

KOUGA MUNICIPALITY (EC108)**ORDINARY COUNCIL MEETING****FINANCE****DATE:****ITEM NO:**

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

1.1. PURPOSE

This report is submitted in compliance with Sections 71(1) and 52(d) 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 Section 52(d) of the MFMA, the Executive Mayor must within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the Municipality.

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 his 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 June 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 672,818 million, whilst operating expenditure amounted to R 653,334 million, resulting in an operating surplus of R 19,484 million.
- Capital expenditure constituted 81.06% of the approved 2017/18 Adjusted Capital Budget.
- Overdue consumer debts increased by R 9,867 million (8.56%) since June 2017.
- An amount of R 86,379 million is owing to creditors, of which R 31,097 million (36%) represents current creditors.
- The municipality's investment portfolio has increased by R 10,315,905 (12.28%) since June 2017, from R 83,998,799 to R 94,314,704.

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 June 2018	2017/18 Approved Adjusted Budget
Current Ratio	0.72:1	0.85:1	1.13:1	1.06:1	0.91:1
Liquidity Ratio	0.22:1	0.40:1	0.62:1	0.65:1	0.37:1
Cost Coverage (Excluding unspent conditional grants)	0.82 months	1.60 months	1.74 months	1.87 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

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 June 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 Executive Mayor's report on the implementation of the budget and the financial state of affairs of the municipality, in accordance with Section 52(d) of the MFMA be noted.
- iii. That the monthly budget statements be accordingly submitted to Provincial Treasury as stipulated in Section 71(1) of the MFMA.

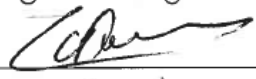
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 Mr. Charl Du Plessis (Municipal Manager)

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 13/07/2018

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO JUNE 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 June 2018	% of Budget
OPERATING REVENUE			
Property rates	160 564 962	160 537 699	99.98%
Total Service Charges	370 093 665	366 216 910	98.95%
Service charges - electricity revenue	230 405 160	221 526 622	96.15%
Service charges - water revenue	58 871 483	62 804 446	106.68%
Service charges - sanitation revenue	40 622 425	38 457 967	94.67%
Service charges - refuse revenue	27 412 365	30 050 373	109.62%
Service charges - other	12 782 232	13 377 503	104.66%
Rental of Facilities and Equipment	1 774 142	629 439	35.48%
Interest Earned - External Investments	7 404 934	6 298 024	85.05%
Interest Earned - Outstanding Debtors	8 939 204	6 842 128	76.54%
Fines, penalties and forfeits	3 962 443	8 158 547	205.90%
Licences and Permits	12 275 879	13 877 426	113.05%
Grants & Subsidies Received - Operating	113 664 015	100 594 090	88.50%
Other Revenue	10 347 111	9 663 974	93.40%
Total Direct Operating Revenue	689 026 355	672 818 238	97.65%
OPERATING EXPENDITURE			
Employee Related Costs	249 044 490	243 081 721	97.61%
Remuneration of Councillors	12 110 618	12 244 881	101.11%
Bad Debts	49 996 841	613 086	1.23%
Depreciation & Asset Impairment	83 730 150	65 158 789	77.82%
Other materials	27 404 582	19 942 591	72.77%
Finance Charges - External Borrowings	3 768 124	3 775 627	100.20%
Total Bulk Purchases	225 623 251	223 623 028	99.11%
Bulk purchases - electricity	187 239 233	190 658 667	101.83%
Bulk purchases - water	38 384 018	32 964 362	85.88%
Contracted Services	42 971 212	35 814 536	83.35%
Transfers and Grants	29 600	24 800	83.78%
Other expenditure	60 742 441	49 054 976	80.76%
Total Direct Operating Expenditure	755 421 309	653 334 034	86.49%
Surplus/(Deficit)	-66 394 954	19 484 204	

The statement of financial performance indicates a surplus of R 19,484,204.

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

Revenue Variations

Property Rates

As at 30 June 2018, the Municipality has recognised 99.98% 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 June 2018 amounted to R 125,064 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 30 June 2018	% of Budget
Executive & Council	97,198	62,177	63.97%
Corporate Services	3,700	3,991	107.87%
Finance	317,059	93,809	29.59%
Community Services	6,800,737	5,675,720	83.46%
Infrastructure and Engineering	24,577,090	20,663,216	84.08%
Planning, Development and Tourism	-	-	
Total	31,795,784	26,498,913	83.34%

It is to be noted that actual repairs and maintenance expenditure constituted 83.34% 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 June 2018	% of Budget
	R	R	
Executive and Council	2,781,000	499,378	17.96%
Corporate Services	2,384,030	1,569,747	65.84%
Finance	2,691,976	1,987,909	73.85%
Community Services	18,442,726	18,439,082	99.98%
Infrastructure and Engineering	36,086,165	28,758,180	79.69%
Planning, Development and Tourism	3,137,823	1,861,181	59.31%
Total	65,523,720	53,115,477	81.06%
Source of Funding	Adjusted Budget 2017/18	Actuals as at 30 June 2018	% of Budget
	R	R	
Internally Generated Funding	33,927,371	29,009,966	85.51%
Government Grants	31,596,349	24,105,511	76.29%
Total	65,523,720	53,115,477	81.06%

It is to be noted that capital expenditure as at 30 June 2018 amounted to 81.06%, compared to the adjusted capital budget of R 65,523,720.

The Government Grants capital expenditure although reflecting 76.29% as at 30 June 2018, is fully expended, however all the accruals for the financial year are not yet captured. This will be included in the Annual Financial Statements.

Annexure "A3"

PROJECTED CASH FLOW STATEMENT FOR THE 2017/18 FINANCIAL YEAR

Projected Cash Flow Statement as at 30 June 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 – M12 June 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	8 157	139 098	144 894	(5 796)	-4%	144 894	
Service charges			348 047	334 125	25 544	330 228	334 125	(3 897)	-1%	334 125	
Other revenue			23 328	26 760	11 663	119 797	26 760	93 038	348%	26 760	
Government - operating			114 219	113 664	-	109 959	113 664	(3 705)	-3%	113 664	
Government - capital			34 660	31 750	-	31 274	31 750	(476)	-2%	31 750	
Interest			16 134	16 344	1 283	15 843	16 344	(502)	-3%	16 344	
Dividends								-		-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(61 750)	(672 518)	(617 897)	54 622	-9%	(617 897)	
Finance charges			(3 768)	(3 768)	(274)	(3 805)	(3 768)	37	-1%	(3 768)	
Transfers and Grants			(1 580)	(30)		-	(30)	(30)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	45 842	(15 378)	69 876	45 842	(24 033)	-52%	45 842
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				1 600	-		1 600	(1 600)	-100%	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)	(65 524)	(10 452)	(53 115)	(65 524)	(12 408)	19%	(65 524)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(63 924)	(10 452)	(53 115)	(63 924)	(10 808)	17%	(63 924)
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)	(606)	(6 444)	(5 906)	538	-9%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(606)	(6 444)	(5 906)	538	-9%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD											
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		94 315	60 266			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 June 2018 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M12 June 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	8 703	160 538	160 565	(27)	-0%	160 565
Service charges	337 384	370 094	370 094	33 499	366 217	370 094	(3 877)	-1%	370 094
Investment revenue	7 776	7 195	7 405	-	6 298	7 405	(1 107)	-15%	7 405
Transfers and subsidies	106 979	114 219	113 664	(15 659)	100 594	113 664	(13 070)	-11%	113 664
Other own revenue	39 649	32 267	37 299	8 524	39 172	37 299	1 873	5%	37 299
Total Revenue (excluding capital transfers and contributions)	639 862	684 339	689 026	35 067	672 818	689 026	(16 208)	-2%	689 026
Employee costs	228 043	256 022	249 044	18 159	243 082	249 044	(5 963)	-2%	249 044
Remuneration of Councillors	11 101	11 725	12 111	944	12 245	12 111	134	1%	12 111
Depreciation & asset impairment	71 047	83 730	83 730	32	65 159	83 730	(18 571)	-22%	83 730
Finance charges	15 491	3 768	3 768	573	3 776	3 768	8	0%	3 768
Materials and bulk purchases	254 706	243 424	253 028	41 306	243 566	253 028	(9 462)	-4%	253 028
Transfers and subsidies	1 080	1 580	30	425	449	30	420	1418%	30
Other expenditure	91 217	144 593	153 710	21 643	85 058	153 710	(68 652)	-45%	153 710
Total Expenditure	672 685	744 842	755 421	83 083	653 334	755 421	(102 087)	-14%	755 421
Surplus/(Deficit)	(32 823)	(60 503)	(66 395)	(48 016)	19 484	(66 395)	85 879	-129%	(66 395)
Transfers and subsidies - capital (monetary alloc	37 326	34 660	31 750	12 363	26 212	31 750	(5 539)	-17%	31 750
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)	80 341	-232%	(34 645)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)	80 341	-232%	(34 645)
Capital expenditure & funds sources									
Capital expenditure	-	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524
Capital transfers recognised	-	35 460	31 596	3 657	24 106	31 596	(7 491)	-24%	31 596
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	24 219	33 927	6 795	29 010	33 927	(4 917)	-14%	33 927
Total sources of capital funds	-	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524
Financial position									
Total current assets	174 240	145 598	148 539		154 437				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		145 885				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		2 433 909				2 493 192
Cash flows									
Net cash from (used) operating	-	57 887	45 842	(15 378)	69 876	45 842	(24 033)	-52%	45 842
Net cash from (used) investing	-	(59 680)	(63 924)	(10 452)	(53 115)	(63 924)	(10 808)	17%	(63 924)
Net cash from (used) financing	-	(6 443)	(6 443)	(606)	(6 444)	(5 906)	538	-9%	(6 443)
Cash/cash equivalents at the month/year end	-	60 014	59 729	-	94 315	60 266	(34 048)	-56%	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	26 966	6 737	4 429	3 459	2 565	1 953	18 953	86 967	152 031
Creditors Age Analysis									
Total Creditors	31 097	910	937	535	457	426	2 124	49 893	86 379

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) – M12 June 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										
Governance and administration		-	281 833	466 104	14 254	288 885	466 104	(177 219)	-38%	466 104
Executive and council		-	34	15	21	96	15	81	538%	15
Finance and administration		-	281 799	466 089	14 233	288 789	466 089	(177 300)	-38%	466 089
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	14 965	18 580	155	9 574	18 580	(9 006)	-48%	18 580
Community and social services		-	2 428	2 515	34	2 453	2 515	(61)	-2%	2 515
Sport and recreation		-	9 833	11 638	114	5 195	11 638	(6 443)	-55%	11 638
Public safety		-	4	1 875	1	8	1 875	(1 867)	-100%	1 875
Housing		-	-	-	-	-	-	-	-	-
Health		-	2 699	2 552	7	1 917	2 552	(635)	-25%	2 552
Economic and environmental services		-	29 175	30 077	(10 351)	22 723	30 077	(7 354)	-24%	30 077
Planning and development		-	6 521	8 246	(14 125)	(1 377)	8 246	(9 623)	-117%	8 246
Road transport		-	8 408	7 426	2 691	9 722	7 426	2 296	31%	7 426
Environmental protection		-	14 247	14 405	1 083	14 379	14 405	(27)	0%	14 405
Trading services		-	393 027	206 017	43 372	377 848	206 017	171 831	83%	206 017
Energy sources		-	239 206	57 106	23 217	225 762	57 106	168 656	295%	57 106
Water management		-	60 871	60 961	5 446	63 677	60 961	2 716	4%	60 961
Waste water management		-	65 521	60 521	11 761	58 356	60 521	(2 164)	-4%	60 521
Waste management		-	27 429	27 429	2 947	30 052	27 429	2 623	10%	27 429
Other	4	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	2	-	719 000	720 777	47 430	699 030	720 777	(21 747)	-3%	720 777
Expenditure - Functional										
Governance and administration		-	169 788	172 034	18 015	137 375	172 034	(34 659)	-20%	172 034
Executive and council		-	43 765	47 505	3 598	40 840	47 505	(6 665)	-14%	47 505
Finance and administration		-	126 024	124 529	14 417	96 535	124 529	(27 994)	-22%	124 529
Internal audit		-	-	-	-	-	-	-	-	-
Community and public safety		-	81 788	85 944	7 188	76 307	85 944	(9 638)	-11%	85 944
Community and social services		-	9 701	9 353	663	7 372	9 353	(1 982)	-21%	9 353
Sport and recreation		-	42 081	48 321	3 827	43 538	48 321	(4 783)	-10%	48 321
Public safety		-	20 985	19 773	2 212	18 174	19 773	(1 598)	-8%	19 773
Housing		-	4 369	3 812	201	2 870	3 812	(942)	-25%	3 812
Health		-	4 653	4 685	285	4 353	4 685	(332)	-7%	4 685
Economic and environmental services		-	111 075	104 133	5 347	88 221	104 133	(15 912)	-15%	104 133
Planning and development		-	30 274	30 503	1 834	24 797	30 503	(5 706)	-19%	30 503
Road transport		-	71 834	67 464	3 098	60 773	67 464	(6 691)	-10%	67 464
Environmental protection		-	8 966	6 167	415	2 651	6 167	(3 515)	-57%	6 167
Trading services		-	378 843	390 041	50 886	348 760	390 041	(41 281)	-11%	390 041
Energy sources		-	227 987	235 025	36 076	213 985	235 025	(21 040)	-9%	235 025
Water management		-	77 021	80 726	9 167	65 767	80 726	(14 959)	-19%	80 726
Waste water management		-	40 698	40 804	2 908	37 733	40 804	(3 072)	-8%	40 804
Waste management		-	33 136	33 486	2 734	31 276	33 486	(2 210)	-7%	33 486
Other		-	3 349	3 268	1 647	2 671	3 268	(597)	-18%	3 268
Total Expenditure - Functional	3	-	744 842	755 421	83 083	653 334	755 421	(102 087)	-14%	755 421
Surplus/ (Deficit) for the year		-	(25 843)	(34 644)	(35 653)	45 696	(34 644)	80 340	-232%	(34 644)

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 – M12 June 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	9 641	281 104	279 731	1 373	0.5%	279 731
Vote 3 - Administration, Monitoring & Evaluation	16	752	733	21	96	733	(637)	-86.9%	733
Vote 4 - Led, Tourism & Creative Industries	-	1 440	1 885	1 440	1 440	1 885	(445)	-23.6%	1 885
Vote 5 - Infrastructure, Planning & Development	373 523	371 680	368 050	24 770	344 847	368 050	(23 203)	-6.3%	368 050
Vote 6 - Social Services	42 009	67 586	70 377	11 558	71 543	70 377	1 166	1.7%	70 377
Total Revenue by Vote	677 188	719 000	720 777	47 430	699 030	720 777	(21 747)	-3.0%	720 777
Expenditure by Vote									
Vote 1 - Executive & Council	30 867	35 224	35 302	3 220	30 059	35 302	(5 243)	-14.9%	35 302
Vote 2 - Financial Services	54 743	65 852	72 852	8 256	49 817	72 852	(23 035)	-31.6%	72 852
Vote 3 - Administration, Monitoring & Evaluation	34 858	41 583	38 587	4 372	39 171	38 587	584	1.5%	38 587
Vote 4 - Led, Tourism & Creative Industries	9 279	11 017	10 562	1 991	2 066	10 562	(8 495)	-80.4%	10 562
Vote 5 - Infrastructure, Planning & Development	416 677	443 519	449 436	52 515	395 397	449 436	(54 039)	-12.0%	449 436
Vote 6 - Social Services	126 261	147 648	148 683	12 728	136 824	148 683	(11 859)	-8.0%	148 683
Total Expenditure by Vote	672 685	744 842	755 421	83 083	653 334	755 421	(102 087)	-13.5%	755 421
Surplus/ (Deficit) for the year	4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)	80 341	-231.9%	(34 645)

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) – M12 June 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	8 703	160 538	160 565	(27)	0%	160 565
Service charges - electricity revenue		241 234	230 405	230 405	20 389	221 527	230 405	(8 879)	-4%	230 405
Service charges - water revenue		39 608	58 871	58 871	5 446	62 804	58 871	3 933	7%	58 871
Service charges - sanitation revenue		41 828	40 622	40 622	3 647	38 458	40 622	(2 164)	-5%	40 622
Service charges - refuse revenue		53 036	27 412	40 195	4 018	43 428	40 195	3 233	8%	40 195
Service charges - other		(38 322)	12 782	-	-	-	-	-	-	-
Rental of facilities and equipment		1 506	1 309	1 774	(394)	629	1 774	(1 145)	-65%	1 774
Interest earned - external investments		7 776	7 195	7 405	-	6 298	7 405	(1 107)	-15%	7 405
Interest earned - outstanding debtors		8 144	8 939	8 939	660	6 842	8 939	(2 097)	-23%	8 939
Dividends received		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		10 552	3 761	3 962	4 657	8 159	3 962	4 196	106%	3 962
Licences and permits		6 877	11 773	12 276	2 894	13 877	12 276	1 602	13%	12 276
Agency services		-	-	-	-	-	-	-	-	-
Transfers and subsidies		106 979	114 219	113 664	(15 659)	100 594	113 664	(13 070)	-11%	113 664
Other revenue		12 570	6 484	10 347	708	9 664	10 347	(683)	-7%	10 347
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		639 862	684 339	689 026	35 067	672 818	689 026	(16 208)	-2%	689 026
Expenditure By Type										
Employee related costs		228 043	256 022	249 044	18 159	243 082	249 044	(5 963)	-2%	249 044
Remuneration of councillors		11 101	11 725	12 111	944	12 245	12 111	134	1%	12 111
Debt impairment		24 779	31 680	49 997	-	613	49 997	(49 384)	-99%	49 997
Depreciation & asset impairment		71 047	83 730	83 730	32	65 159	83 730	(18 571)	-22%	83 730
Finance charges		15 491	3 768	3 768	573	3 776	3 768	8	0%	3 768
Bulk purchases		220 618	225 623	225 623	37 800	223 623	225 623	(2 000)	-1%	225 623
Other materials		34 087	17 801	27 405	3 506	19 943	27 405	(7 462)	-27%	27 405
Contracted services		13 293	41 751	42 971	9 550	35 815	42 971	(7 157)	-17%	42 971
Transfers and subsidies		1 080	1 580	30	425	449	30	420	1418%	30
Other expenditure		51 086	71 162	60 742	12 093	48 630	60 742	(12 112)	-20%	60 742
Loss on disposal of PPE		2 058	-	-	-	-	-	-	-	-
Total Expenditure		672 685	744 842	755 421	83 083	653 334	755 421	(102 087)	-14%	755 421
Surplus/(Deficit)										
Transfers and subsidies - capital (monetary assistance) (National / Provincial and District)		(32 823)	(60 503)	(66 395)	(48 016)	19 484	(66 395)	85 879	(0)	(66 395)
(National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		37 326	34 660	31 750	12 363	26 212	31 750	(5 539)	(0)	31 750
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)			(34 645)
Taxation		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation		4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)			(34 645)
Attributable to minorities		-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality		4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)			(34 645)
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year		4 503	(25 843)	(34 645)	(35 653)	45 696	(34 645)			(34 645)

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) – M12 June 2018

Vote Description	Budget Year 2017/18							
	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	292	499	2 781	(2 282)	-82%	2 781
Vote 2 - Financial Services	3 304	2 790	477	1 988	2 790	(802)	-29%	2 790
Vote 3 - Administration, Monitoring & Evaluation	477	2 284	323	1 570	2 284	(714)	-31%	2 284
Vote 4 - Led, Tourism & Creative Industries	2 551	1 967	303	1 861	1 967	(106)	-5%	1 967
Vote 5 - Infrastructure, Planning & Development	40 408	37 437	6 883	28 758	37 437	(8 678)	-23%	37 437
Vote 6 - Social Services	12 759	18 265	2 175	18 439	18 265	174	1%	18 265
Total Capital single-year expenditure	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524
Total Capital Expenditure	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524
Capital Expenditure - Functional Classification								
Governance and administration	4 813	8 231	1 280	4 373	8 231	(3 858)	-47%	8 231
Executive and council	157	2 757	292	499	2 757	(2 258)	-82%	2 757
Finance and administration	4 656	5 474	988	3 873	5 474	(1 600)	-29%	5 474
Internal audit	-	-	-	-	-	-	-	-
Community and public safety	6 993	10 415	1 684	5 345	10 415	(5 070)	-49%	10 415
Community and social services	599	849	602	663	849	(186)	-22%	849
Sport and recreation	4 869	7 041	1 020	4 466	7 041	(2 576)	-37%	7 041
Public safety	950	2 150	62	216	2 150	(1 934)	-90%	2 150
Housing	-	-	-	-	-	-	-	-
Health	575	375	-	-	375	(375)	-100%	375
Economic and environmental services	6 502	5 660	1 034	3 324	5 660	(2 336)	-41%	5 660
Planning and development	2 742	2 672	731	2 554	2 672	(118)	-4%	2 672
Road transport	2 820	1 688	303	421	1 688	(1 267)	-75%	1 688
Environmental protection	940	1 300	-	349	1 300	(951)	-73%	1 300
Trading services	41 372	41 218	6 454	40 074	41 218	(1 144)	-3%	41 218
Energy sources	7 255	4 940	2 285	3 516	4 940	(1 424)	-29%	4 940
Water management	5 292	9 103	1 771	7 013	9 103	(2 090)	-23%	9 103
Waste water management	25 680	21 538	2 398	17 491	21 538	(4 047)	-19%	21 538
Waste management	3 145	5 636	-	12 054	5 636	6 418	114%	5 636
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional Classification	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524
Funded by:								
National Government	35 460	30 361	3 657	24 106	30 361	(6 256)	-21%	30 361
Provincial Government		1 090			1 090	(1 090)	-100%	1 090
District Municipality		145			145	(145)	-100%	145
Other transfers and grants						-	-	
Transfers recognised - capital	35 460	31 596	3 657	24 106	31 596	(7 491)	-24%	31 596
Public contributions & donations						-	-	
Borrowing						-	-	
Internally generated funds	24 219	33 927	6 795	29 010	33 927	(4 917)	-14%	33 927
Total Capital Funding	59 680	65 524	10 452	53 115	65 524	(12 408)	-19%	65 524

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 – M12 June 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	4 260	5 973
Call investment deposits		78 567	42 010	53 757	90 055	53 757
Consumer debtors		42 559	55 213	55 213	51 956	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	154 437	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	2 744 918	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	89 349	106 811
Provisions		22 644	31 021	31 021	39 824	31 021
Total current liabilities		179 777	153 131	163 348	145 885	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	311 009	312 287
NET ASSETS	2	2 102 989	2 490 714	2 493 192	2 433 909	2 493 192
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		2 102 989	2 490 714	2 493 192	2 433 909	2 493 192
Reserves		–				
TOTAL COMMUNITY WEALTH/EQUITY	2	2 102 989	2 490 714	2 493 192	2 433 909	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 – M12 June 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	8 157	139 098	144 894	(5 796)	-4%	144 894	
Service charges			348 047	334 125	25 544	330 228	334 125	(3 897)	-1%	334 125	
Other revenue			23 328	26 760	11 663	119 797	26 760	93 038	348%	26 760	
Government - operating			114 219	113 664	-	109 959	113 664	(3 705)	-3%	113 664	
Government - capital			34 660	31 750	-	31 274	31 750	(476)	-2%	31 750	
Interest			16 134	16 344	1 283	15 843	16 344	(502)	-3%	16 344	
Dividends								-		-	
Payments											
Suppliers and employees			(624 084)	(617 897)	(61 750)	(672 518)	(617 897)	54 622	-9%	(617 897)	
Finance charges			(3 768)	(3 768)	(274)	(3 805)	(3 768)	37	-1%	(3 768)	
Transfers and Grants			(1 580)	(30)		-	(30)	(30)	100%	(30)	
NET CASH FROM/(USED) OPERATING ACTIVITIES			-	57 887	45 842	(15 378)	69 876	45 842	(24 033)	-52%	45 842
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				1 600	-		1 600	(1 600)	-100%	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)	(65 524)	(10 452)	(53 115)	(65 524)	(12 408)	19%	(65 524)	
NET CASH FROM/(USED) INVESTING ACTIVITIES			-	(59 680)	(63 924)	(10 452)	(53 115)	(63 924)	(10 808)	17%	(63 924)
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)	(606)	(6 444)	(5 906)	538	-9%	(6 443)	
NET CASH FROM/(USED) FINANCING ACTIVITIES			-	(6 443)	(6 443)	(606)	(6 444)	(5 906)	538	-9%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD			-	(8 235)	(24 524)	(26 437)	10 316	(23 987)			(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		94 315	60 266			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 30 June 2018.

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

Description	Budget Year 2016/17									
	R thousands	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 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 June 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	7 819	2 073	1 457	1 222	824	594	3 847	19 415	37 251
Trade and Other Receivables from Exchange Transactions - Electricity	14 563	1 349	602	402	331	226	1 908	6 001	25 382
Receivables from Non-exchange Transactions - Property Rates	8 069	700	494	394	318	297	6 758	16 539	33 569
Receivables from Exchange Transactions - Waste Water Management	4 267	897	631	483	380	258	1 714	8 652	17 282
Receivables from Exchange Transactions - Waste Management	4 202	1 023	842	600	356	335	1 778	11 769	20 905
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	68	87	97	101	88	84	915	17 487	18 928
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(12 022)	608	306	257	267	159	2 034	7 106	(1 286)
Total By Income Source	26 966	6 737	4 429	3 459	2 565	1 953	18 953	86 967	152 031
									-
Debtors Age Analysis By Customer Group									
Organs of State	567	230	31	31	28	27	1 204	1 578	3 696
Commercial	6 132	385	256	238	282	115	983	2 878	11 269
Households	20 268	6 122	4 142	3 190	2 256	1 812	16 766	82 512	137 067
Other	-	-	-	-	-	-	-	-	-
Total By Customer Group	26 966	6 737	4 429	3 459	2 565	1 953	18 953	86 967	152 031

The aforementioned analysis indicates that from 30 June 2017 to 30 June 2018, the overdue debts have increased from R 115,198 million to R 125,064 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
	30-Jun-17	30-Jun-18	Difference
Debtors Age Analysis By Income Source			
Trade and Other Receivables from Exchange Transactions - Water	26 290	29 432	3 141
Trade and Other Receivables from Exchange Transactions - Electricity	11 192	10 819	(374)
Receivables from Non-exchange Transactions - Property Rates	25 337	25 500	162
Receivables from Exchange Transactions - Waste Water Management	12 297	13 015	718
Receivables from Exchange Transactions - Waste Management	14 074	16 704	2 629
Receivables from Exchange Transactions - Property Rental Debtors	1	1	-
Interest on Arrear Debtor Accounts	16 685	18 860	2 174
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-
Other	9 321	10 736	1 415
Total By Income Source	115 198	125 064	9 867
Debtors Age Analysis By Customer Group			
Organs of State	2 323	3 128	805
Commercial	4 588	5 137	549
Households	108 287	116 799	8 512
Other		-	
Total By Customer Group	115 198	125 064	9 867

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	21 778	-	-	-	-	-	-	-	21 778
Bulk Water	3 502	481	898	437	429	426	2 124	49 799	58 097
PAYE deductions	-	-	-	-	-	-	-	-	-
VAT (output less input)	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	5 818	429	39	98	27	-	-	94	6 504
Auditor General	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total By Customer Type	31 097	910	937	535	457	426	2 124	49 893	86 379

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

Eskom	R 21,778 million
NMBM (Bulk water)	R 58,097 million
Other Creditors	<u>R 6,504 million</u>
TOTAL	<u>R 86,379 million</u>

It is to be noted that the Eskom amount of R 21,778 million, represents the current account for June 2018, which will be paid by 25 July 2018.

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 June 2018.

	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 30 June 2018
Standard Bank	16 256 857	5 000 000	1 396 864	4 000 000	-	18 653 721
ABSA	16 288 040	8 000 000	1 519 153	-	369	25 806 825
Nedbank	17 053 655	5 000 000	1 466 506	4 000 000	-	19 520 160
RMB	13 300 134	31 199 729	1 557 932	40 172 484	-	5 885 309
INVESTEC	15 668 170	7 000 000	1 520 671	4 000 000	-	20 188 841
Total	78 566 856	56 199 729	7 461 125	-52 172 484	-369	90 054 856
INVESTMENT	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 30 June 2018
General Account	71 159 248	31 288 729	6 277 963	23 000 000	369	85 725 571
Conditional Grants	4 619 926	24 911 000	1 000 921	29 172 484	-	1 359 363
Housing Funds	2 787 682	-	182 241	-	-	2 969 923
Total	78 566 856	56 199 729	7 461 125	-52 172 484	-369	90 054 856
Bank	5 431 943			-1 172 096		4 259 847
Total	83 998 799	56 199 729	7 461 125	-53 344 580	-369	94 314 704

The increase in the investment portfolio since 30 June 2017 amounts to R 10,315,905. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 4,259,847
Short-term Investment Deposits	R 90,054,856
	<u>R 94,314,704</u>

Application of Cash

Unspent Conditional Grants	2,969,923
Outstanding Creditors Liability	<u>86,378,749</u>
	<u>R 89,348,672</u>

Reserves in excess of Commitments

R 4,966,032

The cash backed reserves exceed the commitments at this stage by an amount of R 4,966,032.

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

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M12 June 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	–	106 668	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		1 614	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	–	112 793	113 664	(871)	-0.8%	113 664
Capital Transfers and Grants								
National Government:	34 660	29 660	–	29 660	29 660	–		34 660
Municipal Infrastructure Grant (MIG)	30 660	25 660		25 660	25 660	–		30 660
Integrated National Electrification Programme	4 000	4 000		4 000	4 000	–		4 000
Provincial Government:	–	1 090	–	1 090	1 090	–		–
Disaster Boreholes Grant		1 090		1 090	1 090	–		
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	31 750	–	31 750	31 750	–		35 660
TOTAL RECEIPTS OF TRANSFERS & GRANTS	148 879	145 414	–	144 543	145 414	(871)	-0.6%	149 324

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

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M12 June 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	610	106 668	106 668	(0)	0.0%	106 951
Local Government Equitable Share	102 637	102 637		102 354	102 354	-		102 637
Finance Management	1 700	1 700	454	1 700	1 700	-		1 700
MIG - Administration Fees	1 614	1 614	135	1 614	1 614	-		1 614
EPWP Incentive	1 000	1 000	21	1 000	1 000	(0)	0.0%	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	4 022	(392)	-9.8%	4 218
Fire Services Subsidy		1 865		1 865	1 865	-		1 865
Environmental Health Subsidy	2 500	2 353		1 765	2 157	(392)	-18.2%	2 353
Other grant providers:	718	445	-	-	445	(445)	-100.0%	445
Local development Grant		445			445	(445)	-100.0%	445
Skills Development Grant	718					-		
Total operating expenditure of Transfers and Grants:	114 219	113 664	610	112 348	113 185	(837)	-0.7%	113 664
Capital expenditure of Transfers and Grants								
National Government:	34 660	29 660	7 158	29 660	29 660	-		29 660
Municipal Infrastructure Grant (MIG)	30 660	25 660	4 525	25 660	25 660	-		25 660
Integrated National Electrification Programme	4 000	4 000	2 633	4 000	4 000	-		4 000
Provincial Government:	-	1 090	-	1 090	1 090	-		1 090
Disaster Boreholes Grant		1 090		1 090	1 090	-		1 090
District Municipality:	-	1 000	-	1 000	1 000	-		1 000
Disaster Boreholes Grant		1 000		1 000	1 000	-		1 000
Total capital expenditure of Transfers and Grants	34 660	31 750	7 158	31 750	31 750	-		31 750
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	148 879	145 414	7 768	144 098	144 935	(837)	-0.6%	145 414

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 1,700,000
Unspent as at 30 June 2018:	R 0,00

The spending of the grant amounted to 100% as at 30 June 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 30 June 2018:	R 0,00

The spending of the grant amounted to 100% as at 30 June 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 27,274,000
Unspent as at 30 June 2018:	R 0,00

The spending of the grant amounted to 100% as at 30 June 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 4,000,000
Unspent as at 30 June 2018:	R 0,00

The spending of the grant amounted to 100% as at 30 June 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 June 2018:	R 2,969,923

The spending of the grant amounted to 60.29% as at 30 June 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 – M12 June 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							%	
Councillors (Political Office Bearers plus Other)								
Basic Salaries and Wages	7 712	8 047	581	7 889	8 047	(158)	-2%	8 047
Medical Aid Contributions	650	650			650	(650)	-100%	650
Motor Vehicle Allowance	2 602	2 602	241	2 898	2 602	296	11%	2 602
Cellphone Allowance	762	812	105	1 265	812	452	56%	812
Other benefits and allowances			16	194		194		
Sub Total - Councillors	11 725	12 111	944	12 245	12 111	134	1%	12 111
Senior Managers of the Municipality								
Basic Salaries and Wages	8 700	5 159	397	4 770	5 159	(389)	-8%	5 159
Pension and UIF Contributions		377			377	(377)	-100%	377
Medical Aid Contributions		211			211	(211)	-100%	211
Performance Bonus	2 143	3			3	(3)	-100%	3
Motor Vehicle Allowance	726	229	43	511	229	282	123%	229
Cellphone Allowance			1	18		18		
Other benefits and allowances	21	395	15	176	395	(219)	-56%	395
Sub Total - Senior Managers of Municipality	11 590	6 374	456	5 474	6 374	(900)	-14%	6 374
Other Municipal Staff								
Basic Salaries and Wages	152 193	148 655	10 735	143 773	148 655	(4 882)	-3%	148 655
Pension and UIF Contributions	24 723	24 346	1 982	23 493	24 346	(853)	-4%	24 346
Medical Aid Contributions	15 143	14 931	1 174	13 449	14 931	(1 482)	-10%	14 931
Overtime	10 375	10 425	285	18 288	10 425	7 863	75%	10 425
Annual Bonus	12 595	14 736	9	10 921	14 736	(3 815)	-26%	14 736
Motor Vehicle Allowance	7 231	7 678	531	6 913	7 678	(765)	-10%	7 678
Cellphone Allowance				38		38		
Housing Allowances	2 301	2 301	150	1 835	2 301	(466)	-20%	2 301
Other benefits and allowances	19 059	18 786	1 514	18 095	18 786	(691)	-4%	18 786
Payments in lieu of leave			1 264			-		
Long service awards	812	812	59	803	812	(9)	-1%	812
Sub Total - Other Municipal Staff	244 432	242 670	17 703	237 608	242 670	(5 062)	-2%	242 670
Total Parent Municipality	267 747	261 155	19 103	255 327	261 155	(5 829)	-2%	261 155
TOTAL SALARY, ALLOWANCES & BENEFITS	267 747	261 155	19 103	255 327	261 155	(5 829)	-2%	261 155
TOTAL MANAGERS AND STAFF	256 022	249 044	18 159	243 082	249 044	(5 963)	-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 30 June 2018
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.35%	1.57%
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	0.02
Liquidity								
Current Ratio	Current assets / current liabilities	0.54	0.54	0.72	0.85	1.13	0.91	1.06
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.37	0.65
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%	90%	90.73%

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 June 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	1.87
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	35.70%	35.62%	35.27%	32.97%	37.21%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	63.84%	95.00%	81.06%
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%	4.06%
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%	1.06%
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%	85.05%

The above table is discussed in detail below.

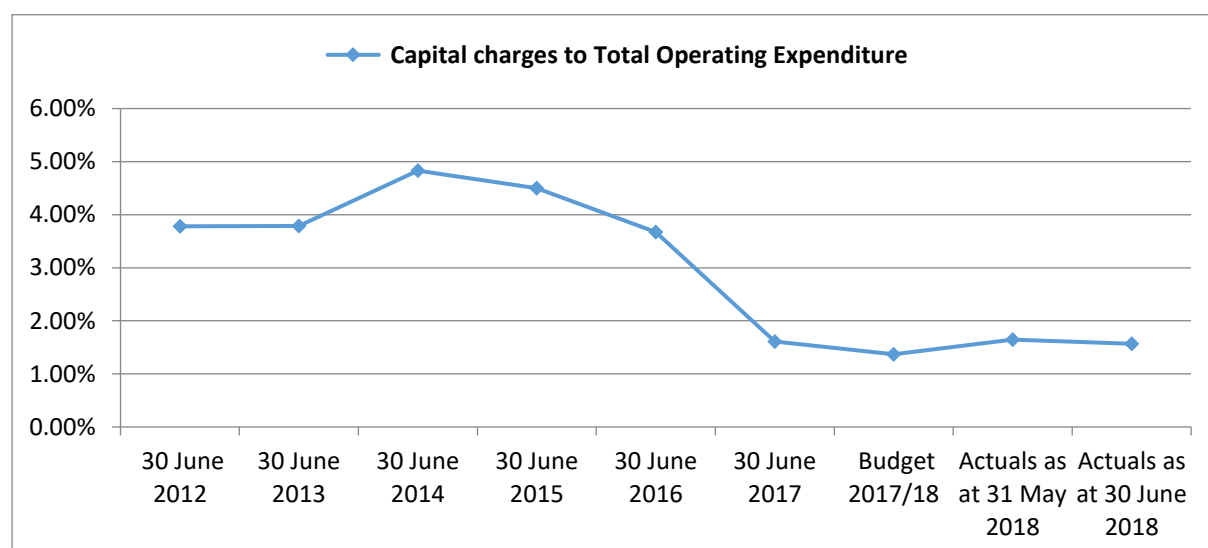
6.1. Borrowing Management

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 1.57% of the Total Operating Expenditure was utilised for capital charges as at 30 June 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.

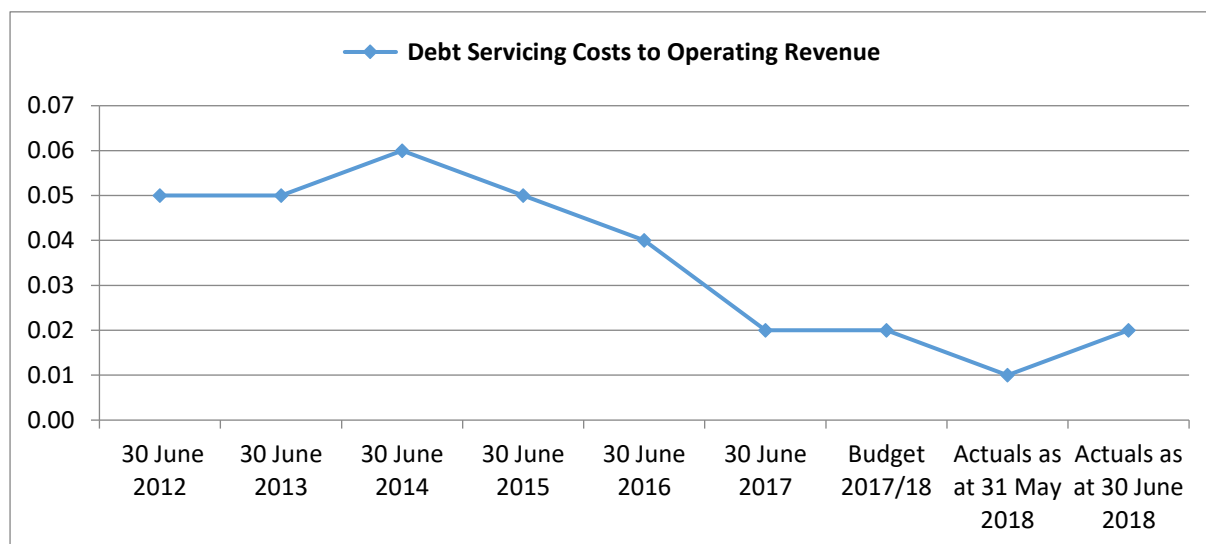
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 June 2018, the ratio was 0.02:1, 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:

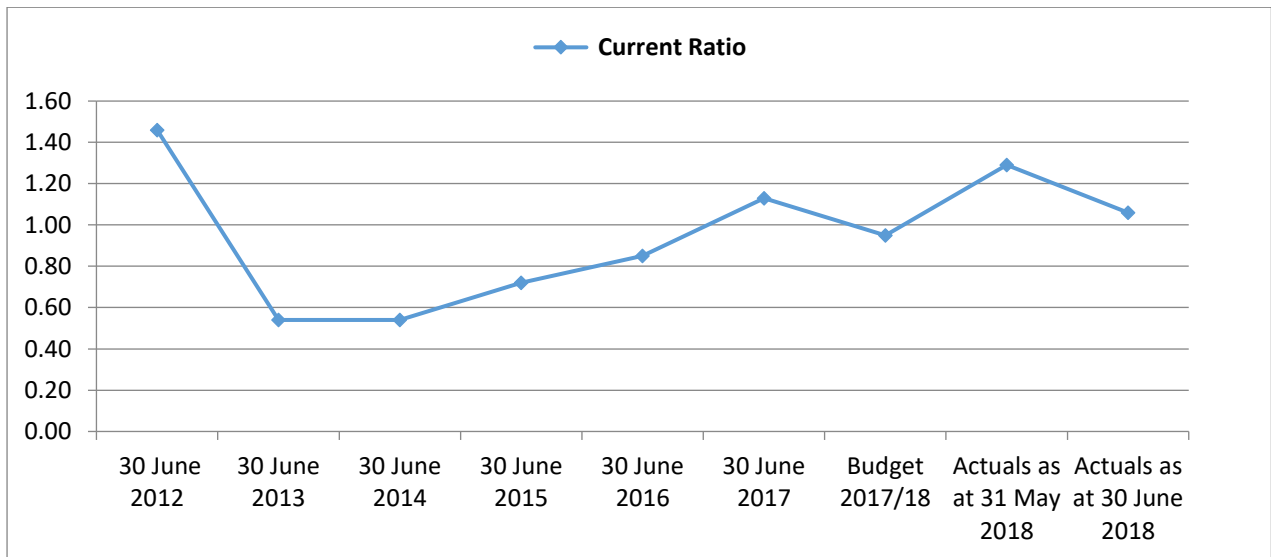
Current assets/Current liabilities

The ratio as at 30 June 2018 was 1.06:1, 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

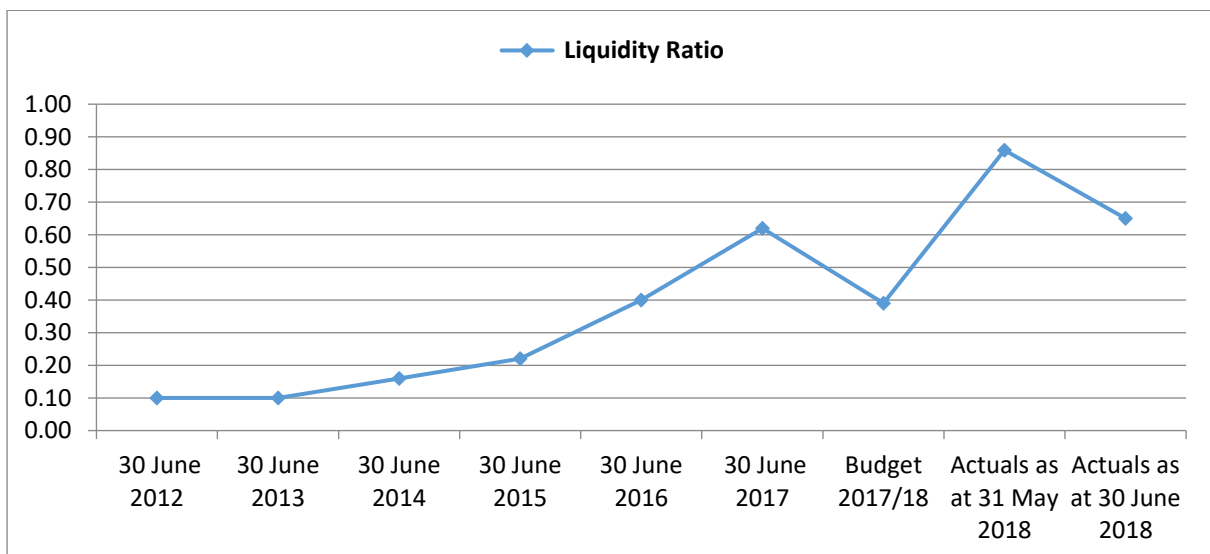
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

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 June 2018 was 0.65:1, 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

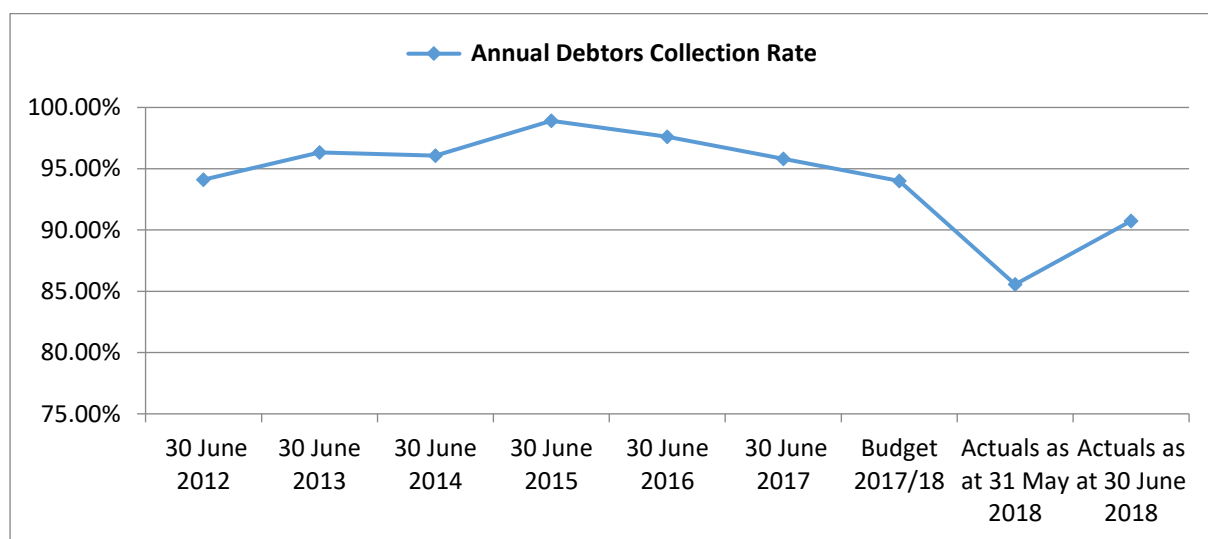
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 June 2018 was 90.73%, compared to the budgeted collection rate of 90%. The collection rate of 90.73% as at 30 June 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.

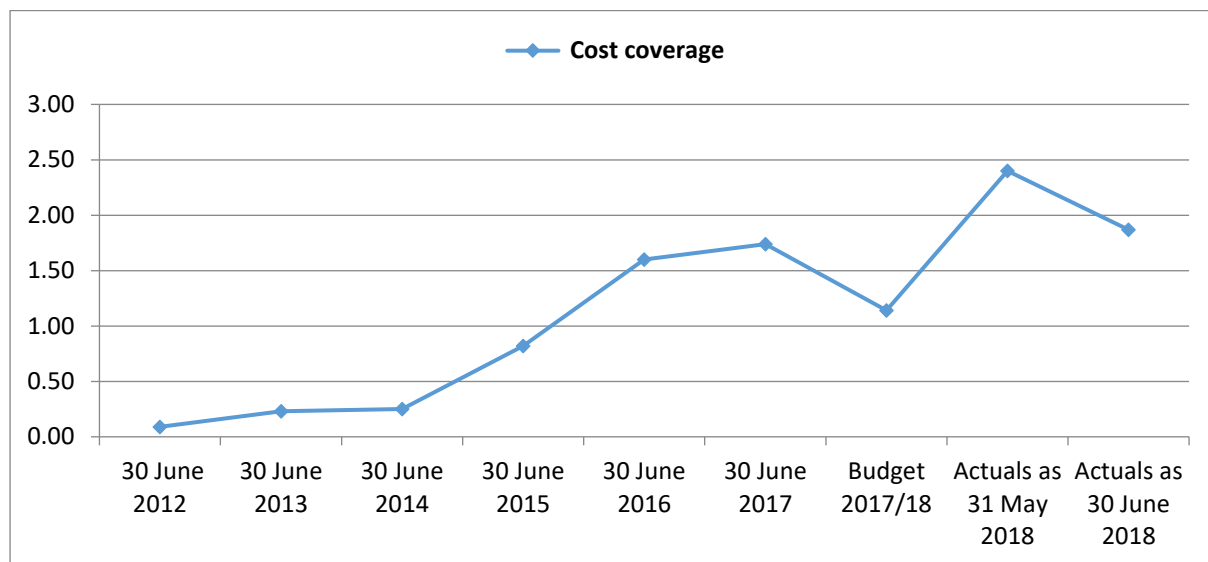
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 June 2018, the Ratio was 1.87 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



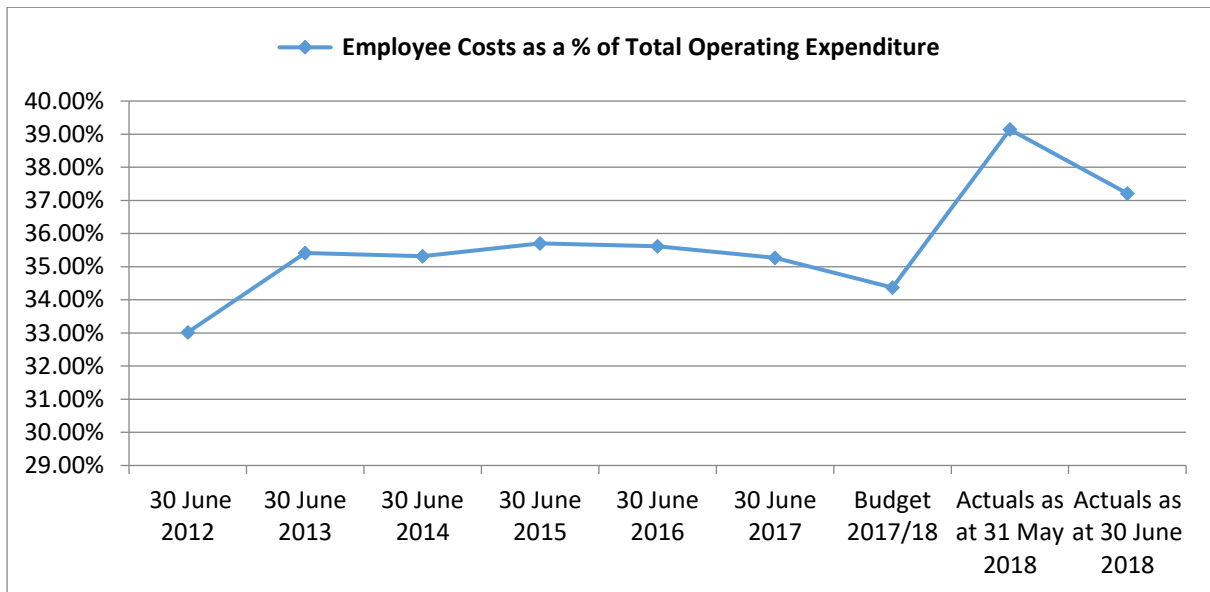
6.4.2. Employee costs as a % of Total Operating Expenditure

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 June 2018, Employee Related Costs constituted 37.21% of the Total Operating Expenditure, compared to the budgeted ratio of 32.97%.



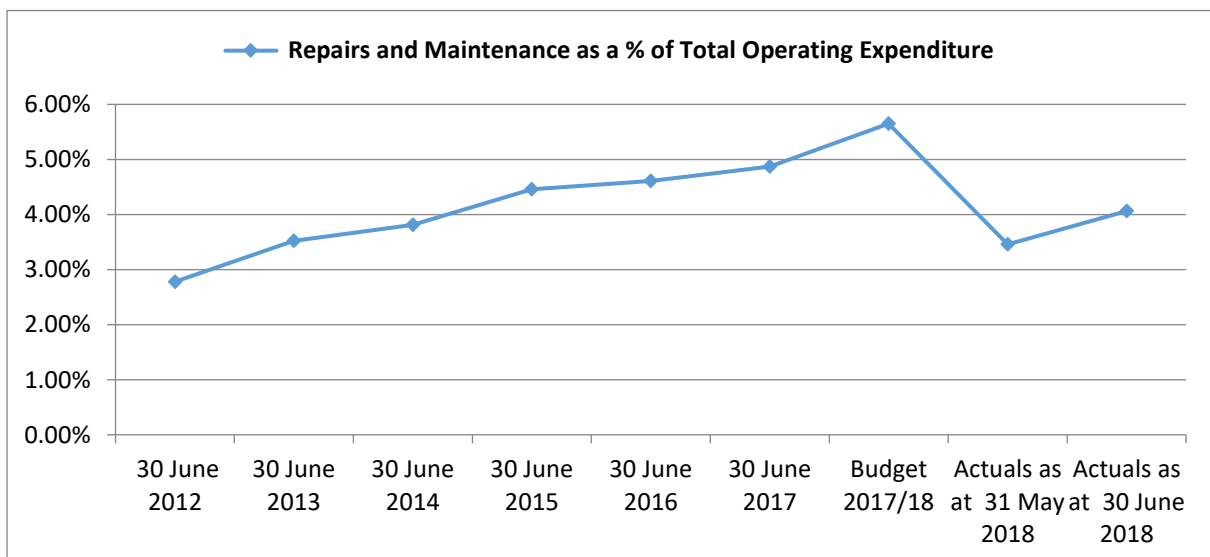
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 June 2018, the ratio was 4.06%, 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)

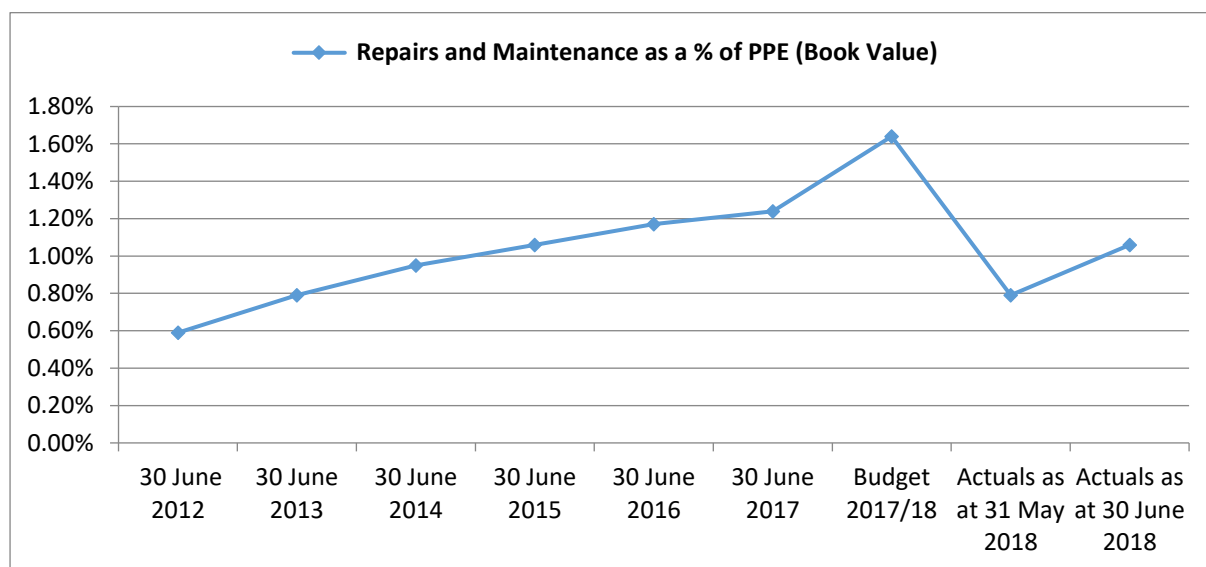
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 30 June 2018, repairs and maintenance expenditure constituted 1.06% 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%.



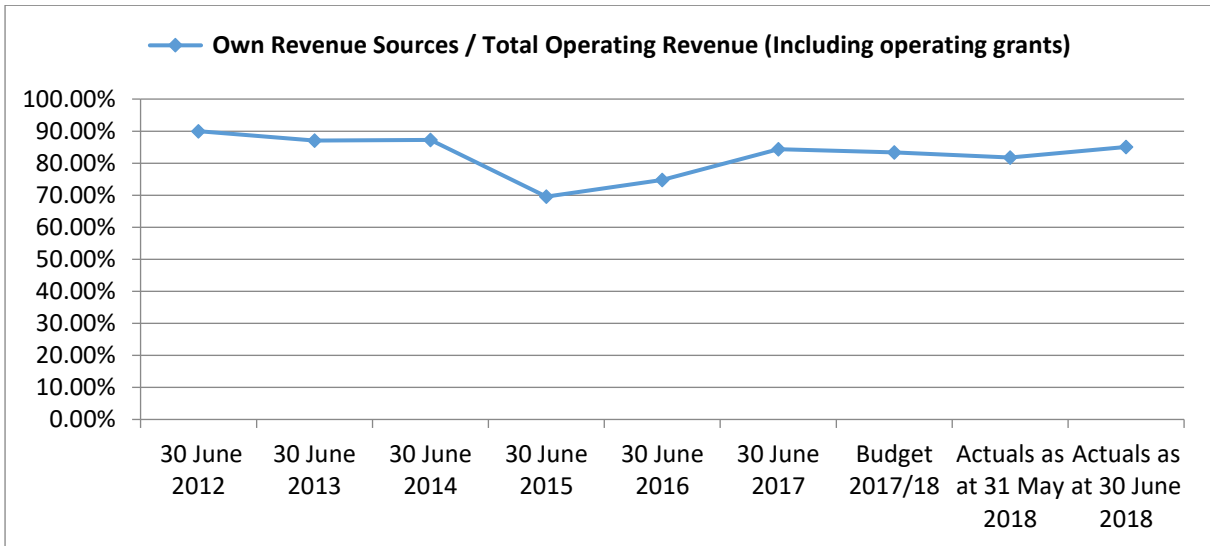
6.4.5. Own Revenue Generation

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 June 2018, the Municipality's own revenue sources constituted 85.05% 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 June 2018 amounted to 81.06%, compared to the budgeted ratio of 95%.

