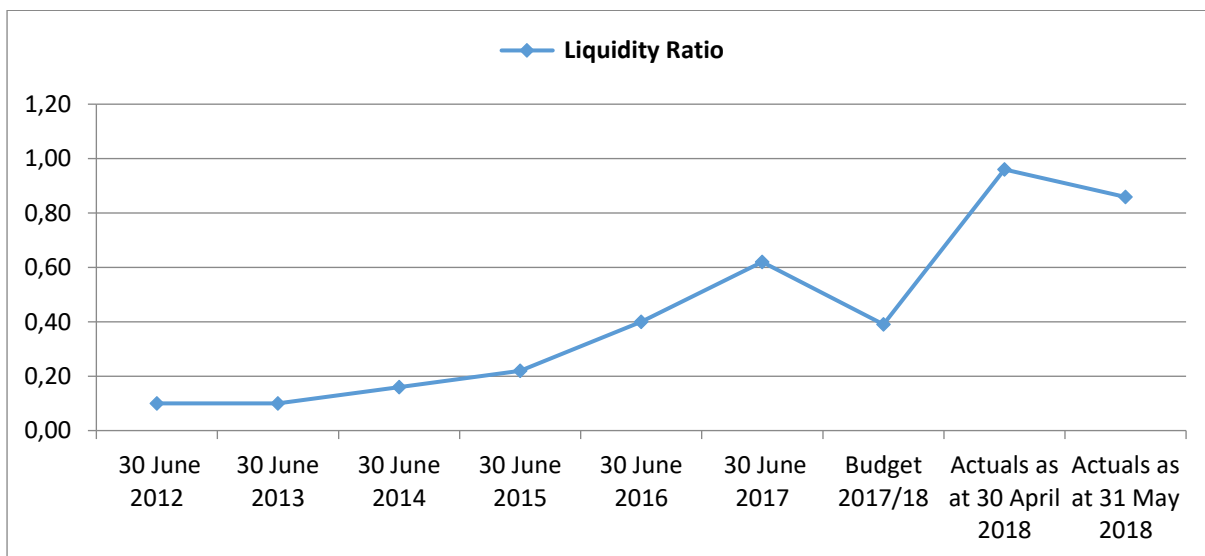
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

The ratio is determined as follows:

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

A favourable ratio would ensure that the Municipality is able to settle its short-term commitments from monetary assets. The liquidity ratio as at 31 May 2018 was 0.86:1, 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

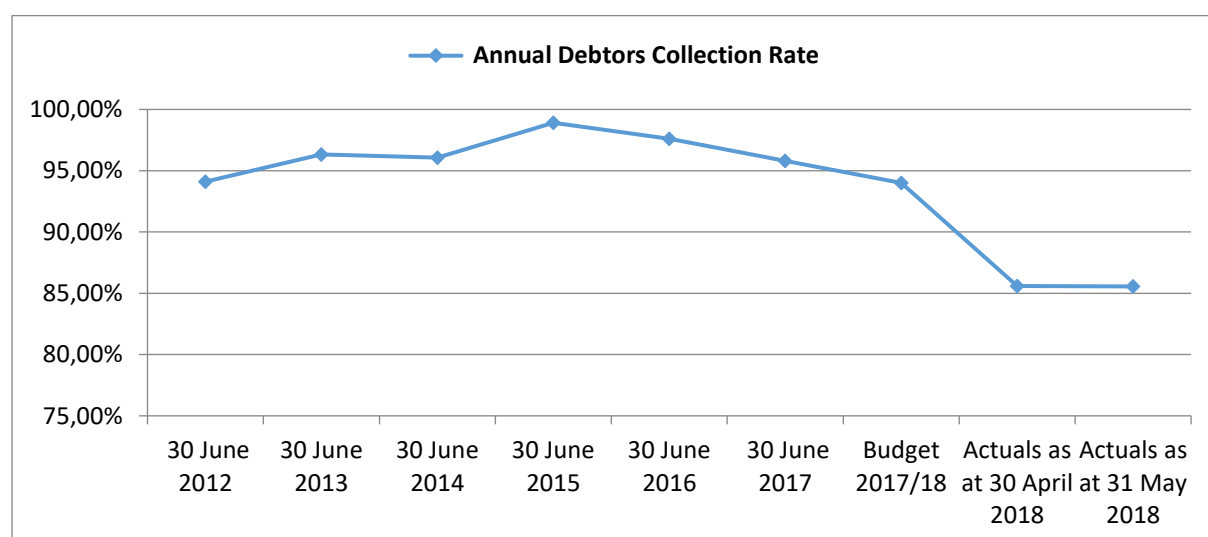
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 31 May 2018 was 85.56%, compared to the budgeted collection rate of 90%. The collection rate of 85.56% as at 31 May 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.

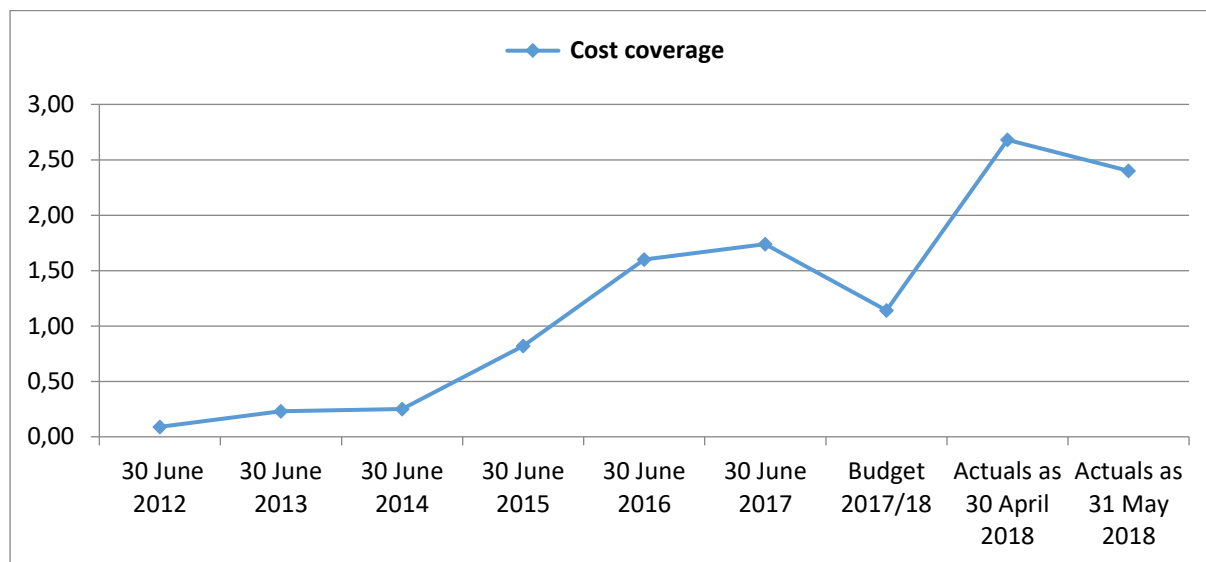
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 31 May 2018, the Ratio was 2.40 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



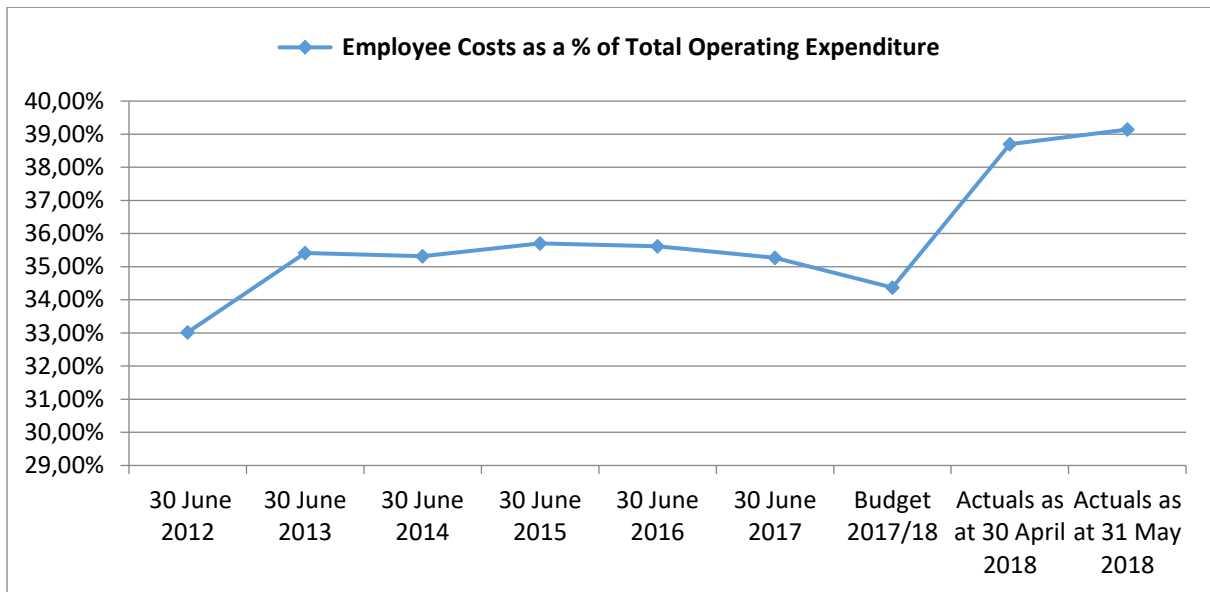
6.4.2. Employee costs as a % of Total Operating Expenditure

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 31 May 2018, Employee Related Costs constituted 39.14% of the Total Operating Expenditure, compared to the budgeted ratio of 32.97%.



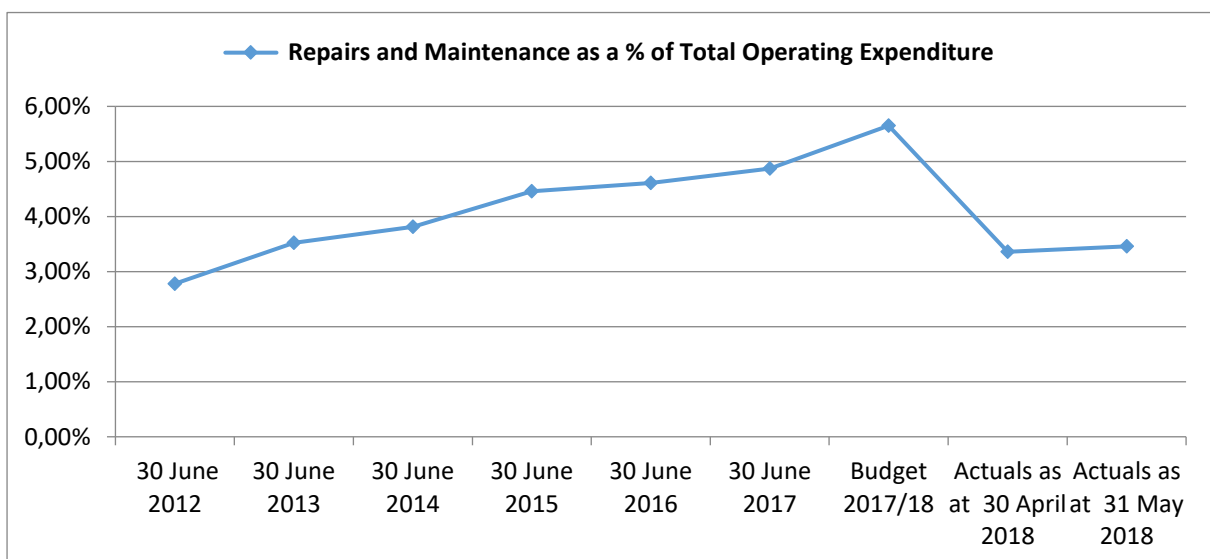
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 31 May 2018, the ratio was 3.46%, 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)

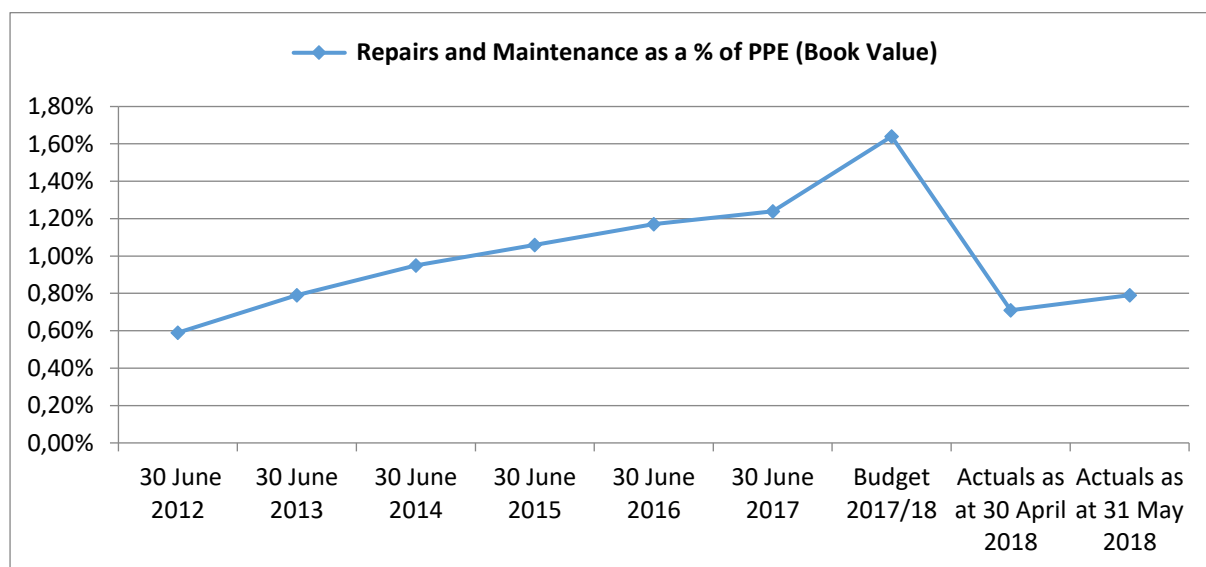
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 May 2018, repairs and maintenance expenditure constituted 0.79% 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%.



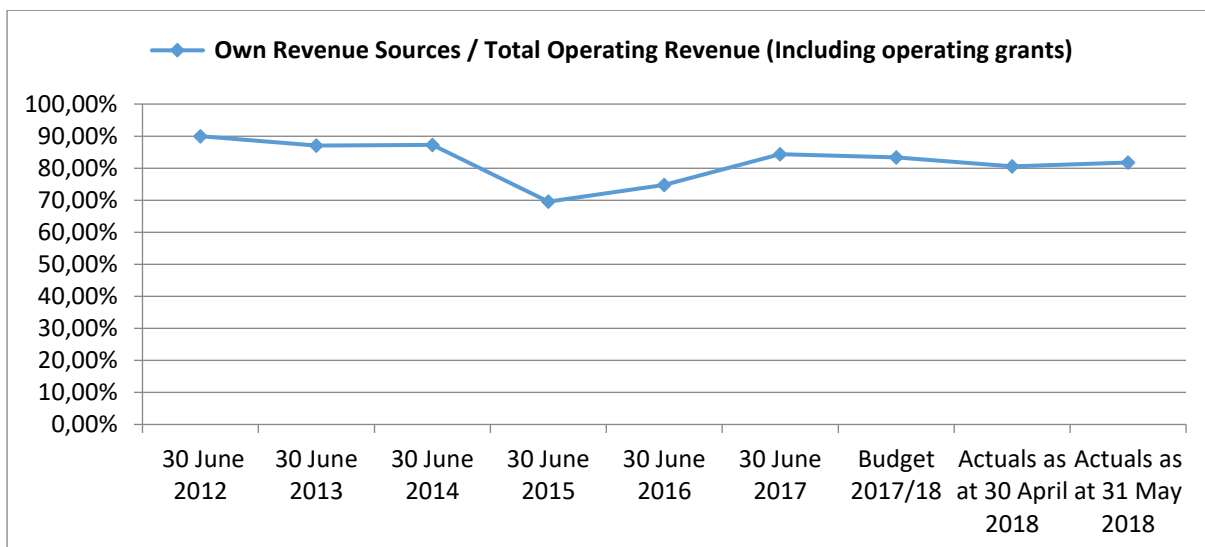
6.4.5. Own Revenue Generation

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 31 May 2018, the Municipality's own revenue sources constituted 81.77% 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 May 2018 amounted to 61.44%, compared to the budgeted ratio of 95%.

