KOUGA MUNICIPALITY (EC108)

PORTFOLIO COMMITTTEE

FINANCE, ADMINISTRATION, MONITORING & EVALUATION

DATE: **ITEM NO:**

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1. MONTHLY BUDGET STATEMENT FOR THE MONTH OF JULY 2016 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 31 JULY 2016 (2016/17 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 on-going 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 month of July 2016, 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 138,075 million, whilst operating expenditure amounted to R 22,670 million, resulting in an operating surplus of R 115,405 million. This is influenced by the accounting treatment of the bad debts provision and depreciation and asset impairment.

- Capital expenditure constituted 0.11% of the approved 2016/17 Capital Budget.
- Overdue consumer debts increased by R 3,979 million (3.75%) since June 2016.
- An amount of R 43,812 million is owing to creditors, of which R 27,992 million (63.89%) represents current creditors.
- The municipality's investment portfolio has increased by R 25,474,012 (32.51%) since June 2016, from R 78,361,271 to R 103,835,283.

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

Ratio	Actual as at June 2013	Actual as at June 2014	Actual as at June 2015	Actual as at June 2016	Actual as at July 2016	2016/17 Approved Budget
Current Ratio	0.54:1	0.54:1	0.86:1	0.99:1	1.89:1	0.90:1
Liquidity Ratio	0.10:1	0.16:1	0.28:1	0.60:1	0.84:1	0.21:1
Cost Coverage (Excluding unspent conditional grants)	0.23 months	0.25 months	0.85 months	1.49 months	1.86 months	0.61 months
Debt servicing costs to Operating Revenue Ratio	0.05:1	0.06:1	0.06:1	0.04:1	0.01:1	0.02:1

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 July 2016:

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. RECOMMENDATIONS

It is recommended that:

I. The monthly budget statements be accordingly submitted to Provincial Treasury as stipulated in Section 71(1) of the MFMA.

1.5. Municipal Manager's Quality Certificate

I SELWYN THYS (CFO) 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 SELWYN THYS

Municipal manager of Kouga Local Municipality

Signature _____

Date 16/8/2016

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE MONTH OF JULY 2016

Below is an analysis of the operating revenue and expenditure performance compared to the approved 2016/17 Budget.

Item Description	Approved Budget 2016/17	Actuals as at 31 July 2016	% of Budget
OPERATING REVENUE			
Propert Rates	148 563 488	60 934 176	41.02%
Total Service Charges	356 823 910	36 192 332	10.14%
Service charges - electricity	224 482 368	20 639 101	9.19%
Service charges - water	53 124 403	6 470 754	12.18%
Service charges - sewerage & sanitation	40 787 081	4 350 669	10.67%
Service charges - refuse	24 979 278	2 099 017	8.40%
Service charges - environmental management	13 450 780	2 632 791	19.57%
Rental of Facilities and Equipment	590 630	123 074	20.84%
Interest Earned - External Investments	3 000 000	-	0.00%
Interest Earned - Outstanding Debtors	4 500 000	476 027	10.58%
Fines	3 085 695	228 225	7.40%
Licences and Permits	9 086 136	753 250	8.29%
Grants & Subsidies Received - Operating	100 681 408	38 175 000	37.92%
Other Revenue	10 842 980	1 193 257	11.00%
Total Direct Operating Revenue	**637 174 247**	**138 075 339**	**21.67%**
OPERATING EXPENDITURE			
Employee Related Costs	233 201 498	17 286 368	7.41%
Remuneration of Councillors	11 003 887	876 348	7.96%
Bad Debts	30 323 244	-	0.00%
Depreciation & Asset Impairment	83 123 169	-	0.00%
Repairs & Maintenance - Municipal Assets	35 999 395	470 515	1.31%
Finance Charges - External Borrowings	4 462 808	-	0.00%
Total Bulk Purchases	207 393 791	1 913 558	0.92%
Bulk purchases - electricity	186 660 586	1 913 558	1.03%
Bulk purchases - water	20 733 205	-	0.00%
Contracted Services	12 536 751	25 600	0.20%
Transfers and Grants	580 000	-	0.00%
General Expenses - Other	67 731 981	2 097 620	3.10%
Total Direct Operating Expenditure	**686 356 523**	**22 670 010**	**3.30%**
Surplus/(Deficit)	**-49 182 275**	**115 405 329**	

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

The statement of financial performance indicates a surplus of R 115,405,329.
This is influenced by the accounting treatment of the bad debts provision and the depreciation and asset impairment.

Revenue Variations

Property Rates

As at 31 July 2016, the Municipality has recognised 41.02% of its property rates revenue, compared to the budget.

Approximately 30% of total property rates revenue was raised in July 2016. This represents property rates payable on an annual basis, instead of a monthly basis.

Interest Earned – External Investments

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

Rental of Facilities and Equipment

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

Expenditure Variations

Bad Debts

The municipality is recognising the bad debts provision at year – end, instead of on a monthly basis.

Depreciation and Asset Impairment

The municipality is recognising depreciation and asset impairment at year – end, instead of on a monthly basis.

Repairs and Maintenance

Below is an analysis of actual repairs and maintenance expenditure by Directorate, compared to the approved 2016/17 Budget.

Directorate	Approved Budget 2016/17	Actuals as at 31 July 2016	% of Budget
	R	R	
Administration, Monitoring & Evaluation	382,722	395	0.10%
Finance	638,437	427	0.07%
Social Services	9,477,468	155, 075	1.64%
Infrastructure, Planning & Development	24,730,767	300,816	1.22%
LED, Tourism & Creative Industries	770,000	13,802	1.79%
Total	**35,999,394**	**470,515**	**1.31%**

It is to be noted that actual repairs and maintenance expenditure constituted 1.31% of the approved 2016/17 Budget.

Annexure "A2"

CAPITAL BUDGET PERFORMANCE

Below is an analysis of the capital expenditure compared to the approved 2016/17 Capital Budget.

Directorate	Approved Budget 2016/17	Actuals as at 31 July 2016	% of Budget
	R	R	
Administration, Monitoring & Evaluation	735,000		
Finance	640,200		
Social Services	20,641,455	70,175	0.34%
Infrastructure, Planning & Development	39,581,407		
LED, Tourism & Creative Industries	1,470,485		
Total	**63,068,547**	**70,175**	**0.11%**
Source of Funding	**Approved Budget 2016/17**	**Actuals as at 31 July 2016**	**% of Budget**
	R	R	
Internally Generated Funding	24,685,200	70,175	0.18%
Government Grants	38,383,347		
Total	**63,068,547**	**70,175**	**0.11%**

It is to be noted that an amount of R 70,175 has been spent as at 31 July 2016, compared to the approved capital budget of R 63,068,547. This represents a spending performance of 0.11% relating to the approved Capital Budget.

Annexure "A3"

PROJECTED CASH FLOW STATEMENT FOR THE 2016/17 FINANCIAL YEAR

Projected Cash Flow Statement as at 31 July 2016

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 – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17							
		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, penalties & collection charges			139 650		11 840	11 840	11 637	202	2%	139 650
Service charges			335 414		21 788	21 788	27 951	(6 163)	-22%	335 414
Other revenue			23 605		7 147	7 147	1 967	5 180	263%	23 605
Government - operating			100 681		38 175	38 175	8 390	29 785	355%	100 681
Government - capital			38 383		7 466	7 466	3 199	4 268	133%	38 383
Interest			7 500		1 022	1 022	625	397	63%	7 500
Dividends			–					–		–
Payments										
Suppliers and employees			(567 867)		(57 007)	(57 007)	(47 322)	9 685	-20%	(567 867)
Finance charges			(4 463)		(377)	(377)	(372)	5	-1%	(4 463)
Transfers and Grants			(580)					–		(580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	72 324	–	30 054	30 054	6 075	(23 979)	-395%	72 324
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			–				–	–		–
Decrease (Increase) in non-current debtors			–				–	–		–
Decrease (increase) other non-current receivables			–				–	–		–
Decrease (increase) in non-current investments			–				–	–		–
Payments										
Capital assets			(63 069)		(4 106)	(4 106)	(5 256)	(1 150)	22%	(63 069)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	(63 069)	–	(4 106)	(4 106)	(5 256)	(1 150)	22%	(63 069)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans			–					–		–
Borrowing long term/refinancing			–					–		–
Increase (decrease) in consumer deposits			–					–		–
Payments										
Repayment of borrowing			(7 303)		(474)	(474)	(609)	(134)	22%	(7 303)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	(7 303)	–	(474)	(474)	(609)	(134)	22%	(7 303)
NET INCREASE/ (DECREASE) IN CASH HELD		–	1 953	–	25 474	25 474	211			1 953
Cash/cash equivalents at beginning:			27 092			78 361	27 092			78 361
Cash/cash equivalents at month/year end:		–	29 045	–		103 835	27 303			80 314

Annexure "A4"

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 2016/17 budget performance for the month of July 2016 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M01 July 2016

Description	2015/16	Budget Year 2016/17							
R thousands	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Financial Performance									
Property rates	–	148 563	–	60 934	60 934	12 380	48 554	392%	148 563
Service charges	–	356 824	–	36 192	36 192	29 735	6 457	22%	356 824
Investment revenue	–	3 000	–	–	–	250	(250)	-100%	3 000
Transfers recognised - operational	–	100 681	–	38 175	38 175	8 390	29 785	355%	100 681
Other own revenue	–	28 105	–	2 774	2 774	2 342	432	18%	28 105
Total Revenue (excluding capital transfers and contributions)	–	**637 174**	–	**138 075**	**138 075**	**53 098**	**84 977**	**160%**	**637 174**
Employee costs	–	233 201	–	17 286	17 286	19 433	(2 147)	-11%	233 201
Remuneration of Councillors	–	11 004	–	876	876	917	(41)	-4%	11 004
Depreciation & asset impairment	–	83 123	–	–	–	6 927	(6 927)	-100%	83 123
Finance charges	–	4 463	–	–	–	372	(372)	-100%	4 463
Materials and bulk purchases	–	243 393	–	2 384	2 384	20 283	(17 899)	-88%	243 393
Transfers and grants	–	580	–	–	–	48	(48)	-100%	580
Other expenditure	–	110 592	–	2 123	2 123	9 216	(7 093)	-77%	110 592
Total Expenditure	–	**686 357**	–	**22 670**	**22 670**	**57 196**	**(34 526)**	**-60%**	**686 357**
Surplus/(Deficit)	–	**(49 182)**	–	**115 405**	**115 405**	**(4 099)**	**119 504**	**-2916%**	**(49 182)**
Transfers recognised - capital	–	38 383	–	–	–	3 199	(3 199)	-100%	38 383
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	–	**(10 799)**	–	**115 405**	**115 405**	**(900)**	**116 305**	**-12924%**	**(10 799)**
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	–	**(10 799)**	–	**115 405**	**115 405**	**(900)**	**116 305**	**-12924%**	**(10 799)**
Capital expenditure & funds sources									
Capital expenditure	–	**63 069**	–	**70**	**70**	**5 256**	**(5 186)**	**-99%**	**63 069**
Capital transfers recognised	–	38 383	–	–	–	3 199	(3 199)	-100%	38 383
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	–	**24 685**	–	**70**	**70**	**2 057**	**(1 987)**	**-97%**	**24 685**
Total sources of capital funds	–	**63 069**	–	**70**	**70**	**5 256**	**(5 186)**	**-99%**	**63 069**
Financial position									
Total current assets	–	127 241	–		233 193				127 241
Total non current assets	–	2 712 925	–		2 504 666				2 712 925
Total current liabilities	–	140 740	–		123 416				140 740
Total non current liabilities	–	137 395	–		143 168				137 395
Community wealth/Equity	–	**2 562 031**	–		**2 471 275**				**2 562 031**
Cash flows									
Net cash from (used) operating	–	72 324	–	30 054	30 054	6 075	(23 979)	-395%	72 324
Net cash from (used) investing	–	(63 069)	–	(4 106)	(4 106)	(5 256)	(1 150)	22%	(63 069)
Net cash from (used) financing	–	(7 303)	–	(474)	(474)	(609)	(134)	22%	(7 303)
Cash/cash equivalents at the month/year end	–	**29 045**	–	**–**	**103 835**	**27 303**	**(76 532)**	**-280%**	**80 314**
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	65 059	–	4 341	5 334	1	2 156	20 882	72 846	170 618
Creditors Age Analysis									
Total Creditors	27 992	156	218	522	210	49	1 788	12 877	43 812

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) – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Revenue - Standard										
Governance and administration		–	**247 403**	–	**99 752**	**99 752**	**20 617**	79 135	384%	**247 403**
Executive and council		–	–	–	–	–	–	–		–
Budget and treasury office		–	246 308	–	99 627	99 627	20 526	79 101	385%	246 308
Corporate services		–	1 096	–	125	125	91	33	36%	1 096
Community and public safety		–	**24 181**	–	**1 744**	**1 744**	**2 015**	(271)	-13%	**24 181**
Community and social services		–	8 613	–	799	799	718	81	11%	8 613
Sport and recreation		–	4 321	–	–	–	360	(360)	-100%	4 321
Public safety		–	11 247	–	946	946	937	9	1%	11 247
Housing		–	–	–	–	–	–	–		–
Health		–	–	–	–	–	–	–		–
Economic and environmental services		–	**21 848**	–	**2 837**	**2 837**	**1 821**	1 016	56%	**21 848**
Planning and development		–	5 881	–	197	197	490	(293)	-60%	5 881
Road transport		–	–	–	–	–	–	–		–
Environmental protection		–	15 967	–	2 640	2 640	1 331	1 309	98%	15 967
Trading services		–	**382 126**	–	**33 743**	**33 743**	**31 844**	1 899	6%	**382 126**
Electricity		–	237 721	–	20 763	20 763	19 810	953	5%	237 721
Water		–	55 533	–	6 528	6 528	4 628	1 900	41%	55 533
Waste water management		–	63 878	–	4 353	4 353	5 323	(970)	-18%	63 878
Waste management		–	24 994	–	2 100	2 100	2 083	17	1%	24 994
Other	4	–	–	–	–	–	–	–		–
Total Revenue - Standard	2	–	**675 558**	–	**138 075**	**138 075**	**56 296**	**81 779**	**145%**	**675 558**
Expenditure - Standard										
Governance and administration		–	**131 745**	–	**7 465**	**7 465**	**10 979**	(3 514)	-32%	**131 745**
Executive and council		–	31 358	–	3 020	3 020	2 613	407	16%	31 358
Budget and treasury office		–	52 808	–	2 087	2 087	4 401	(2 314)	-53%	52 808
Corporate services		–	47 578	–	2 358	2 358	3 965	(1 606)	-41%	47 578
Community and public safety		–	**89 446**	–	**5 400**	**5 400**	**7 454**	(2 054)	-28%	**89 446**
Community and social services		–	47 341	–	3 048	3 048	3 945	(897)	-23%	47 341
Sport and recreation		–	666	–	61	61	55	5	9%	666
Public safety		–	37 718	–	2 092	2 092	3 143	(1 051)	-33%	37 718
Housing		–	3 722	–	199	199	310	(111)	-36%	3 722
Health		–	–	–	–	–	–	–		–
Economic and environmental services		–	**107 064**	–	**3 001**	**3 001**	**8 922**	(5 921)	-66%	**107 064**
Planning and development		–	96 295	–	2 496	2 496	8 025	(5 529)	-69%	96 295
Road transport		–	–	–	–	–	–	–		–
Environmental protection		–	10 770	–	505	505	897	(393)	-44%	10 770
Trading services		–	**358 101**	–	**6 804**	**6 804**	**29 842**	(23 038)	-77%	**358 101**
Electricity		–	229 594	–	2 815	2 815	19 133	(16 318)	-85%	229 594
Water		–	55 826	–	1 250	1 250	4 652	(3 402)	-73%	55 826
Waste water management		–	41 421	–	1 001	1 001	3 452	(2 451)	-71%	41 421
Waste management		–	31 260	–	1 738	1 738	2 605	(867)	-33%	31 260
Other		–	–	–	–	–	–	–		–
Total Expenditure - Standard	3	–	**686 357**	–	**22 670**	**22 670**	**57 196**	**(34 526)**	**-60%**	**686 357**
Surplus/ (Deficit) for the year		–	**(10 799)**	–	**115 405**	**115 405**	**(900)**	**116 305**	**-12924%**	**(10 799)**

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 – M01 July 2016

Vote Description	2015/16	Budget Year 2016/17							
	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	–	–	–	–	–	–	–		–
Vote 2 - Financial Services	–	246 308	–	99 627	99 627	20 526	79 101	385.4%	246 308
Vote 3 - Administration, Monitoring & Evaluation	–	508	–	1	1	42	(41)	-98.0%	508
Vote 4 - Led, Tourism & Creative Industries	–	1 440	–	–	–	120	(120)	-100.0%	1 440
Vote 5 - Infrastructure, Planning & Development 1	–	242 748	–	21 083	21 083	20 229	854	4.2%	242 748
Vote 6 - Infrastructure, Planning & Development 2	–	119 411	–	10 880	10 880	9 951	929	9.3%	119 411
Vote 7 - Social Services 1	–	7 435	–	92	92	620	(527)	-85.1%	7 435
Vote 8 - Social Services 2	–	57 707	–	6 391	6 391	4 809	1 583	32.9%	57 707
Vote 9 - Social Services 3	–	–	–	–	–	–	–		–
Total Revenue by Vote	**–**	**675 558**	**–**	**138 075**	**138 075**	**56 296**	**81 779**	**145.3%**	**675 558**
Expenditure by Vote									
Vote 1 - Executive & Council	–	31 358	–	3 020	3 020	2 613	407	15.6%	31 358
Vote 2 - Financial Services	–	59 197	–	2 286	2 286	4 933	(2 647)	-53.7%	59 197
Vote 3 - Administration, Monitoring & Evaluation	–	33 253	–	1 979	1 979	2 771	(792)	-28.6%	33 253
Vote 4 - Led, Tourism & Creative Industries	–	11 081	–	572	572	923	(351)	-38.0%	11 081
Vote 5 - Infrastructure, Planning & Development 1	–	326 705	–	5 118	5 118	27 225	(22 108)	-81.2%	326 705
Vote 6 - Infrastructure, Planning & Development 2	–	97 248	–	2 251	2 251	8 104	(5 853)	-72.2%	97 248
Vote 7 - Social Services 1	–	35 317	–	2 194	2 194	2 943	(749)	-25.4%	35 317
Vote 8 - Social Services 2	–	92 199	–	5 250	5 250	7 683	(2 434)	-31.7%	92 199
Vote 9 - Social Services 3	–	–	–	–	–	–	–		–
Total Expenditure by Vote	**–**	**686 357**	**–**	**22 670**	**22 670**	**57 196**	**(34 526)**	**-60.4%**	**686 357**
Surplus/ (Deficit) for the year	**–**	**(10 799)**	**–**	**115 405**	**115 405**	**(900)**	**116 305**	**-12924.1%**	**(10 799)**

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) – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue By Source										
Property rates			148 563		60 934	60 934	12 380	48 554	392%	148 563
Property rates - penalties & collection charges			–					–		–
Service charges - electricity revenue			224 482		20 639	20 639	18 707	1 932	10%	224 482
Service charges - water revenue			53 124		6 471	6 471	4 427	2 044	46%	53 124
Service charges - sanitation revenue			40 787		4 351	4 351	3 399	952	28%	40 787
Service charges - refuse revenue			24 979		2 099	2 099	2 082	17	1%	24 979
Service charges - other			13 451		2 633	2 633	1 121	1 512	135%	13 451
Rental of facilities and equipment			591		123	123	49	74	150%	591
Interest earned - external investments			3 000				250	(250)	-100%	3 000
Interest earned - outstanding debtors			4 500		476	476	375	101	27%	4 500
Dividends received			–				–	–		–
Fines			3 086		228	228	257	(29)	-11%	3 086
Licences and permits			9 086		753	753	757	(4)	-1%	9 086
Agency services			–				–	–		–
Transfers recognised - operational			100 681		38 175	38 175	8 390	29 785	355%	100 681
Other revenue			10 843		1 193	1 193	904	290	32%	10 843
Gains on disposal of PPE			–					–		–
Total Revenue (excluding capital transfers and contributions)		–	637 174	–	138 075	138 075	53 098	84 977	160%	637 174
Expenditure By Type										
Employee related costs			233 201		17 286	17 286	19 433	(2 147)	-11%	233 201
Remuneration of councillors			11 004		876	876	917	(41)	-4%	11 004
Debt impairment			30 323				2 527	(2 527)	-100%	30 323
Depreciation & asset impairment			83 123				6 927	(6 927)	-100%	83 123
Finance charges			4 463				372	(372)	-100%	4 463
Bulk purchases			207 394		1 914	1 914	17 283	(15 369)	-89%	207 394
Other materials			35 999		471	471	3 000	(2 529)	-84%	35 999
Contracted services			12 537		26	26	1 045	(1 019)	-98%	12 537
Transfers and grants			580				48	(48)	-100%	580
Other expenditure			67 732		2 098	2 098	5 644	(3 547)	-63%	67 732
Loss on disposal of PPE			–					–		–
Total Expenditure		–	686 357	–	22 670	22 670	57 196	(34 526)	-60%	686 357
Surplus/(Deficit)		–	(49 182)	–	115 405	115 405	(4 099)	119 504	(0)	(49 182)
Transfers recognised - capital			38 383				3 199	(3 199)	(0)	38 383
Contributions recognised - capital			–				–	–		
Contributed assets			–				–	–		
Surplus/(Deficit) after capital transfers & contributions		–	(10 799)	–	115 405	115 405	(900)			(10 799)
Taxation			–					–		–
Surplus/(Deficit) after taxation		–	(10 799)	–	115 405	115 405	(900)			(10 799)
Attributable to minorities			–							
Surplus/(Deficit) attributable to municipality		–	(10 799)	–	115 405	115 405	(900)			(10 799)
Share of surplus/ (deficit) of associate			–							–
Surplus/ (Deficit) for the year		–	(10 799)	–	115 405	115 405	(900)			(10 799)

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 performanc

Table C5 Monthly Budget Statement – Capital Expenditure (municipal vote, standard classification and funding) – M01 July 2016

Vote Description	2015/16	Budget Year 2016/17							
	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	–	30	–	–	–	3	(3)	-100%	30
Vote 2 - Financial Services	–	670	–	–	–	56	(56)	-100%	670
Vote 3 - Administration, Monitoring & Evaluation	–	675	–	–	–	56	(56)	-100%	675
Vote 4 - Led, Tourism & Creative Industries	–	1 470	–	–	–	123	(123)	-100%	1 470
Vote 5 - Infrastructure, Planning & Development 1	–	8 074	–	–	–	673	(673)	-100%	8 074
Vote 6 - Infrastructure, Planning & Development 2	–	31 508	–	–	–	2 626	(2 626)	-100%	31 508
Vote 7 - Social Services 1	–	2 535	–	70	70	211	(141)	-67%	2 535
Vote 8 - Social Services 2	–	18 106	–	–	–	1 509	(1 509)	-100%	18 106
Vote 9 - Social Services 3	–	–	–	–	–	–	–		–
Total Capital single-year expenditure	–	63 069	–	70	70	5 256	(5 186)	-99%	63 069
Total Capital Expenditure	–	**63 069**	–	**70**	**70**	**5 256**	**(5 186)**	**-99%**	**63 069**
Capital Expenditure - Standard Classification									
Governance and administration	–	**1 375**	–	–	–	115	(115)	-100%	**1 375**
Executive and council		30		–	–	3	(3)	-100%	30
Budget and treasury office		640		–	–	53	(53)	-100%	640
Corporate services		705		–	–	59	(59)	-100%	705
Community and public safety	–	**13 186**	–	**70**	**70**	1 099	(1 029)	-94%	**13 186**
Community and social services		2 500		70	70	208	(138)	-66%	2 500
Sport and recreation		9 821		–	–	818	(818)	-100%	9 821
Public safety		865		–	–	72	(72)	-100%	865
Housing		–		–	–	–	–		–
Health		–		–	–	–	–		–
Economic and environmental services	–	**5 425**	–	–	–	452	(452)	-100%	**5 425**
Planning and development		1 470		–	–	123	(123)	-100%	1 470
Road transport		–		–	–	–	–		–
Environmental protection		3 955		–	–	330	(330)	-100%	3 955
Trading services	–	**43 081**	–	–	–	**3 590**	(3 590)	-100%	**43 081**
Electricity		8 074		–	–	673	(673)	-100%	8 074
Water		2 750		–	–	229	(229)	-100%	2 750
Waste water management		28 758		–	–	2 396	(2 396)	-100%	28 758
Waste management		3 500		–	–	292	(292)	-100%	3 500
Other		–		–	–	–	–		–
Total Capital Expenditure - Standard Classification	–	**63 069**	–	**70**	**70**	**5 256**	**(5 186)**	**-99%**	**63 069**
Funded by:									
National Government		34 810		–	–	2 901	(2 901)	-100%	34 810
Provincial Government		2 000		–	–	167	(167)	-100%	2 000
District Municipality		–		–	–	–	–		–
Other transfers and grants		1 574		–	–	131	(131)	-100%	1 574
Transfers recognised - capital	–	**38 383**	–	–	–	**3 199**	**(3 199)**	**-100%**	**38 383**
Public contributions & donations		–		–	–	–	–		–
Borrowing		–		–	–	–	–		–
Internally generated funds		24 685		70	70	2 057	(1 987)	-97%	24 685
Total Capital Funding	–	**63 069**	–	**70**	**70**	**5 256**	**(5 186)**	**-99%**	**63 069**

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 – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash			3 000		34 517	3 000
Call investment deposits			26 045		69 318	26 045
Consumer debtors			49 675		62 623	49 675
Other debtors			43 668		60 459	43 668
Current portion of long-term receivables			8			8
Inventory			4 845		6 275	4 845
Total current assets		–	**127 241**	–	**233 193**	**127 241**
Non current assets						
Long-term receivables			113			113
Investments			–			–
Investment property			63 705		61 824	63 705
Investments in Associate			–			–
Property, plant and equipment			2 649 006		2 442 633	2 649 006
Agricultural			–			–
Biological assets			–			–
Intangible assets			101		209	101
Other non-current assets			–			–
Total non current assets		–	**2 712 925**	–	**2 504 666**	**2 712 925**
TOTAL ASSETS		–	**2 840 166**	–	**2 737 859**	**2 840 166**
LIABILITIES						
Current liabilities						
Bank overdraft			–			–
Borrowing			7 303		7 262	7 303
Consumer deposits			9 330		9 651	9 330
Trade and other payables			94 113		71 130	94 113
Provisions			29 995		35 373	29 995
Total current liabilities		–	**140 740**	–	**123 416**	**140 740**
Non current liabilities						
Borrowing			36 734		37 504	36 734
Provisions			100 662		105 663	100 662
Total non current liabilities		–	**137 395**	–	**143 168**	**137 395**
TOTAL LIABILITIES		–	**278 136**	–	**266 584**	**278 136**
NET ASSETS	2	–	**2 562 031**	–	**2 471 275**	**2 562 031**
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)			2 562 031		2 471 275	2 562 031
Reserves			–			–
TOTAL COMMUNITY WEALTH/EQUITY	2	–	**2 562 031**	–	**2 471 275**	**2 562 031**

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 – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17							
		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, penalties & collection charges			139 650		11 840	11 840	11 637	202	2%	139 650
Service charges			335 414		21 788	21 788	27 951	(6 163)	-22%	335 414
Other revenue			23 605		7 147	7 147	1 967	5 180	263%	23 605
Government - operating			100 681		38 175	38 175	8 390	29 785	355%	100 681
Government - capital			38 383		7 466	7 466	3 199	4 268	133%	38 383
Interest			7 500		1 022	1 022	625	397	63%	7 500
Dividends			–					–		–
Payments										
Suppliers and employees			(567 867)		(57 007)	(57 007)	(47 322)	9 685	-20%	(567 867)
Finance charges			(4 463)		(377)	(377)	(372)	5	-1%	(4 463)
Transfers and Grants			(580)					–		(580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	72 324	–	30 054	30 054	6 075	(23 979)	-395%	72 324
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE			–				–	–		–
Decrease (Increase) in non-current debtors			–				–	–		–
Decrease (increase) other non-current receivables			–				–	–		–
Decrease (increase) in non-current investments			–				–	–		–
Payments										
Capital assets			(63 069)		(4 106)	(4 106)	(5 256)	(1 150)	22%	(63 069)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	(63 069)	–	(4 106)	(4 106)	(5 256)	(1 150)	22%	(63 069)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans			–					–		–
Borrowing long term/refinancing			–					–		–
Increase (decrease) in consumer deposits			–					–		–
Payments										
Repayment of borrowing			(7 303)		(474)	(474)	(609)	(134)	22%	(7 303)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	(7 303)	–	(474)	(474)	(609)	(134)	22%	(7 303)
NET INCREASE/ (DECREASE) IN CASH HELD		–	1 953	–	25 474	25 474	211			1 953
Cash/cash equivalents at beginning:			27 092			78 361	27 092			78 361
Cash/cash equivalents at month/year end:		–	29 045	–		103 835	27 303			80 314

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 2016, compared to the position as at 31 July 2016.

Debtors' Age Analysis (Inclusive of VAT) as at 30 June 2016

Description	Budget Year 2015/16								
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	5 185	1 013	806	770	3 252	2 535	3 359	16 382	33 302
Trade and Other Receivables from Exchange Transactions - Electricity	15 569	1 063	671	299	1 261	983	1 302	6 352	27 499
Receivables from Non-exchange Transactions - Property Rates	8 113	709	493	769	3 247	2 531	3 353	16 357	35 572
Receivables from Exchange Transactions - Waste Water Management	3 736	541	397	347	1 466	1 142	1 513	7 382	16 523
Receivables from Exchange Transactions - Waste Management	2 624	480	402	433	1 829	1 426	1 889	9 215	18 298
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(12 127)	244	272	280	1 182	921	1 220	5 953	(2 055)
Total By Income Source	**23 099**	**4 050**	**3 040**	**2 897**	**12 237**	**9 539**	**12 637**	**61 641**	**129 141**
2014/15 - totals only									-
Debtors Age Analysis By Customer Group									
Organs of State	723	148	77	45	190	148	197	958	2 487
Commercial	5 463	452	311	103	434	338	448	2 186	9 734
Households	16 913	3 450	2 652	2 749	11 613	9 052	11 993	58 497	116 920
Other									-
Total By Customer Group	**23 099**	**4 050**	**3 040**	**2 897**	**12 237**	**9 539**	**12 637**	**61 641**	**129 141**

Debtors' Age Analysis (Inclusive of VAT) as at 31 July 2016

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	6 340	317	913	1 489	150	664	4 816	16 204	30 893
Trade and Other Receivables from Exchange Transactions - Electricity	14 752	736	951	1 094	350	351	2 758	5 261	26 253
Receivables from Non-exchange Transactions - Property Rates	41 462	2 070	1 210	759	984	285	7 146	15 090	69 006
Receivables from Exchange Transactions - Waste Water Management	3 762	188	481	728	89	311	2 282	7 226	15 068
Receivables from Exchange Transactions - Waste Management	1 865	93	471	713	44	329	1 797	9 836	15 148
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	40	2	71	126	1	76	677	12 564	13 556
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(7 626)	(381)	246	423	(181)	140	1 407	6 664	693
Total By Income Source	**60 596**	**3 025**	**4 341**	**5 334**	**1 438**	**2 156**	**20 882**	**72 846**	**170 617**
									-
Debtors Age Analysis By Customer Group									
Organs of State	1 050	52	137	148	25	36	257	41	1 748
Commercial	81	4	23	11	2	15	57	236	430
Households	56 205	2 806	3 812	4 990	1 334	2 085	19 853	70 326	161 411
Other	3 259	163	369	184	77	20	715	2 242	7 029
Total By Customer Group	**60 596**	**3 025**	**4 341**	**5 334**	**1 438**	**2 156**	**20 882**	**72 846**	**170 617**

The aforementioned analysis indicates that from 30 June 2016 to 31 July 2016, the overdue debts have increased from R 106,042 million to R 110,021 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	30-Jun-16	31-Jul-16	Difference
Trade and Other Receivables from Exchange Transactions - Water	28 117	24 553	(3 564)
Trade and Other Receivables from Exchange Transactions - Electricity	11 930	11 501	(429)
Receivables from Non-exchange Transactions - Property Rates	27 460	27 544	84
Receivables from Exchange Transactions - Waste Water Management	12 788	11 305	(1 482)
Receivables from Exchange Transactions - Waste Management	15 675	13 282	(2 392)
Receivables from Exchange Transactions - Property Rental Debtors	–	1	1
Interest on Arrear Debtor Accounts	–	13 516	13 516
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–
Other	10 073	8 318	(1 755)
Total By Income Source	**106 042**	**110 021**	**3 979**
	–	–	
Debtors Age Analysis By Customer Group			
Organs of State	1 764	698	(1 066)
Commercial	4 271	348	(3 923)
Households	100 007	105 206	5 199
Other	–	3 769	3 769
Total By Customer Group	**106 042**	**110 021**	**3 979**

2. Overview of Creditors position

Below is an analysis of the status of the major creditors

Description	Budget Year 2016/17								
R thousands	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
Creditors Age Analysis By Customer Type									
Bulk Electricity	21 835		-	-	-	-	-		21 835
Bulk Water		1	1	1		1	(51)	(99)	(145)
PAYE deductions	2 195								2 195
VAT (output less input)									-
Pensions / Retirement deductions	2 851								2 851
Loan repayments									-
Trade Creditors	1 112	223	33	44	16	48	854	12 976	15 305
Auditor General		(68)	184	477	194		985		1 772
Other									-
Total By Customer Type	27 992	156	218	522	210	49	1 788	12 877	43 812

The above amounts represent invoices still to be paid. The major creditors as at 31 July 2016 are as follows:

Department of Transport	R 12,974 million
Eskom	R 21,835 million
Office of the Auditor – General	R 1,772 million
Pension fund deductions	R 2,851 million
SARS PAYE	R 2,195 million
Other Creditors	R 2,185 million
TOTAL	**R 43,812 million**

It is to be noted that the Eskom amount of R 21,835 million, represents the current account for July 2016. The pension fund deductions and SARS (pay as you earn) represent employee related costs for the month of July 2016, with the amounts in question being paid on 3 August 2016 to the relevant service providers.

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 31 July 2016.

	Balance as at 30 June 2016	INVESTED	INTEREST	WITHDRAWN	ADJUSTMENT	Balance as at 31 July 2016
Standard Bank	-	-	-	-	-	-
ABSA	21 187 482	-	122 112	-	120	21 309 474
Nedbank	236 110	-	98	-	-	236 208
RMB	29 341 733	842 670	130 935	7 720 934	-	22 594 404
INVESTEC	25 032 842	-	145 445	-	-	25 178 288
Total	**75 798 167**	**842 670**	**398 591**	**(7 720 934)**	**(120)**	**69 318 373**
INVESTMENT BY TYPE	**Balance as at 30 June 2016**	**INVESTED**	**INTEREST**	**WITHDRAWN**	**ADJUSTMENT**	**Balance as at 31 July 2016**
General Account	48 400 277	-	268 496	2 000 000	120	46 668 654
Collateral	228 000	-	72	-	-	228 072
Conditional Grants	16 016 310	842 670	82 565	1 685 340	-	15 256 205
Housing Funds	9 151 312	-	36 830	4 035 594	-	5 152 547
Investment FNB	2 002 267	-	10 628	-	-	2 012 895
Total	**75 798 167**	**842 670**	**398 591**	**(7 720 934)**	**(120)**	**69 318 373**
Bank	2 563 105	31 953 805				34 516 909
Total	**78 361 271**	**32 796 475**	**398 591**	**(7 720 934)**	**(120)**	**103 835 283**

4. Allocation and Grants receipts and expenditure for the 2016/2017 financial year

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M01 July 2016

Description	2015/16	Budget Year 2016/17							
	Audited	Original	Adjusted	Monthly	YearTD	YearTD	YTD variance	YTD variance	Full Year
R thousands								%	
RECEIPTS:									
Operating Transfers and Grants									
National Government:	–	94 304	–	38 175	38 175	7 859	30 540	388,6%	94 304
Local Government Equitable Share		91 622		38 175	38 175	7 635	30 540	400,0%	91 622
Finance Management		1 625		–	–	135			1 625
Municipal Systems Improvement		–		–	–	–			–
EPWP Incentive		1 057		–	–	88			1 057
Total Operating Transfers and Grants	–	**94 304**	–	**38 175**	**38 175**	**7 859**	**30 540**	**388,6%**	**94 304**
Capital Transfers and Grants									
National Government:	–	34 810	–	7 144	7 144	2 901	4 243	146,3%	34 810
Municipal Infrastructure Grant (MIG)		28 810		5 144	5 144	2 401	2 743	114,3%	28 810
Integrated National Electrification Programme		6 000		2 000	2 000	500	1 500	300,0%	6 000
Total Capital Transfers and Grants	–	**34 810**	–	**7 144**	**7 144**	**2 901**	**4 243**	**146,3%**	**34 810**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	–	**129 114**	–	**45 319**	**45 319**	**10 759**	**34 783**	**323,3%**	**129 114**

Below is an analysis of the spending associated with the grants as at 31 July 2016:

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M01 July 2016

Description	Ref	2015/16	Budget Year 2016/17							
		Audited	Original	Adjusted	Monthly	YearTD	YearTD	YTD variance	YTD variance	Full Year
R thousands									%	
EXPENDITURE										
Operating expenditure of Transfers and Grants										
Operating Transfers and Grants		–	94 304	–	49	49	7 771	(7 721)	-99,4%	94 304
National Government			91 622				7 635	(7 635)	-100,0%	91 622
Local Government Equitable Share			1 625		49	49	135	(86)	-63,5%	1 625
Finance Management							–	–		–
Municipal Systems Improvement			–				–	–		–
EPWP Incentive			1 057					–		1 057
Total operating expenditure of Transfers and Grants:		–	**94 304**	–	**49**	**49**	**7 859**	**(7 809)**	**-99,4%**	**94 304**
Capital expenditure of Transfers and Grants										
National Government:		–	34 810	–	–	–	2 901	(2 901)	-100,0%	34 810
Municipal Infrastructure Grant (MIG)			28 810				2 401	(2 401)	-100,0%	28 810
Integrated National Electrification Programme			6 000				500	(500)	-100,0%	6 000
Total capital expenditure of Transfers and Grants		–	**34 810**	–	–	–	**2 901**	**(2 901)**	**-100,0%**	**34 810**
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		–	**129 114**	–	**49**	**49**	**10 759**	**(10 710)**	**-99,5%**	**129 114**

Note: The equitable share allocation is utilized 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 1,625,000
Amount of Grant Received:	R 0.00
Expenditure to date:	R 49,437
Unspent as at 31 July 2016:	R 1,575,563

The spending of the grant amounted to 3.04% as at 31 July 2016.

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 1,057,000
Amount of Grant Received:	R 0.00
Expenditure to date:	R 0.00
Unspent as at 31 July 2016:	R 00.0

The spending of the grant amounted to 0% as at 31 July 2016.

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 28,809,700
Amount of Grant Received:	R 5,144,000
Expenditure to date:	R 0.00
Unspent as at 31 July 2016:	R 28,809,700

The spending of the grant amounted to 0% as at 31 July 2016.

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 6,000,000
Amount of Grant Received:	R 2,000,000
Expenditure to date:	R 0.00
Unspent as at 31 June 2016:	R 6,000,000

The spending of the grant amounted to 0% as at 31 July 2016.

5. Councillor and employee benefits

Below is an analysis of Councillor and employee benefits:

Table SC8 Monthly Budget Statement – Councillor and staff benefits – M01 July 2016

Summary of Employee and Councillor remuneration	2015/16	Budget Year 2016/17							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
	A	B	C						D
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages		7 683		602	602	640	(38)	-6%	7 683
Pension and UIF Contributions		–				–	–		–
Medical Aid Contributions		–				–	–		–
Motor Vehicle Allowance		2 562		199	199	213	(14)	-7%	2 562
Cellphone Allowance		759		59	59	63	(4)	-7%	759
Housing Allowances						–	–		
Other benefits and allowances				15	15	–	15		
Sub Total - Councillors	**–**	**11 004**	**–**	**876**	**876**	**917**	**(41)**	**-4%**	**11 004**
Senior Managers of the Municipality									
Basic Salaries and Wages		6 045		1 397	1 397	504	894	177%	6 045
Pension and UIF Contributions							–		
Medical Aid Contributions							–		
Overtime							–		
Performance Bonus							–		
Motor Vehicle Allowance		723		48	48	60	(12)	-20%	723
Cellphone Allowance							–		
Housing Allowances							–		
Other benefits and allowances							–		
Payments in lieu of leave							–		
Long service awards							–		
Post-retirement benefit obligations							–		
Sub Total - Senior Managers of Municipality	**–**	**6 768**	**–**	**1 445**	**1 445**	**564**	**881**	**156%**	**6 768**
Other Municipal Staff									
Basic Salaries and Wages		140 636		9 966	9 966	11 720	(1 754)	-15%	140 636
Pension and UIF Contributions		23 720		1 849	1 849	1 977	(128)	-6%	23 720
Medical Aid Contributions		12 734		965	965	1 061	(96)	-9%	12 734
Overtime		9 454		690	690	788	(98)	-12%	9 454
Performance Bonus		11 764		59	59	980	(921)	-94%	11 764
Motor Vehicle Allowance		7 938		551	551	661	(111)	-17%	7 938
Cellphone Allowance						–	–		
Housing Allowances		584		166	166	49	117	241%	584
Other benefits and allowances		18 796		1 512	1 512	1 566	(54)	-3%	18 796
Payments in lieu of leave						–	–		
Long service awards		809		83	83	67	16	23%	809
Post-retirement benefit obligations						–	–		
Sub Total - Other Municipal Staff	**–**	**226 434**	**–**	**15 841**	**15 841**	**18 869**	**(3 029)**	**-16%**	**226 434**
Total Parent Municipality	**–**	**244 205**	**–**	**18 163**	**18 163**	**20 350**	**(2 188)**	**-11%**	**244 205**
TOTAL SALARY, ALLOWANCES & BENEFITS		**244 205**	**–**	**18 163**	**18 163**	**20 350**	**(2 188)**	**-11%**	**244 205**
TOTAL MANAGERS AND STAFF		**233 201**	**–**	**17 286**	**17 286**	**19 433**	**(2 147)**	**-11%**	**233 201**

6. Key performance indicators

The table below reflects the key performance indicators as per the 2016/17 Approved Budget and the associated performance to date.

Borrowing Management		Actuals as at 30 June 2012	Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Approved Budget 2016/17	Actuals as at 31 July 2016
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.78%	3.79%	4.83%	4.64%	3.60%	1,71%	3.76%
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	0.05	0.06	0.06	0.04	0.02	0.01
Liquidity								
Current Ratio	Current assets / current liabilities	1.46	0.54	0.54	0.86	0.99	0.90	1.89
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.10	0.16	0.28	0.60	0.21	0.84
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	94.12%	96.33%	96.07%	98.91%	97.60%	94.00%	113.59%

Other indicators		Actuals as at 30 June 2012	Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Approved Budget 2016/17	Actuals as at 31 July 2016
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)	0.09	0.23	0.25	0.85	1.49	0.61	1.86
Employee Costs	Employee Costs / Total Operating Expenditure	33.02%	35.41%	35.32%	36.77%	43.58%	33.98%	76.25%
Capital Expenditure	Capital Expenditure / Capital Budget	82.33%	78.84%	21.35%	241.30%	82.50%	95.00%	0.11%
Repairs and Maintenance as % of Total Operating Expenditure	Repairs and Maintenance / Total Operating Expenditure	2.78%	3.52%	3.81%	4.58%	5.67%	5.24%	2.08%
Repairs and Maintenance as % of PPE (Book Value)	Repairs and Maintenance / Net PPE	0.59%	0.79%	0.95%	1.11%	1.17%	1.36%	0.02%
Own Revenue Sources / Total Operating Revenue (Including operating grants)	Own Revenue Sources / Total Operating Revenue (Including Conditional Grants)	89.98%	87.04%	87.21%	85.72%	84.09%	84.20%	72.35%

The above table is discussed in details below.

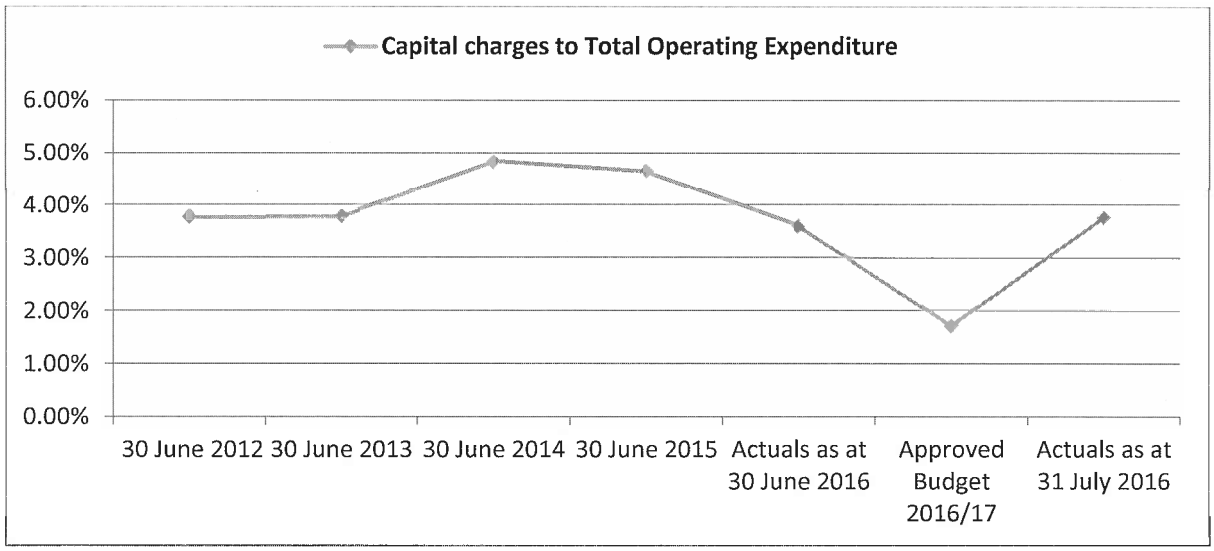
6.1. Borrowing Management

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 3.76% of the Total Operating Expenditure was utilised for capital charges as at 31July 2016, compared to the budgeted ratio of 1.71%.



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 2016/17 Operating Budget as no borrowing is planned for the 2016/17 to 2018/19 financial years.

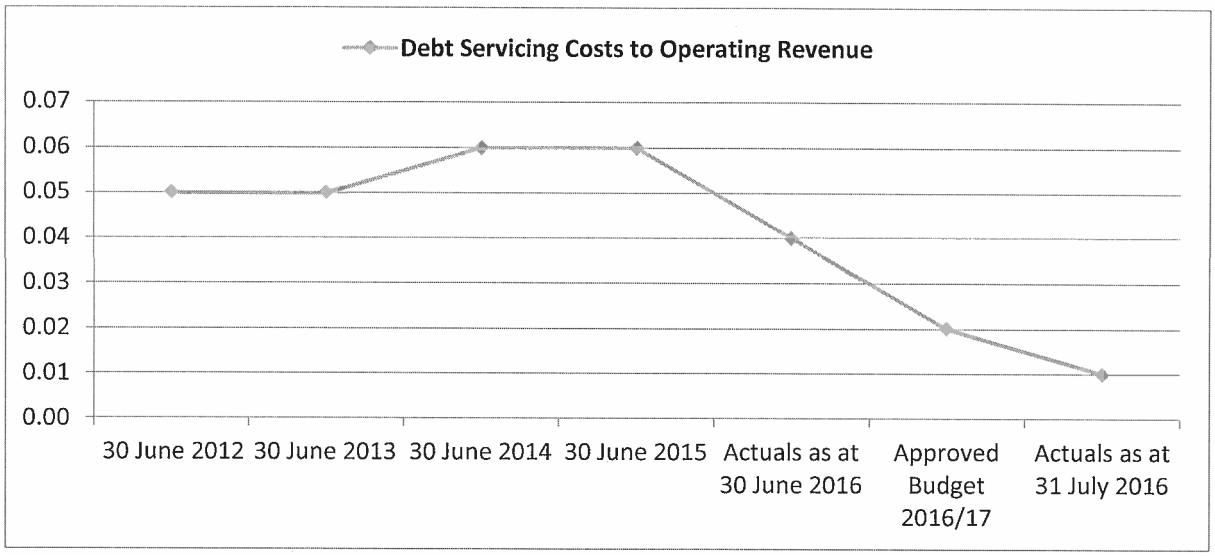
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 July 2016, the ratio was 0.01:1, compared to the budgeted ratio of 0.02:1.



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:

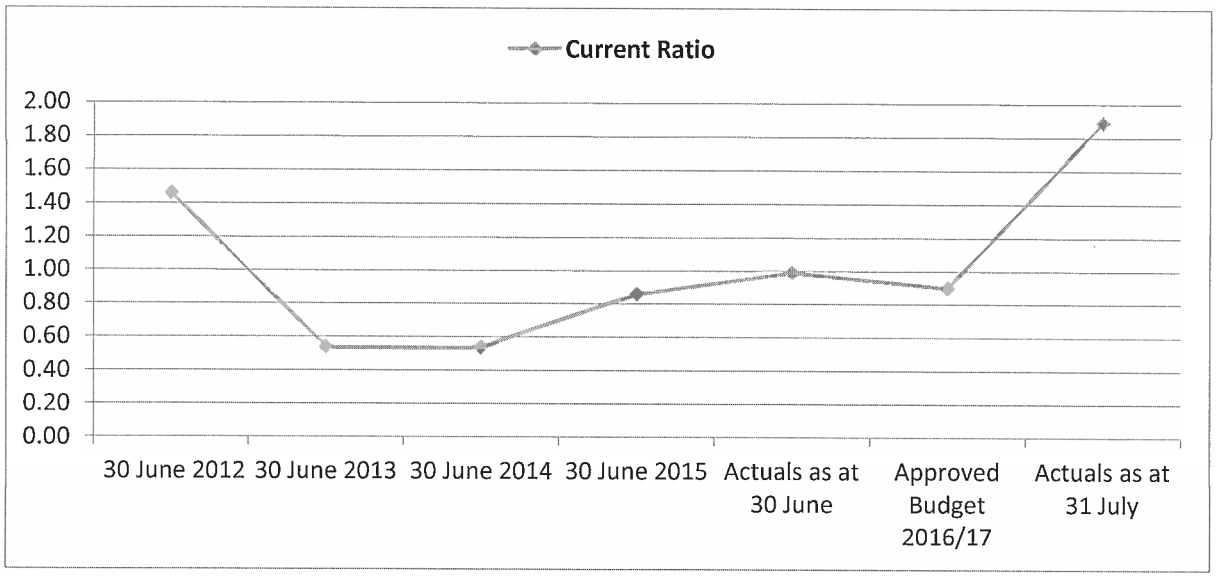
Current assets/Current liabilities

The ratio as at 31July 2016 was 1.89:1, compared to the budgeted ratio of 0.90:1.

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

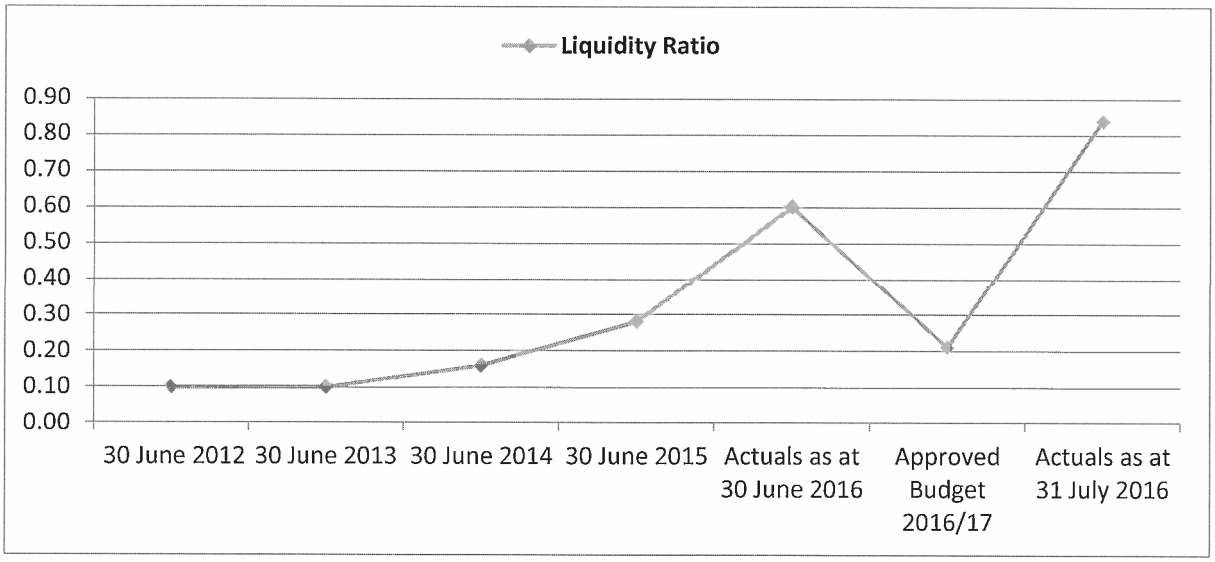
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

The ratio is determined as follows:

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 31 July 2016 was 0.84:1, compared to the budgeted ratio of 0.21:1.

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

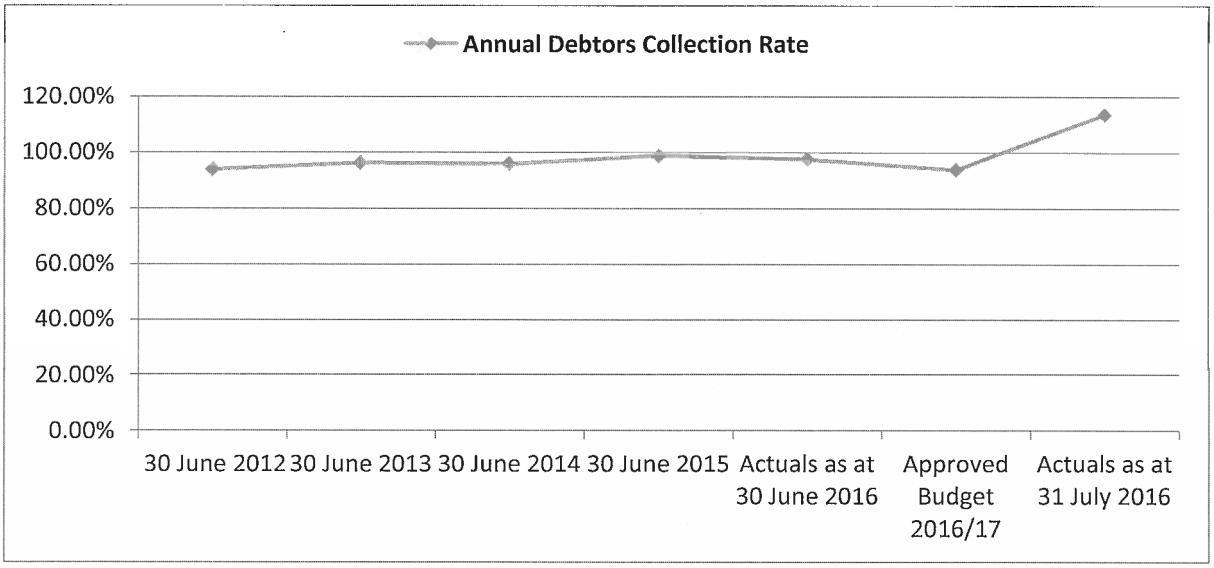
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 July 2016 was 113.59%, compared to the budgeted collection rate of 94%. 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.

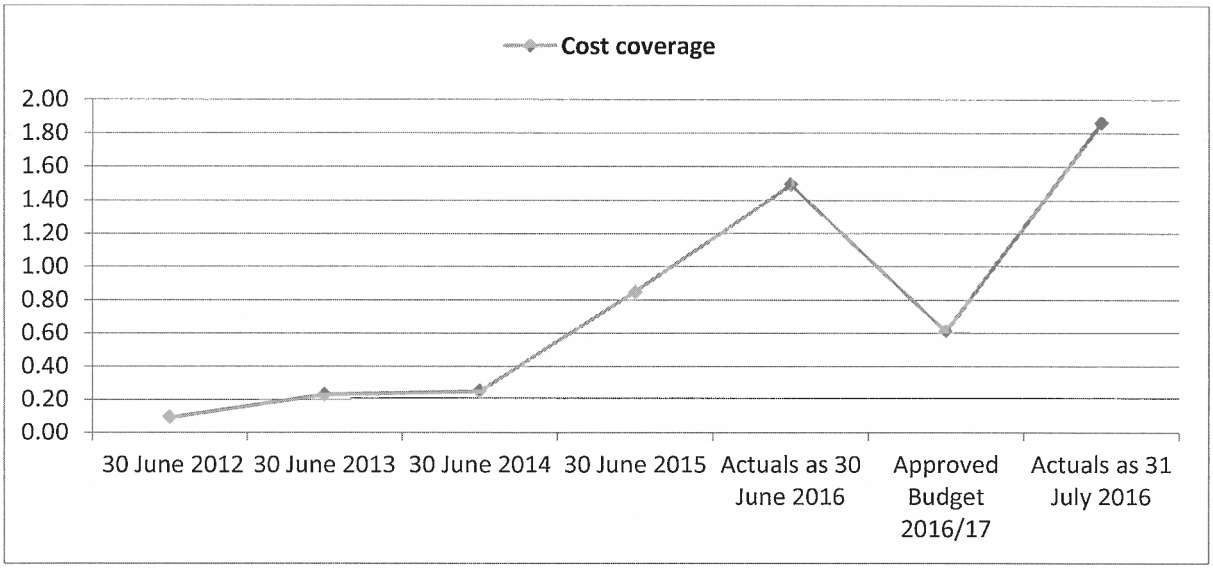
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 July 2016, the Ratio was 1.86 months, compared to the budgeted ratio of 0.61 months.

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



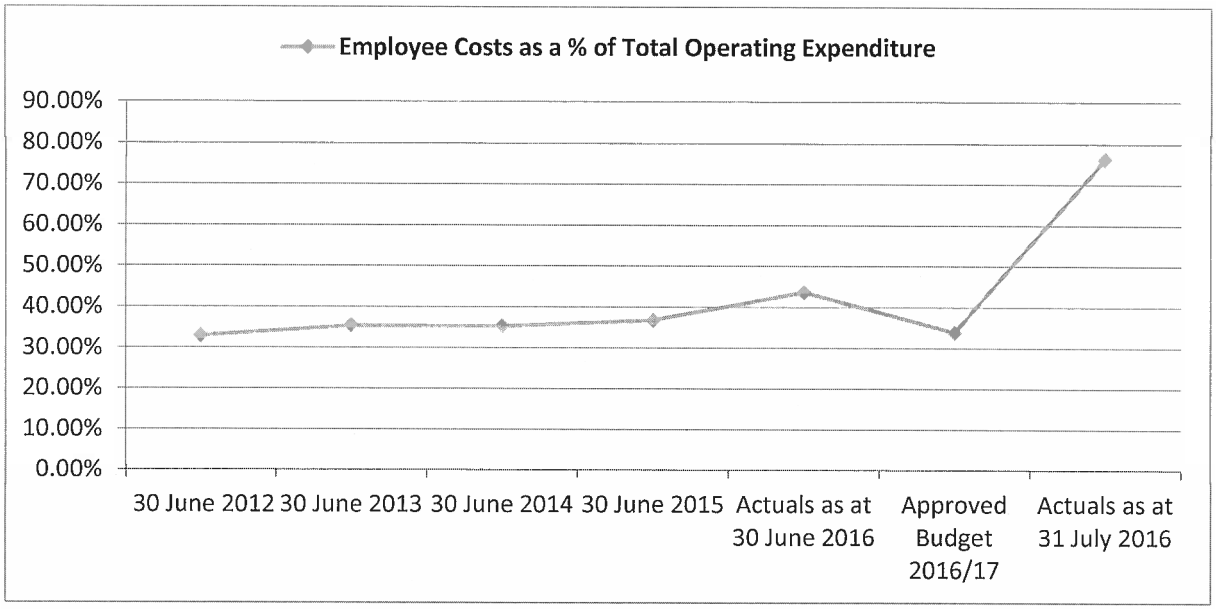
6.4.2. Employee costs as a % of Total Operating Expenditure

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 July 2016, Employee Related Costs constituted 76.25% of the Total Operating Expenditure, compared to the budgeted ratio of 33.98%.



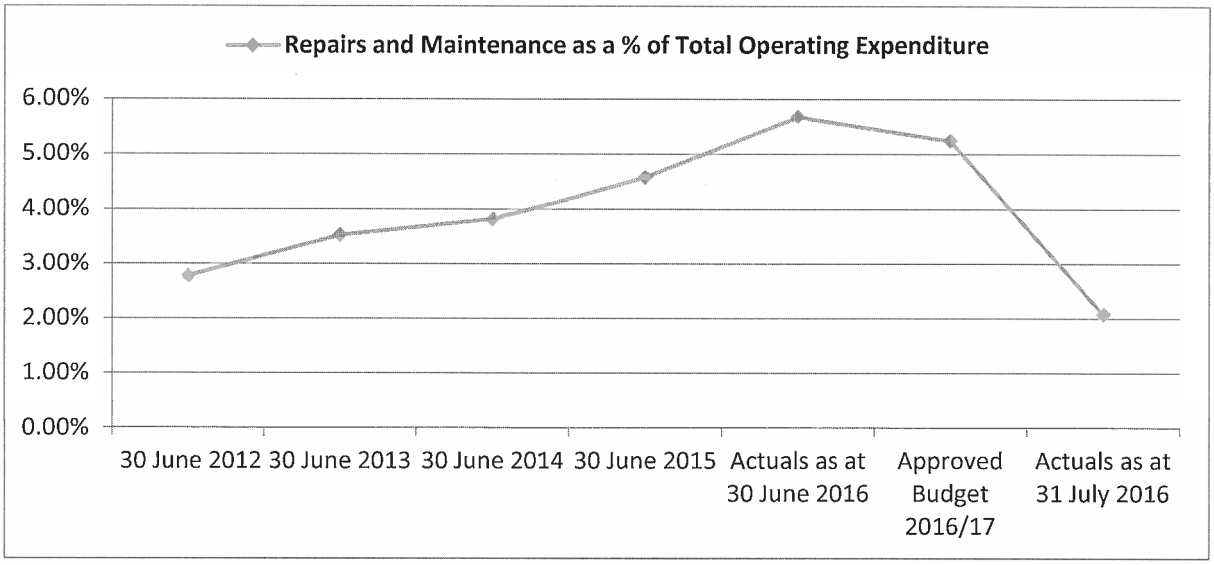
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 July 2016, the ratio was 2.08%, compared to the budgeted ratio of 5.24%.



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

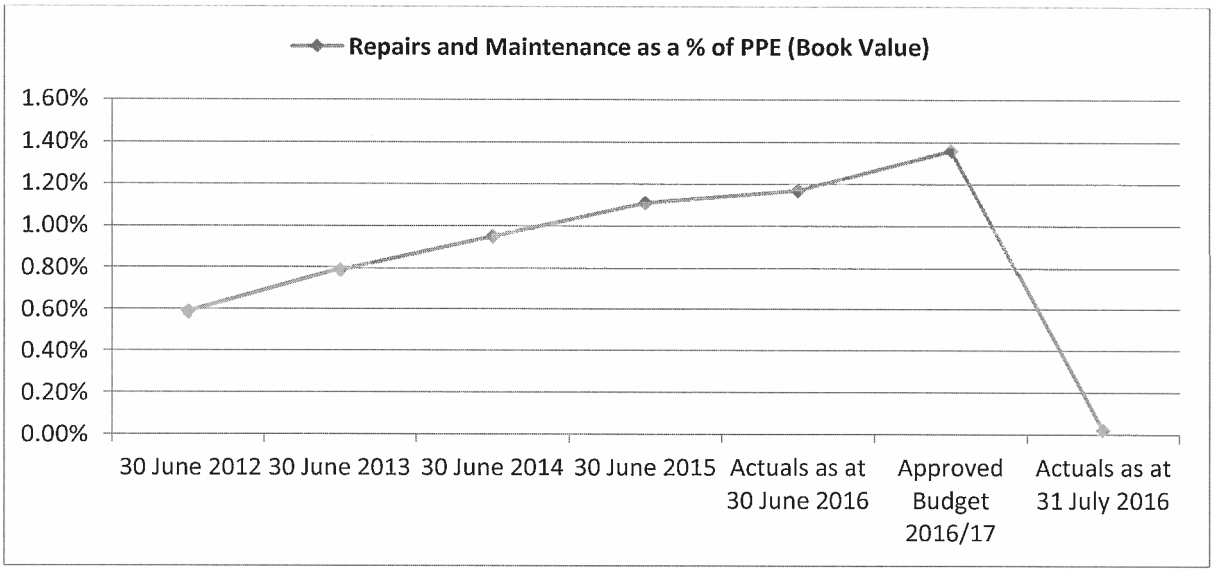
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 July 2016, repairs and maintenance expenditure constituted 0.02% of the book value of PPE, compared to the budgeted ratio of 1.36.

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



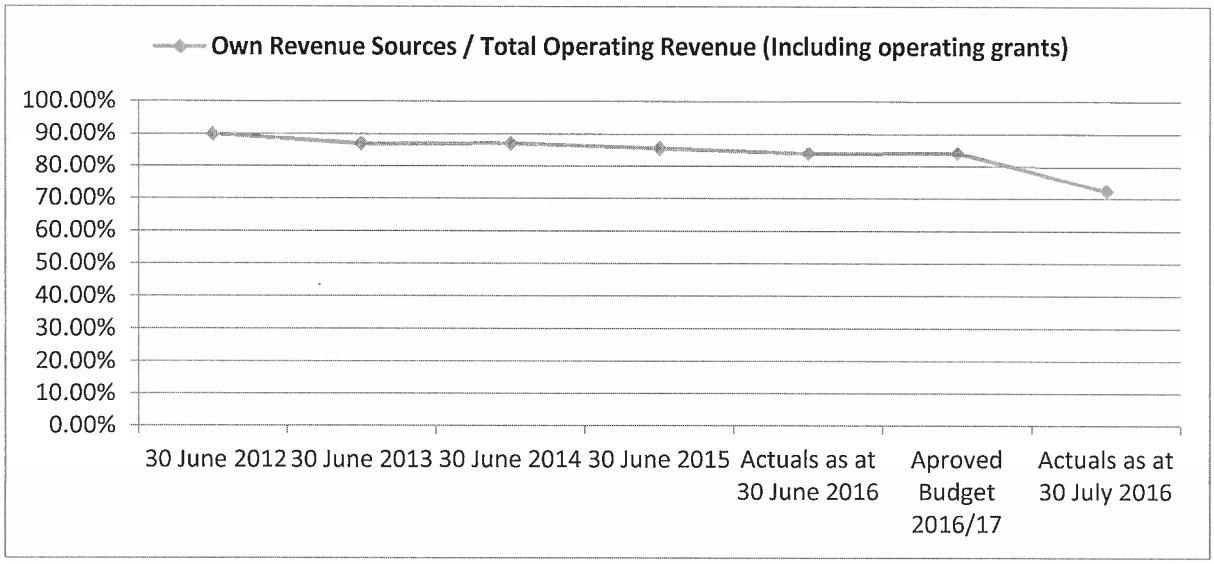
6.4.5. Own Revenue Generation

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 July 2016, the Municipality's own revenue sources constituted 72.35% of its total Operating Income, compared to the budgeted ratio of 84.20%.



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:

Actual Capital spending / Approved Capital Budget

The actual spending as at the end of July 2016 amounted to 0.11%, compared to the budgeted ratio of 95%.

