**KOUGA MUNICIPALITY (EC108)**

**PORTFOLIO COMMITTTEE**

**FINANCE, ADMINISTRATION, MONITORING & EVALUATION**

**DATE:** **ITEM NO:**

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## 1. MONTHLY BUDGET STATEMENTS FOR THE PERIOD JULY TO SEPTEMBER 2016 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 30 SEPTEMBER 2016 (2016/17 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 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 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 her oversight role.

An analysis of the financial position and performance was undertaken to determine the relative financial strength and liquidity of the Municipality. This was complemented by analysing the cash flow position, the investment portfolio, ratios, the operating and capital budget performance for the period July to September 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 217,419 million, whilst operating expenditure amounted to R 121,301 million, resulting in an operating surplus of R 96,118 million. This is influenced by the accounting treatment of the bad debts provision and depreciation and asset impairment.
- Capital expenditure constituted 7.87% of the approved 2016/17 Capital Budget.
- Overdue consumer debts increased by R 22,143 million (20.88%) since June 2016.
- An amount of R 77,221million is owing to creditors, of which R 16,444 million (21.29%) represents current creditors.
- The municipality's investment portfolio has increased by R 25,907,663 (33.06%) since June 2016, from R 78,361,271 to R 104,268,935.

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 September 2016 | 2016/17 Approved Budget |
|---|---|---|---|---|---|---|
| Current Ratio | 0.54:1 | 0.54:1 | 0.86:1 | 0.85:1 | 1.88:1 | 0.90:1 |
| Liquidity Ratio | 0.10:1 | 0.16:1 | 0.28:1 | 0.40:1 | 0.99:1 | 0.21:1 |
| Cost Coverage (Excluding unspent conditional grants) | 0.23 months | 0.25 months | 0.85 months | 1.60 months | 2.33 months | 0.61 months |
| Debt servicing costs to Operating Revenue Ratio | 0.05:1 | 0.06:1 | 0.06:1 | 0.05:1 | 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 30 September 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 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. 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. The monthly budget statements be accordingly submitted to Provincial Treasury as stipulated in Section 71(1) of the MFMA.

Report submitted by

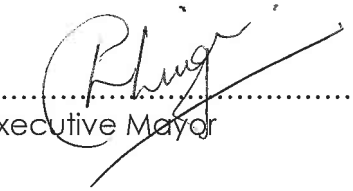


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Mr S.S. Fadi (Municipal Manager)

**Acknowledgement of section 71 reports by the Executive Mayor for the period July to September 2016**

I hereby acknowledge the receipt of section 71 reports in terms of the Municipal Finance Management Act No. 56 of 2003.



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Executive Mayor

## 1.5. Municipal Manager's Quality Certificate

I FADI SIDNEY, 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 FADI SIDNEY

Municipal Manager of Kouga Local Municipality

Signature

Date 16/10/2016

Annexure "A1"

## OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO SEPTEMBER 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 30 September 2016 | % of Budget |
|---|---|---|---|
| **OPERATING REVENUE** | | | |
| Propert Rates | 148 563 488 | 75 633 658 | 50.91% |
| Total Service Charges | 356 823 910 | 93 418 576 | 26.18% |
| Service charges - electricity | 224 482 368 | 59 062 366 | 26.31% |
| Service charges - water | 53 124 403 | 13 640 592 | 25.68% |
| Service charges - sewerage & sanitation | 40 787 081 | 10 081 279 | 24.72% |
| Service charges - refuse | 24 979 278 | 6 295 472 | 25.20% |
| Service charges - environmental management | 13 450 780 | 4 338 867 | 32.26% |
| Rental of Facilities and Equipment | 590 630 | 195 614 | 33.12% |
| Interest Earned - External Investments | 3 000 000 | 951 483 | 31.72% |
| Interest Earned - Outstanding Debtors | 4 500 000 | 2 233 571 | 49.63% |
| Fines | 3 085 695 | 754 900 | 24.46% |
| Licences and Permits | 9 086 136 | 2 428 775 | 26.73% |
| Grants & Subsidies Received - Operating | 100 681 408 | 38 439 000 | 38.18% |
| Other Revenue | 10 842 980 | 3 363 215 | 31.02% |
| **Total Direct Operating Revenue** | **637 174 247** | **217 418 791** | **34.12%** |
| | | | |
| **OPERATING EXPENDITURE** | | | |
| Employee Related Costs | 233 201 498 | 51 886 063 | 22.25% |
| Remuneration of Councillors | 11 003 887 | 2 564 754 | 23.31% |
| Bad Debts | 30 323 244 | - | 0.00% |
| Depreciation & Asset Impairment | 83 123 169 | - | 0.00% |
| Repairs & Maintenance - Municipal Assets | 35 999 395 | 5 288 694 | 14.69% |
| Finance Charges - External Borrowings | 4 462 808 | 801 173 | 17.95% |
| Total Bulk Purchases | 207 393 791 | 52 536 853 | 25.33% |
| Bulk purchases - electricity | 186 660 586 | 46 338 250 | 24.82% |
| Bulk purchases - water | 20 733 205 | 6 198 603 | 29.90% |
| Contracted Services | 12 536 751 | 686 600 | 5.48% |
| Transfers and Grants | 580 000 | - | 0.00% |
| General Expenses - Other | 67 731 981 | 7 536 672 | 11.13% |
| **Total Direct Operating Expenditure** | **686 356 523** | **121 300 808** | **17.67%** |
| | | | |
| **Surplus/(Deficit)** | **-49 182 275** | **96 117 983** | |

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

The statement of financial performance indicates a surplus of R 96,117,983.
This is influenced by the accounting treatment of the bad debts provision and the depreciation and asset impairment.

**Revenue Variations**

Property Rates

As at 30 September 2016, the Municipality has recognised 50.91% 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.

Service Charges – Environmental Management

The revenue recognised is influenced by charges raised on an annual basis, instead of a monthly basis.

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 September 2016 amounted to R 128,185 million.

**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 30 September 2016 | % of Budget |
|---|---|---|---|
| | R | R | |
| Administration, Monitoring & Evaluation | 382,722 | 2,925 | 0.76% |
| Finance | 638,437 | 23,038 | 3.61% |
| Social Services | 9,477,468 | 700,693 | 7.39% |
| Infrastructure, Planning & Development | 24,730,767 | 4,534,612 | 18.34% |
| LED, Tourism & Creative Industries | 770,000 | 27,426 | 3.56% |
| **Total** | **35,999,394** | **5,288,694** | **14.69%** |

It is to be noted that actual repairs and maintenance expenditure constituted 14.69% 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 30 September 2016 | % of Budget |
|---|---|---|---|
| | R | R | |
| Administration, Monitoring & Evaluation | 735,000 | 11,293 | 1.54% |
| Finance | 640,200 | | |
| Social Services | 20,641,455 | 71,225 | 0.35% |
| Infrastructure, Planning & Development | 39,581,407 | 4,854,977 | 12.27% |
| LED, Tourism & Creative Industries | 1,470,485 | 23,992 | 1.63% |
| **Total** | **63,068,547** | **4,961,486** | **7.87%** |
| **Source of Funding** | **Approved Budget 2016/17** | **Actuals as at 30 September 2016** | **% of Budget** |
| | R | R | |
| Internally Generated Funding | 24,685,200 | 472,217 | 1.91% |
| Government Grants | 38,383,347 | 4,489,269 | 11.70% |
| **Total** | **63,068,547** | **4,961,486** | **7.87%** |

It is to be noted that an amount of R 4,961,486 has been spent as at 30 September 2016, compared to the approved capital budget of R 63,068,547. This represents a spending performance of 7.87% relating to the approved Capital Budget.

**Annexure "A3"**

## PROJECTED CASH FLOW STATEMENT FOR THE 2016/17 FINANCIAL YEAR

### Projected Cash Flow Statement as at 30 September 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 – M03 September 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 | | 20 001 | 62 300 | 34 912 | 27 388 | 78% | 139 650 |
| Service charges | | | 335 414 | | 27 882 | 75 415 | 83 854 | (8 439) | -10% | 335 414 |
| Other revenue | | | 23 605 | | 11 359 | 29 897 | 5 901 | 23 996 | 407% | 23 605 |
| Government - operating | | | 100 681 | | – | 40 064 | 25 170 | 14 894 | 59% | 100 681 |
| Government - capital | | | 38 383 | | 2 000 | 11 466 | 9 596 | 1 870 | 19% | 38 383 |
| Interest | | | 7 500 | | 1 842 | 3 910 | 1 875 | 2 035 | 109% | 7 500 |
| Dividends | | | – | | | | | – | | – |
| Payments | | | | | | | | | | |
| Suppliers and employees | | | (567 867) | | (68 790) | (185 593) | (141 967) | 43 627 | -31% | (567 867) |
| Finance charges | | | (4 463) | | (382) | (1 184) | (1 116) | 68 | -6% | (4 463) |
| Transfers and Grants | | | (580) | | | | | – | | (580) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | – | 72 324 | – | (6 088) | 36 275 | 18 226 | (18 049) | -99% | 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) | | (3 284) | (8 997) | (15 767) | (6 770) | 43% | (63 069) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | – | (63 069) | – | (3 284) | (8 997) | (15 767) | (6 770) | 43% | (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) | | (469) | (1 370) | (1 826) | (455) | 25% | (7 303) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | – | (7 303) | – | (469) | (1 370) | (1 826) | (455) | 25% | (7 303) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | – | 1 953 | – | (9 842) | 25 908 | 633 | | | 1 953 |
| Cash/cash equivalents at beginning: | | | 27 092 | | | 78 361 | 27 092 | | | 78 361 |
| Cash/cash equivalents at month/year end: | | – | 29 045 | – | | 104 269 | 27 725 | | | 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 period July to September 2016 and are to be noted. Each table is accompanied by explanatory notes.

# Table C1 Monthly Budget Statement Summary – M03 September 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 | – | 7 745 | 75 634 | 37 141 | 38 493 | 104% | 148 563 |
| Service charges | – | 356 824 | – | 28 547 | 93 419 | 89 206 | 4 213 | 5% | 356 824 |
| Investment revenue | – | 3 000 | – | 553 | 951 | 750 | 201 | 27% | 3 000 |
| Transfers recognised - operational | – | 100 681 | – | – | 38 439 | 25 170 | 13 269 | 53% | 100 681 |
| Other own revenue | – | 28 105 | – | 3 092 | 8 976 | 7 026 | 1 950 | 28% | 28 105 |
| **Total Revenue (excluding capital transfers and contributions)** | **–** | **637 174** | **–** | **39 937** | **217 419** | **159 294** | **58 125** | **36%** | **637 174** |
| Employee costs | – | 233 201 | – | 17 057 | 51 886 | 58 300 | (6 414) | -11% | 233 201 |
| Remuneration of Councillors | – | 11 004 | – | 872 | 2 565 | 2 751 | (186) | -7% | 11 004 |
| Depreciation & asset impairment | – | 83 123 | – | – | – | 20 781 | (20 781) | -100% | 83 123 |
| Finance charges | – | 4 463 | – | – | 801 | 1 116 | (315) | -28% | 4 463 |
| Materials and bulk purchases | – | 243 393 | – | 10 379 | 57 826 | 60 848 | (3 023) | -5% | 243 393 |
| Transfers and grants | – | 580 | – | – | – | 145 | (145) | -100% | 580 |
| Other expenditure | – | 110 592 | – | 2 914 | 8 223 | 27 648 | (19 425) | -70% | 110 592 |
| **Total Expenditure** | **–** | **686 357** | **–** | **31 222** | **121 301** | **171 589** | **(50 288)** | **-29%** | **686 357** |
| **Surplus/(Deficit)** | **–** | **(49 182)** | **–** | **8 714** | **96 118** | **(12 296)** | **108 414** | **-882%** | **(49 182)** |
| Transfers recognised - capital | – | 38 383 | – | 5 497 | 5 497 | 9 596 | (4 099) | -43% | 38 383 |
| Contributions & Contributed assets | – | – | – | – | – | – | – | | – |
| **Surplus/(Deficit) after capital transfers & contributions** | **–** | **(10 799)** | **–** | **14 211** | **101 615** | **(2 700)** | **104 315** | **-3864%** | **(10 799)** |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | | – |
| **Surplus/ (Deficit) for the year** | **–** | **(10 799)** | **–** | **14 211** | **101 615** | **(2 700)** | **104 315** | **-3864%** | **(10 799)** |
| **Capital expenditure & funds sources** | | | | | | | | | |
| **Capital expenditure** | **–** | **63 069** | **–** | **3 284** | **4 961** | **15 767** | **(10 806)** | **-69%** | **63 069** |
| Capital transfers recognised | – | 38 383 | – | 2 882 | 4 489 | 9 596 | (5 107) | -53% | 38 383 |
| Public contributions & donations | – | – | – | – | – | – | – | | – |
| Borrowing | – | – | – | – | – | – | – | | – |
| Internally generated funds | – | **24 685** | – | **402** | **472** | **6 171** | **(5 699)** | **-92%** | **24 685** |
| **Total sources of capital funds** | **–** | **63 069** | **–** | **3 284** | **4 961** | **15 767** | **(10 806)** | **-69%** | **63 069** |
| **Financial position** | | | | | | | | | |
| Total current assets | – | 127 241 | – | | 197 355 | | | | 127 241 |
| Total non current assets | – | 2 712 925 | – | | 2 509 738 | | | | 2 712 925 |
| Total current liabilities | – | 140 740 | – | | 105 084 | | | | 140 740 |
| Total non current liabilities | – | 137 395 | – | | 143 168 | | | | 137 395 |
| **Community wealth/Equity** | **–** | **2 562 031** | **–** | | **2 458 842** | | | | **2 562 031** |
| **Cash flows** | | | | | | | | | |
| Net cash from (used) operating | – | 72 324 | – | (6 088) | 36 275 | 18 226 | (18 049) | -99% | 72 324 |
| Net cash from (used) investing | – | (63 069) | – | (3 284) | (8 997) | (15 767) | (6 770) | 43% | (63 069) |
| Net cash from (used) financing | – | (7 303) | – | (469) | (1 370) | (1 826) | (455) | 25% | (7 303) |
| **Cash/cash equivalents at the month/year end** | **–** | **29 045** | **–** | **–** | **104 269** | **27 725** | **(76 544)** | **-276%** | **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 | 28 475 | 25 685 | 2 985 | 3 090 | 2 210 | 2 128 | 10 505 | 81 584 | 156 661 |
| **Creditors Age Analysis** | | | | | | | | | |
| Total Creditors | 16 444 | 1 767 | 87 | 46 059 | 157 | 677 | 46 | 11 985 | 77 221 |

**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) – M03 September 2016

| Description | Ref | 2015/16 | Budget Year 2016/17 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| R thousands | 1 | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| Revenue - Standard | | | | | | | | | | |
| ***Governance and administration*** | | – | **247 403** | – | **9 207** | **117 365** | **61 851** | 55 514 | 90% | **247 403** |
| Executive and council | | – | – | – | – | – | – | – | | – |
| Budget and treasury office | | – | 246 308 | – | 9 162 | 117 163 | 61 577 | 55 586 | 90% | 246 308 |
| Corporate services | | – | 1 096 | – | 45 | 202 | 274 | (72) | -26% | 1 096 |
| ***Community and public safety*** | | – | **24 181** | – | **1 607** | **4 815** | **6 045** | (1 230) | -20% | **24 181** |
| Community and social services | | – | 8 613 | – | 640 | 1 815 | 2 153 | (338) | -16% | 8 613 |
| Sport and recreation | | – | 4 321 | – | 1 | 1 | 1 080 | (1 079) | -100% | 4 321 |
| Public safety | | – | 11 247 | – | 966 | 2 999 | 2 812 | 187 | 7% | 11 247 |
| Housing | | – | – | – | – | – | – | – | | – |
| Health | | – | – | – | – | – | – | – | | – |
| ***Economic and environmental services*** | | – | **21 848** | – | **1 114** | **5 303** | **5 462** | (159) | -3% | **21 848** |
| Planning and development | | – | 5 881 | – | 251 | 944 | 1 470 | (526) | -36% | 5 881 |
| Road transport | | – | – | – | – | – | – | – | | – |
| Environmental protection | | – | 15 967 | – | 863 | 4 359 | 3 992 | 367 | 9% | 15 967 |
| ***Trading services*** | | – | **382 126** | – | **33 506** | **95 433** | **95 531** | (99) | 0% | **382 126** |
| Electricity | | – | 237 721 | – | 19 546 | 60 090 | 59 430 | 660 | 1% | 237 721 |
| Water | | – | 55 533 | – | 3 789 | 13 796 | 13 883 | (87) | -1% | 55 533 |
| Waste water management | | – | 63 878 | – | 8 074 | 15 249 | 15 970 | (720) | -5% | 63 878 |
| Waste management | | – | 24 994 | – | 2 097 | 6 297 | 6 249 | 49 | 1% | 24 994 |
| ***Other*** | 4 | – | – | – | – | – | – | – | | – |
| **Total Revenue - Standard** | 2 | – | **675 558** | – | **45 433** | **222 916** | **168 889** | **54 026** | **32%** | **675 558** |
| Expenditure - Standard | | | | | | | | | | |
| ***Governance and administration*** | | – | **131 745** | – | **6 332** | **21 006** | **32 936** | (11 931) | -36% | **131 745** |
| Executive and council | | – | 31 358 | – | 1 841 | 6 847 | 7 840 | (993) | -13% | 31 358 |
| Budget and treasury office | | – | 52 808 | – | 2 123 | 6 110 | 13 202 | (7 092) | -54% | 52 808 |
| Corporate services | | – | 47 578 | – | 2 368 | 8 048 | 11 895 | (3 846) | -32% | 47 578 |
| ***Community and public safety*** | | – | **89 446** | – | **6 092** | **17 693** | **22 362** | (4 668) | -21% | **89 446** |
| Community and social services | | – | 47 341 | – | 3 306 | 9 609 | 11 835 | (2 226) | -19% | 47 341 |
| Sport and recreation | | – | 666 | – | 111 | 231 | 166 | 65 | 39% | 666 |
| Public safety | | – | 37 718 | – | 2 447 | 6 972 | 9 429 | (2 457) | -26% | 37 718 |
| Housing | | – | 3 722 | – | 227 | 881 | 930 | (50) | -5% | 3 722 |
| Health | | – | – | – | – | – | – | – | | – |
| ***Economic and environmental services*** | | – | **107 064** | – | **3 695** | **10 341** | **26 766** | (16 425) | -61% | **107 064** |
| Planning and development | | – | 96 295 | – | 3 183 | 8 777 | 24 074 | (15 296) | -64% | 96 295 |
| Road transport | | – | – | – | – | – | – | – | | – |
| Environmental protection | | – | 10 770 | – | 512 | 1 564 | 2 692 | (1 129) | -42% | 10 770 |
| ***Trading services*** | | – | **358 101** | – | **15 103** | **72 261** | **89 525** | (17 264) | -19% | **358 101** |
| Electricity | | – | 229 594 | – | 6 266 | 50 773 | 57 398 | (6 626) | -12% | 229 594 |
| Water | | – | 55 826 | – | 5 050 | 10 875 | 13 957 | (3 082) | -22% | 55 826 |
| Waste water management | | – | 41 421 | – | 1 818 | 5 034 | 10 355 | (5 322) | -51% | 41 421 |
| Waste management | | – | 31 260 | – | 1 970 | 5 580 | 7 815 | (2 235) | -29% | 31 260 |
| ***Other*** | | – | – | – | – | – | – | – | | – |
| **Total Expenditure - Standard** | 3 | – | **686 357** | – | **31 222** | **121 301** | **171 589** | **(50 288)** | **-29%** | **686 357** |
| **Surplus/ (Deficit) for the year** | | – | **(10 799)** | – | **14 211** | **101 615** | **(2 700)** | **104 315** | **-3864%** | **(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 – M03 September 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 | - | 9 162 | 117 163 | 61 577 | 55 586 | 90.3% | 246 308 |
| Vote 3 - Administration, Monitoring & Evaluation | - | 508 | - | 3 | 7 | 127 | (120) | -94.6% | 508 |
| Vote 4 - Led, Tourism & Creative Industries | - | 1 440 | - | - | - | 360 | (360) | -100.0% | 1 440 |
| Vote 5 - Infrastructure, Planning & Development 1 | - | 242 748 | - | 19 839 | 61 230 | 60 687 | 542 | 0.9% | 242 748 |
| Vote 6 - Infrastructure, Planning & Development 2 | - | 119 411 | - | 11 863 | 29 046 | 29 853 | (807) | -2.7% | 119 411 |
| Vote 7 - Social Services 1 | - | 7 435 | - | 362 | 578 | 1 859 | (1 281) | -68.9% | 7 435 |
| Vote 8 - Social Services 2 | - | 57 707 | - | 4 205 | 14 893 | 14 427 | 466 | 3.2% | 57 707 |
| **Total Revenue by Vote** | **-** | **675 558** | **-** | **45 433** | **222 916** | **168 889** | **54 026** | **32.0%** | **675 558** |
| | | | | | | | | | |
| Expenditure by Vote | | | | | | | | | |
| Vote 1 - Executive & Council | - | 31 358 | - | 1 841 | 6 847 | 7 840 | (993) | -12.7% | 31 358 |
| Vote 2 - Financial Services | - | 59 197 | - | 2 330 | 7 492 | 14 799 | (7 307) | -49.4% | 59 197 |
| Vote 3 - Administration, Monitoring & Evaluation | - | 33 253 | - | 1 961 | 6 103 | 8 313 | (2 210) | -26.6% | 33 253 |
| Vote 4 - Led, Tourism & Creative Industries | - | 11 081 | - | 705 | 1 872 | 2 770 | (899) | -32.4% | 11 081 |
| Vote 5 - Infrastructure, Planning & Development 1 | - | 326 705 | - | 9 182 | 59 156 | 81 676 | (22 520) | -27.6% | 326 705 |
| Vote 6 - Infrastructure, Planning & Development 2 | - | 97 248 | - | 6 867 | 15 908 | 24 312 | (8 404) | -34.6% | 97 248 |
| Vote 7 - Social Services 1 | - | 35 317 | - | 2 371 | 6 879 | 8 829 | (1 950) | -22.1% | 35 317 |
| Vote 8 - Social Services 2 | - | 92 199 | - | 5 965 | 17 043 | 23 050 | (6 007) | -26.1% | 92 199 |
| **Total Expenditure by Vote** | **-** | **686 357** | **-** | **31 222** | **121 301** | **171 589** | **(50 288)** | **-29.3%** | **686 357** |
| **Surplus/ (Deficit) for the year** | **-** | **(10 799)** | **-** | **14 211** | **101 615** | **(2 700)** | **104 315** | **-3863.9%** | **(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) – M03 September 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 | | 7 745 | 75 634 | 37 141 | 38 493 | 104% | 148 563 |
| Property rates - penalties & collection charges | | | – | | | – | – | – | | – |
| Service charges - electricity revenue | | | 224 482 | | 18 914 | 59 062 | 56 121 | 2 942 | 5% | 224 482 |
| Service charges - water revenue | | | 53 124 | | 3 760 | 13 641 | 13 281 | 359 | 3% | 53 124 |
| Service charges - sanitation revenue | | | 40 787 | | 2 921 | 10 081 | 10 197 | (115) | -1% | 40 787 |
| Service charges - refuse revenue | | | 24 979 | | 2 097 | 6 295 | 6 245 | 51 | 1% | 24 979 |
| Service charges - other | | | 13 451 | | 855 | 4 339 | 3 363 | 976 | 29% | 13 451 |
| Rental of facilities and equipment | | | 591 | | 42 | 196 | 148 | 48 | 32% | 591 |
| Interest earned - external investments | | | 3 000 | | 553 | 951 | 750 | 201 | 27% | 3 000 |
| Interest earned - outstanding debtors | | | 4 500 | | 788 | 2 234 | 1 125 | 1 109 | 99% | 4 500 |
| Dividends received | | | – | | | – | – | – | | – |
| Fines | | | 3 086 | | 261 | 755 | 771 | (17) | -2% | 3 086 |
| Licences and permits | | | 9 086 | | 789 | 2 429 | 2 272 | 157 | 7% | 9 086 |
| Agency services | | | – | | | – | – | – | | – |
| Transfers recognised - operational | | | 100 681 | | | 38 439 | 25 170 | 13 269 | 53% | 100 681 |
| Other revenue | | | 10 843 | | 1 212 | 3 363 | 2 711 | 652 | 24% | 10 843 |
| Gains on disposal of PPE | | | – | | – | – | – | – | | – |
| **Total Revenue (excluding capital transfers and contributions)** | | – | **637 174** | – | **39 937** | **217 419** | **159 294** | **58 125** | **36%** | **637 174** |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | | | 233 201 | | 17 057 | 51 886 | 58 300 | (6 414) | -11% | 233 201 |
| Remuneration of councillors | | | 11 004 | | 872 | 2 565 | 2 751 | (186) | -7% | 11 004 |
| Debt impairment | | | 30 323 | | – | – | 7 581 | (7 581) | -100% | 30 323 |
| Depreciation & asset impairment | | | 83 123 | | – | – | 20 781 | (20 781) | -100% | 83 123 |
| Finance charges | | | 4 463 | | – | 801 | 1 116 | (315) | -28% | 4 463 |
| Bulk purchases | | | 207 394 | | 7 935 | 52 537 | 51 848 | 688 | 1% | 207 394 |
| Other materials | | | 35 999 | | 2 444 | 5 289 | 9 000 | (3 711) | -41% | 35 999 |
| Contracted services | | | 12 537 | | 336 | 687 | 3 134 | (2 448) | -78% | 12 537 |
| Transfers and grants | | | 580 | | – | – | 145 | (145) | -100% | 580 |
| Other expenditure | | | 67 732 | | 2 579 | 7 537 | 16 933 | (9 396) | -55% | 67 732 |
| Loss on disposal of PPE | | | – | | – | – | – | – | | – |
| **Total Expenditure** | | – | **686 357** | – | **31 222** | **121 301** | **171 589** | **(50 288)** | **-29%** | **686 357** |
| **Surplus/(Deficit)** | | – | **(49 182)** | – | **8 714** | **96 118** | **(12 296)** | **108 414** | **(0)** | **(49 182)** |
| Transfers recognised - capital | | | 38 383 | | 5 497 | 5 497 | 9 596 | (4 099) | (0) | 38 383 |
| Contributions recognised - capital | | | – | | | | – | – | | |
| Contributed assets | | | – | | | | – | – | | |
| **Surplus/(Deficit) after capital transfers & contributions** | | – | **(10 799)** | – | **14 211** | **101 615** | **(2 700)** | | | **(10 799)** |
| Taxation | | | – | | | | | – | | – |
| **Surplus/(Deficit) after taxation** | | – | **(10 799)** | – | **14 211** | **101 615** | **(2 700)** | | | **(10 799)** |
| Attributable to minorities | | | – | | | | | | | |
| **Surplus/(Deficit) attributable to municipality** | | – | **(10 799)** | – | **14 211** | **101 615** | (2 700) | | | **(10 799)** |
| Share of surplus/ (deficit) of associate | | | – | | | | | | | – |
| **Surplus/ (Deficit) for the year** | | – | **(10 799)** | – | **14 211** | **101 615** | **(2 700)** | | | **(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 performance.

# Table C5 Monthly Budget Statement – Capital Expenditure (municipal vote, standard classification and funding) – M03 September 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 | – | – | – | 8 | (8) | -100% | 30 |
| Vote 2 - Financial Services | – | 670 | – | – | – | 168 | (168) | -100% | 670 |
| Vote 3 - Administration, Monitoring & Evaluation | – | 675 | – | 11 | 11 | 169 | (157) | -93% | 675 |
| Vote 4 - Led, Tourism & Creative Industries | – | 1 470 | – | 24 | 24 | 368 | (344) | -93% | 1 470 |
| Vote 5 - Infrastructure, Planning & Development 1 | – | 8 074 | – | 304 | 304 | 2 018 | (1 715) | -85% | 8 074 |
| Vote 6 - Infrastructure, Planning & Development 2 | – | 31 508 | – | 2 944 | 4 551 | 7 877 | (3 326) | -42% | 31 508 |
| Vote 7 - Social Services 1 | – | 2 535 | – | 1 | 71 | 634 | (563) | -89% | 2 535 |
| Vote 8 - Social Services 2 | – | 18 106 | – | – | – | 4 527 | (4 527) | -100% | 18 106 |
| **Total Capital single-year expenditure** | – | 63 069 | – | 3 284 | 4 961 | 15 767 | (10 806) | -69% | 63 069 |
| **Total Capital Expenditure** | – | 63 069 | – | 3 284 | 4 961 | 15 767 | (10 806) | -69% | 63 069 |
| | | | | | | | | | |
| Capital Expenditure - Standard Classification | | | | | | | | | |
| *Governance and administration* | – | 1 375 | – | 11 | 11 | 344 | (333) | -97% | 1 375 |
| Executive and council | | 30 | | – | – | 8 | (8) | -100% | 30 |
| Budget and treasury office | | 640 | | – | – | 160 | (160) | -100% | 640 |
| Corporate services | | 705 | | 11 | 11 | 176 | (165) | -94% | 705 |
| *Community and public safety* | – | 13 186 | – | – | 70 | 3 297 | (3 226) | -98% | 13 186 |
| Community and social services | | 2 500 | | – | 70 | 625 | (555) | -89% | 2 500 |
| Sport and recreation | | 9 821 | | – | – | 2 455 | (2 455) | -100% | 9 821 |
| Public safety | | 865 | | – | – | 216 | (216) | -100% | 865 |
| Housing | | – | | – | – | – | – | | – |
| Health | | – | | – | – | – | – | | – |
| *Economic and environmental services* | – | 5 425 | – | 25 | 25 | 1 356 | (1 331) | -98% | 5 425 |
| Planning and development | | 1 470 | | 24 | 24 | 368 | (344) | -93% | 1 470 |
| Road transport | | – | | – | – | – | – | | – |
| Environmental protection | | 3 955 | | 1 | 1 | 989 | (988) | -100% | 3 955 |
| *Trading services* | – | 43 081 | – | 3 248 | 4 855 | 10 770 | (5 915) | -55% | 43 081 |
| Electricity | | 8 074 | | 304 | 304 | 2 018 | (1 715) | -85% | 8 074 |
| Water | | 2 750 | | – | – | 688 | (688) | -100% | 2 750 |
| Waste water management | | 28 758 | | 2 944 | 4 551 | 7 189 | (2 638) | -37% | 28 758 |
| Waste management | | 3 500 | | – | – | 875 | (875) | -100% | 3 500 |
| *Other* | | – | | – | – | – | – | | – |
| **Total Capital Expenditure - Standard Classification** | – | 63 069 | – | 3 284 | 4 961 | 15 767 | (10 806) | -69% | 63 069 |
| | | | | | | | | | |
| Funded by: | | | | | | | | | |
| National Government | | 34 810 | | 2 882 | 4 489 | 8 702 | (4 213) | -48% | 34 810 |
| Provincial Government | | 2 000 | | – | – | 500 | (500) | -100% | 2 000 |
| District Municipality | | – | | – | – | – | – | | – |
| Other transfers and grants | | 1 574 | | – | – | 393 | (393) | -100% | 1 574 |
| **Transfers recognised - capital** | – | 38 383 | – | 2 882 | 4 489 | 9 596 | (5 107) | -53% | 38 383 |
| **Public contributions & donations** | | – | | – | – | – | – | | – |
| **Borrowing** | | – | | – | – | – | – | | – |
| **Internally generated funds** | | 24 685 | | 402 | 472 | 6 171 | (5 699) | -92% | 24 685 |
| **Total Capital Funding** | – | 63 069 | – | 3 284 | 4 961 | 15 767 | (10 806) | -69% | 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 – M03 September 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 | | 17 070 | 3 000 |
| Call investment deposits | | | 26 045 | | 87 198 | 26 045 |
| Consumer debtors | | | 49 675 | | 58 742 | 49 675 |
| Other debtors | | | 43 668 | | 28 253 | 43 668 |
| Current portion of long-term receivables | | | 8 | | | 8 |
| Inventory | | | 4 845 | | 6 091 | 4 845 |
| **Total current assets** | | – | **127 241** | – | **197 355** | **127 241** |
| **Non current assets** | | | | | | |
| Long-term receivables | | | 113 | | | 113 |
| Investments | | | – | | | – |
| Investment property | | | 63 705 | | 61 354 | 63 705 |
| Investments in Associate | | | – | | | – |
| Property, plant and equipment | | | 2 649 006 | | 2 448 265 | 2 649 006 |
| Agricultural | | | – | | | – |
| Biological assets | | | – | | | – |
| Intangible assets | | | 101 | | 120 | 101 |
| Other non-current assets | | | – | | | – |
| **Total non current assets** | | – | **2 712 925** | – | **2 509 738** | **2 712 925** |
| **TOTAL ASSETS** | | – | **2 840 166** | – | **2 707 093** | **2 840 166** |
| **LIABILITIES** | | | | | | |
| **Current liabilities** | | | | | | |
| Bank overdraft | | | – | | | – |
| Borrowing | | | 7 303 | | 6 365 | 7 303 |
| Consumer deposits | | | 9 330 | | 9 755 | 9 330 |
| Trade and other payables | | | 94 113 | | 53 034 | 94 113 |
| Provisions | | | 29 995 | | 35 930 | 29 995 |
| **Total current liabilities** | | – | **140 740** | – | **105 084** | **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** | – | **248 251** | **278 136** |
| **NET ASSETS** | 2 | – | **2 562 031** | – | **2 458 842** | **2 562 031** |
| **COMMUNITY WEALTH/EQUITY** | | | | | | |
| Accumulated Surplus/(Deficit) | | | 2 562 031 | | 2 458 842 | 2 562 031 |
| Reserves | | | – | | | – |
| **TOTAL COMMUNITY WEALTH/EQUITY** | 2 | – | **2 562 031** | – | **2 458 842** | **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 – M03 September 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 | | 20 001 | 62 300 | 34 912 | 27 388 | 78% | 139 650 |
| Service charges | | | 335 414 | | 27 882 | 75 415 | 83 854 | (8 439) | -10% | 335 414 |
| Other revenue | | | 23 605 | | 11 359 | 29 897 | 5 901 | 23 996 | 407% | 23 605 |
| Government - operating | | | 100 681 | | – | 40 064 | 25 170 | 14 894 | 59% | 100 681 |
| Government - capital | | | 38 383 | | 2 000 | 11 466 | 9 596 | 1 870 | 19% | 38 383 |
| Interest | | | 7 500 | | 1 842 | 3 910 | 1 875 | 2 035 | 109% | 7 500 |
| Dividends | | | – | | | | | – | | – |
| Payments | | | | | | | | | | |
| Suppliers and employees | | | (567 867) | | (68 790) | (185 593) | (141 967) | 43 627 | -31% | (567 867) |
| Finance charges | | | (4 463) | | (382) | (1 184) | (1 116) | 68 | -6% | (4 463) |
| Transfers and Grants | | | (580) | | | | | – | | (580) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | – | 72 324 | – | (6 088) | 36 275 | 18 226 | (18 049) | -99% | 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) | | (3 284) | (8 997) | (15 767) | (6 770) | 43% | (63 069) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | – | (63 069) | – | (3 284) | (8 997) | (15 767) | (6 770) | 43% | (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) | | (469) | (1 370) | (1 826) | (455) | 25% | (7 303) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | – | (7 303) | – | (469) | (1 370) | (1 826) | (455) | 25% | (7 303) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | – | 1 953 | – | (9 842) | 25 908 | 633 | | | 1 953 |
| Cash/cash equivalents at beginning: | | | 27 092 | | | 78 361 | 27 092 | | | 78 361 |
| Cash/cash equivalents at month/year end: | | – | 29 045 | – | | 104 269 | 27 725 | | | 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 30 September 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 30 September 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 | 5 346 | 2 682 | 716 | 702 | 730 | 590 | 3 647 | 17 280 | 31 692 |
| Trade and Other Receivables from Exchange Transactions - Electricity | 18 471 | 3 814 | 594 | 388 | 302 | 352 | 1 075 | 6 672 | 31 667 |
| Receivables from Non-exchange Transactions - Property Rates | 8 524 | 15 389 | 578 | 961 | 288 | 301 | 1 358 | 19 350 | 46 749 |
| Receivables from Exchange Transactions - Waste Water Management | 3 888 | 1 362 | 370 | 369 | 341 | 282 | 1 660 | 7 895 | 16 167 |
| Receivables from Exchange Transactions - Waste Management | 2 865 | 550 | 390 | 373 | 317 | 303 | 1 520 | 10 044 | 16 363 |
| Receivables from Exchange Transactions - Property Rental Debtors | – | – | – | – | – | – | – | 1 | 1 |
| Interest on Arrear Debtor Accounts | 59 | 382 | 66 | 101 | 83 | 88 | 561 | 13 253 | 14 593 |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure | – | – | – | – | – | – | – | – | – |
| Other | (10 677) | 1 506 | 270 | 195 | 149 | 212 | 683 | 7 090 | (573) |
| **Total By Income Source** | **28 475** | **25 685** | **2 985** | **3 090** | **2 210** | **2 128** | **10 505** | **81 584** | **156 661** |
| | | | | | | | | | – |
| Debtors Age Analysis By Customer Group | | | | | | | | | |
| Organs of State | 730 | 1 115 | 262 | 51 | 38 | 24 | 120 | 1 295 | 3 635 |
| Commercial | 5 499 | 1 123 | 204 | 158 | 133 | 198 | 442 | 2 458 | 10 215 |
| Households | 22 246 | 23 446 | 2 518 | 2 882 | 2 039 | 1 906 | 9 943 | 77 831 | 142 810 |
| Other | | | | | | | | | – |
| **Total By Customer Group** | **28 475** | **25 685** | **2 985** | **3 090** | **2 210** | **2 128** | **10 505** | **81 584** | **156 661** |

The aforementioned analysis indicates that from 30 June 2016 to 30 September 2016, the overdue debts have increased from R 106,042 million to R 128,185 million, as follows:

| R thousands | OVERDUE AMOUNTS AS AT | | |
|---|---|---|---|
| **Debtors Age Analysis By Income Source** | **30-Jun-16** | **30-Sep-16** | **Difference** |
| Trade and Other Receivables from Exchange Transactions - Water | 28 117 | 26 346 | (1 771) |
| Trade and Other Receivables from Exchange Transactions - Electricity | 11 930 | 13 196 | 1 266 |
| Receivables from Non-exchange Transactions - Property Rates | 27 460 | 38 225 | 10 765 |
| Receivables from Exchange Transactions - Waste Water Management | 12 788 | 12 280 | (508) |
| Receivables from Exchange Transactions - Waste Management | 15 675 | 13 499 | (2 176) |
| Receivables from Exchange Transactions - Property Rental Debtors | – | 1 | 1 |
| Interest on Arrear Debtor Accounts | – | 14 534 | 14 534 |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure | – | – | – |
| Other | 10 073 | 10 104 | 32 |
| **Total By Income Source** | **106 042** | **128 185** | **22 143** |
| | | – | |
| **Debtors Age Analysis By Customer Group** | | | |
| Organs of State | 1 764 | 2 905 | 1 141 |
| Commercial | 4 271 | 4 716 | 444 |
| Households | 100 007 | 120 564 | 20 557 |
| Other | – | – | – |
| **Total By Customer Group** | **106 042** | **128 185** | **22 143** |

## 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 | 13 700 | - | - | - | - | - | - | - | 13 700 |
| Bulk Water | - | - | - | 46 010 | - | - | - | - | 46 010 |
| PAYE deductions | - | - | - | - | - | - | - | - | - |
| VAT (output less input) | - | - | - | - | - | - | - | - | - |
| Pensions / Retirement deductions | - | - | - | - | - | - | - | - | - |
| Loan repayments | - | - | - | - | - | - | - | - | - |
| Trade Creditors | 2 744 | 1 468 | 56 | 49 | - | - | 255 | 11 985 | 16 557 |
| Auditor General | - | 298 | 31 | - | 157 | 677 | (209) | | 954 |
| Other | | - | - | - | - | - | - | - | - |
| **Total By Customer Type** | **16 444** | **1 767** | **87** | **46 059** | **157** | **677** | **46** | **11 985** | **77 221** |

The above amounts represent invoices still to be paid. The major creditors as at 30 September 2016 are as follows:

| | |
|---|---|
| Department of Transport | R 11,786 million |
| Eskom | R 13,700 million |
| Office of the Auditor – General | R 0,954 million |
| NMBM (Bulk water) | R 46,010 million |
| Other Creditors | R 4,771 million |
| **TOTAL** | **R 77,221 million** |

It is to be noted that the Eskom amount of R 13,700 million, represents the current account for September 2016.

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. The municipality is currently verifying the accuracy of the account and engagements have been undertaken between Kouga and Nelson Mandela Bay Municipality in respect of this matter.

## 3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 30 September 2016.

| | Balance as at 30 June 2016 | INVESTED | INTEREST | WITHDRAWN | ADJUSTMENT | Balance as at 30 September 2016 |
|---|---|---|---|---|---|---|
| Standard Bank | - | 20 000 000 | 209 199 | - | - | 20 209 199 |
| ABSA | 21 187 482 | - | 300 473 | 6 000 000 | 265 | 15 487 690 |
| Nedbank | 236 110 | - | 5 218 | - | - | 241 327 |
| RMB | 29 341 733 | 23 991 452 | 355 922 | 27 896 184 | - | 25 792 923 |
| INVESTEC | 25 032 842 | - | 434 510 | - | - | 25 467 352 |
| | | | | | | |
| Total | **75 798 167** | **43 991 452** | **1 305 320** | **(33 896 184)** | **(265)** | **87 198 491** |
| | | | | | | |
| INVESTMENT BY TYPE | **Balance as at 30 June 2016** | **INVESTED** | **INTEREST** | **WITHDRAWN** | **ADJUSTMENT** | **Balance as at 30 September 2016** |
| General Account | 50 402 544 | 20 000 000 | 978 693 | 8 000 000 | 265 | 63 380 973 |
| Collateral | 228 000 | - | 5 136 | - | - | 233 136 |
| Conditional Grants | 16 016 310 | 23 669 152 | 227 549 | 21 860 589 | - | 18 052 422 |
| Housing Funds | 9 151 312 | 322 300 | 93 943 | 4 035 594 | - | 5 531 961 |
| | | | | | | |
| Total | 75 798 167 | 43 991 452 | 1 305 320 | (33 896 184) | (265) | 87 198 491 |
| | | | | | | |
| Bank | 2 563 105 | 14 507 338 | | | | 17 070 443 |
| | | | | | | |
| Total | **78 361 272** | **58 498 790** | **1 305 320** | **(33 896 184)** | **(265)** | **104 268 934** |

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

### Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M03 September 2016

| 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 | | | | | | | | % | |
| RECEIPTS: | | | | | | | | | |
| | | | | | | | | | |
| Operating Transfers and Grants | | | | | | | | | |
| National Government: | – | 94 304 | – | – | 40 064 | 15 717 | 22 905 | 145.7% | 94 304 |
| Local Government Equitable Share | | 91 622 | | | 38 175 | 15 270 | 22 905 | 150.0% | 91 622 |
| Finance Management | | 1 625 | | | 1 625 | 271 | | | 1 625 |
| EPWP Incentive | | 1 057 | | | 264 | 176 | | | 1 057 |
| **Total Operating Transfers and Grants** | – | **94 304** | – | – | **40 064** | **15 717** | **22 905** | **145.7%** | **94 304** |
| | | | | | | | | | |
| Capital Transfers and Grants | | | | | | | | | |
| National Government: | – | 34 810 | – | 2 000 | 11 144 | 5 802 | 5 342 | 92.1% | 34 810 |
| Municipal Infrastructure Grant (MIG) | | 28 810 | | | 5 144 | 4 802 | 342 | 7.1% | 28 810 |
| Integrated National Electrification Programme | | 6 000 | | 2 000 | 6 000 | 1 000 | 5 000 | 500.0% | 6 000 |
| **Total Capital Transfers and Grants** | – | **34 810** | – | **2 000** | **11 144** | **5 802** | **5 342** | **92.1%** | **34 810** |
| | | | | | | | | | |
| TOTAL RECEIPTS OF TRANSFERS & GRANTS | – | **129 114** | – | **2 000** | **51 208** | **21 519** | **28 247** | **131.3%** | **129 114** |

### Below is an analysis of the spending associated with the grants as at 30 September 2016:

### Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M03 September 2016

| 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 | | | | | | | | % | |
| EXPENDITURE | | | | | | | | | |
| Operating expenditure of Transfers and Grants | | | | | | | | | |
| National Government: | – | 94 304 | – | 206 | 38 641 | 15 717 | 22 924 | 145.9% | 94 304 |
| Local Government Equitable Share | | 91 622 | | | 38 175 | 15 270 | 22 905 | 150.0% | 91 622 |
| Finance Management | | 1 625 | | 52 | 151 | 271 | (120) | -44.2% | 1 625 |
| EPWP Incentive | | 1 057 | | 154 | 315 | 176 | 139 | 78.8% | 1 057 |
| **Total operating expenditure of Transfers and Grants:** | – | **94 304** | – | **206** | **38 641** | **15 717** | **22 924** | **145.9%** | **94 304** |
| Capital expenditure of Transfers and Grants | | | | | | | | | |
| National Government: | – | 34 810 | – | 3 412 | 5 497 | 5 802 | (305) | -5.3% | 34 810 |
| Municipal Infrastructure Grant (MIG) | | 28 810 | | 3 066 | 5 151 | 4 802 | 349 | 7.3% | 28 810 |
| Integrated National Electrification Programme | | 6 000 | | 346 | 346 | 1 000 | (654) | -65.4% | 6 000 |
| **Total capital expenditure of Transfers and Grants** | – | **34 810** | – | **3 412** | **5 497** | **5 802** | **(305)** | **-5.3%** | **34 810** |
| TOTAL EXPENDITURE OF TRANSFERS AND GRANTS | – | **129 114** | – | **3 618** | **44 138** | **21 519** | **22 619** | **105.1%** | **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 1,625,000 |
| Expenditure to date: | R 151,129 |
| Unspent as at 30 September 2016: | R 1,473,871 |

The spending of the grant amounted to 9.30% as at 30 September 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 264,000 |
| Expenditure to date: | R 315,021 |
| Unspent as at 30 September 2016: | R 741,979 |

The spending of the grant amounted to 29.80% as at 30 September 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 5,150,560 |
| Unspent as at 30 September 2016 : | R 23,659,140 |

The spending of the grant amounted to 17.88% as at 30 September 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 6,000,000 |

Expenditure to date: R 346,282
Unspent as at 30 September 2016: R 5,653,718

The spending of the grant amounted to 5.77% as at 30 September 2016.

## 5. Councillor and employee benefits

Below is an analysis of Councillor and employee benefits:

**Table SC8 Monthly Budget Statement – Councillor and staff benefits – M03 September 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 | | | | | | | | % | |
| Councillors (Political Office Bearers plus Other) | | | | | | | | | |
| Basic Salaries and Wages | | 7 683 | | 598 | 1 756 | 1 921 | (165) | -9% | 7 683 |
| Motor Vehicle Allowance | | 2 562 | | 199 | 584 | 640 | (57) | -9% | 2 562 |
| Cellphone Allowance | | 759 | | 59 | 180 | 190 | (10) | -5% | 759 |
| Other benefits and allowances | | | | 15 | 45 | – | 45 | | |
| **Sub Total - Councillors** | – | **11 004** | – | **872** | **2 565** | **2 751** | **(186)** | **-7%** | **11 004** |
| Senior Managers of the Municipality | | | | | | | | | |
| Basic Salaries and Wages | | 6 045 | | 1 397 | 4 192 | 1 511 | 2 681 | 177% | 6 045 |
| Motor Vehicle Allowance | | 723 | | 48 | 144 | 181 | (37) | -20% | 723 |
| **Sub Total - Senior Managers of Municipality** | – | **6 768** | – | **1 445** | **4 336** | **1 692** | **2 644** | **156%** | **6 768** |
| Other Municipal Staff | | | | | | | | | |
| Basic Salaries and Wages | | 140 636 | | 9 795 | 29 631 | 35 159 | (5 528) | -16% | 140 636 |
| Pension and UIF Contributions | | 23 720 | | 1 828 | 5 507 | 5 930 | (423) | -7% | 23 720 |
| Medical Aid Contributions | | 12 734 | | 964 | 2 919 | 3 183 | (265) | -8% | 12 734 |
| Overtime | | 9 454 | | 728 | 2 175 | 2 363 | (188) | -8% | 9 454 |
| Performance Bonus | | 11 764 | | 13 | 134 | 2 941 | (2 807) | -95% | 11 764 |
| Motor Vehicle Allowance | | 7 938 | | 588 | 1 777 | 1 984 | (208) | -10% | 7 938 |
| Housing Allowances | | 584 | | 161 | 495 | 146 | 349 | 239% | 584 |
| Other benefits and allowances | | 18 796 | | 1 512 | 4 765 | 4 699 | 66 | 1% | 18 796 |
| Long service awards | | 809 | | 22 | 147 | 202 | (55) | -27% | 809 |
| **Sub Total - Other Municipal Staff** | – | **226 434** | – | **15 612** | **47 550** | **56 608** | **(9 059)** | **-16%** | **226 434** |
| **Total Parent Municipality** | – | **244 205** | – | **17 930** | **54 451** | **61 051** | **(6 601)** | **-11%** | **244 205** |
| **TOTAL SALARY, ALLOWANCES & BENEFITS** | – | **244 205** | – | **17 930** | **54 451** | **61 051** | **(6 601)** | **-11%** | **244 205** |
| **TOTAL MANAGERS AND STAFF** | – | **233 201** | – | **17 057** | **51 886** | **58 300** | **(6 414)** | **-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 30 September 2016 |
|---|---|---|---|---|---|---|---|---|
| Capital Charges to Operating Expenditure | Interest & principal paid/Total Operating Expenditure | 3.78% | 3.79% | 4.83% | 4.64% | 3.85% | 1,71% | 2.11% |
| 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 | 0.05 | 0.02 | 0.01 |
| **Liquidity** | | | | | | | | |
| Current Ratio | Current assets / current liabilities | 1.46 | 0.54 | 0.54 | 0.86 | 0.85 | 0.90 | 1.88 |
| Liquidity Ratio | Monetary assets / current liabilities | 0.10 | 0.10 | 0.16 | 0.28 | 0.40 | 0.21 | 0.99 |
| **Revenue Management** | | | | | | | | |
| Annual Debtors Collection Rate | Billed Revenue / Receipted Revenue | 94.12% | 96.33% | 96.07% | 98.91% | 97.60% | 94.00% | 87.11% |

| 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 30 September 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 | 1.60 | 0.61 | 2.33 |
| Employee Costs | Employee Costs / Total Operating Expenditure | 33.02% | 35.41% | 35.32% | 36.77% | 36.11% | 33.98% | 42.77% |
| Capital Expenditure | Capital Expenditure / Capital Budget | 82.33% | 78.84% | 21.35% | 241.30% | 81.97% | 95.00% | 7.87% |
| Repairs and Maintenance as % of Total Operating Expenditure | Repairs and Maintenance / Total Operating Expenditure | 2.78% | 3.52% | 3.81% | 4.58% | 4.67% | 5.24% | 4.36% |
| Repairs and Maintenance as % of PPE (Book Value) | Repairs and Maintenance / Net PPE | 0.59% | 0.79% | 0.95% | 1.11% | 1.22% | 1.36% | 0.22% |
| 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% | 74.74% | 84.20% | 82.32% |

The above table is discussed in details below.

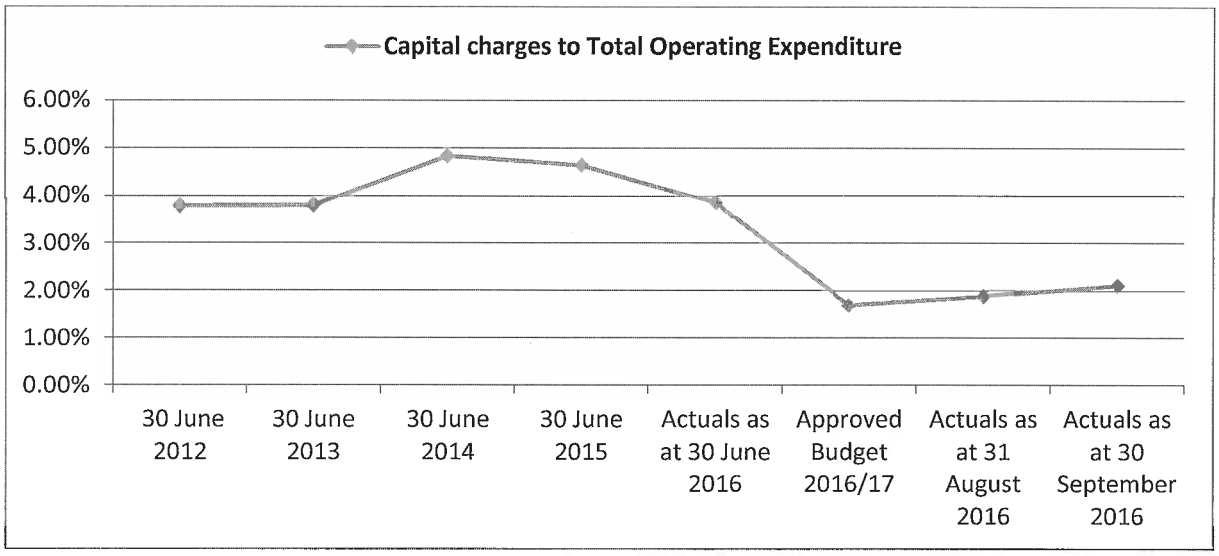
### 6.1. Borrowing Management

#### 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 2.11% of the Total Operating Expenditure was utilised for capital charges as at 30 September 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.

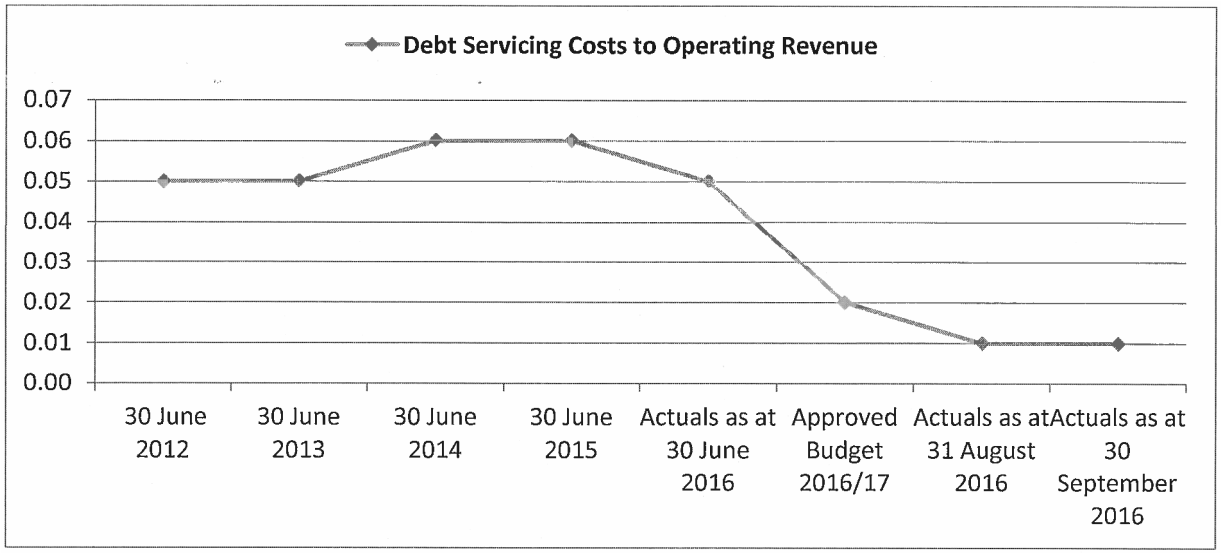
#### 6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 30 September 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:

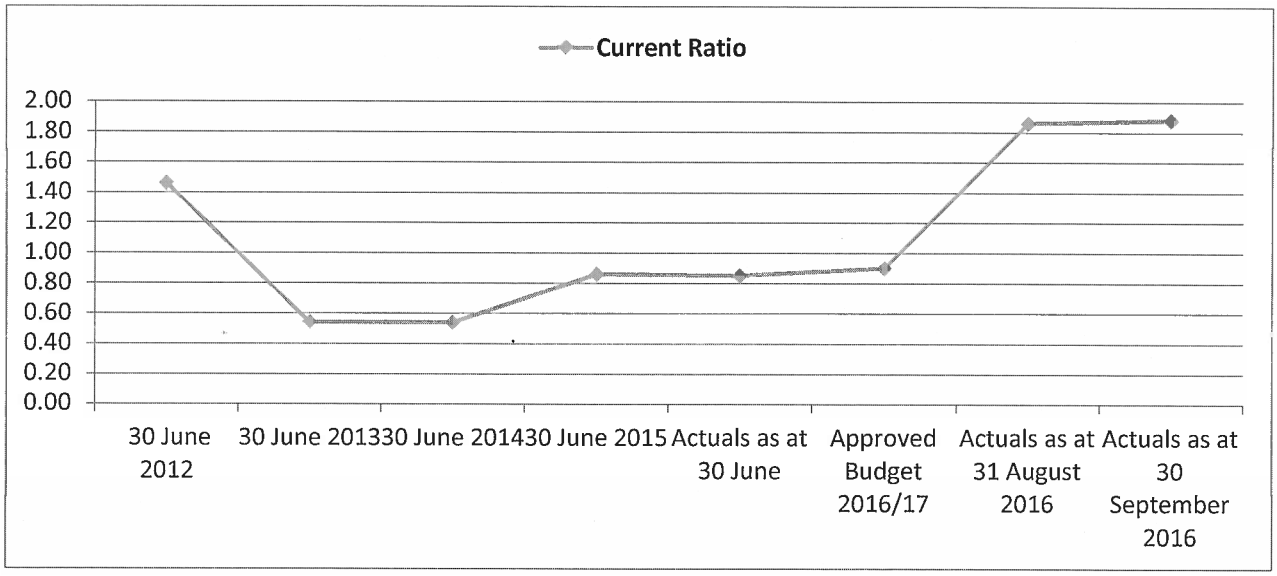
**Current assets/Current liabilities**

The ratio as at 30 September 2016 was 1.88:1, 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

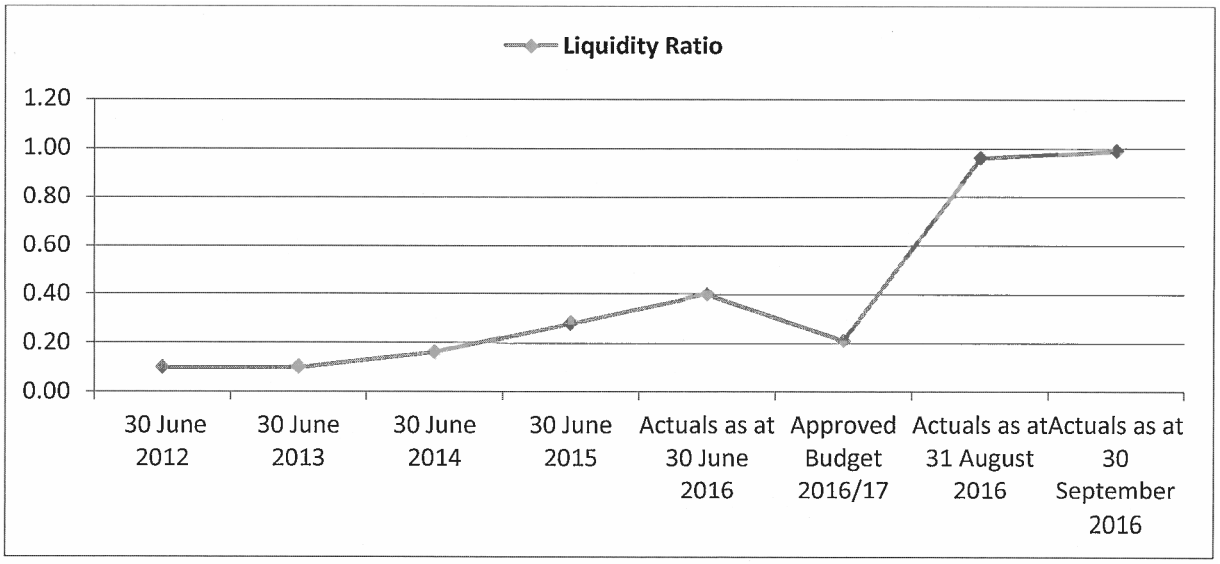
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

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 30 September 2016 was 0.99:1, 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

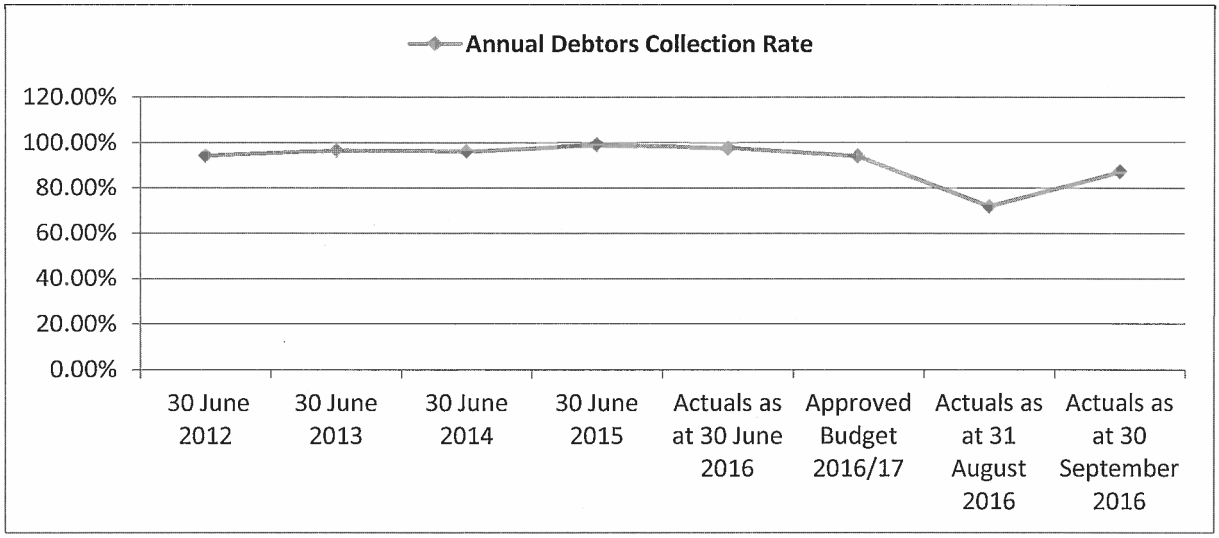
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 30 September 2016 was 87.11%, compared to the budgeted collection rate of 94%. The collection rate is influenced by annual rates raised in July 2016, which are still due and payable. 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.

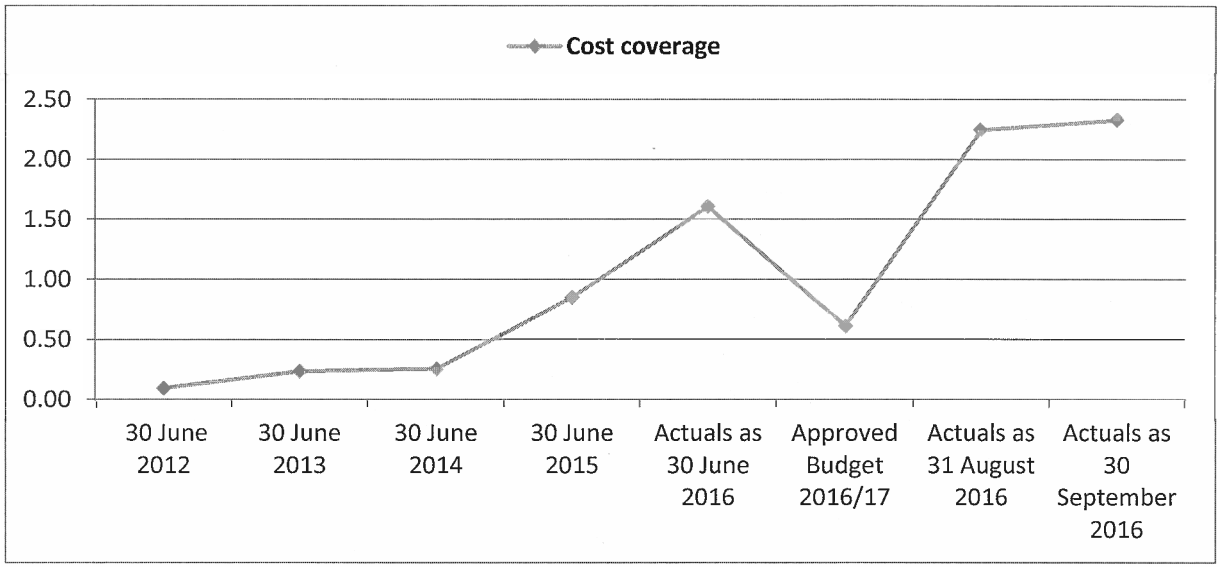
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 September 2016, the Ratio was 2.33 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



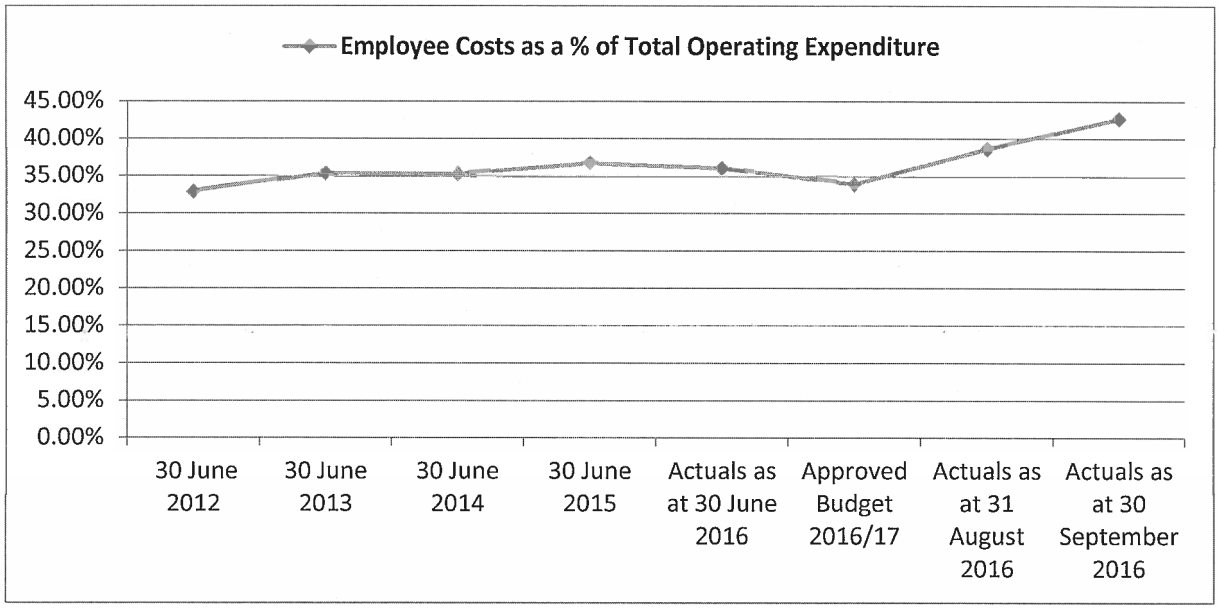

### 6.4.2. Employee costs as a % of Total Operating Expenditure

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 30 September 2016, Employee Related Costs constituted 42.77% of the Total Operating Expenditure, compared to the budgeted ratio of 33.98%.



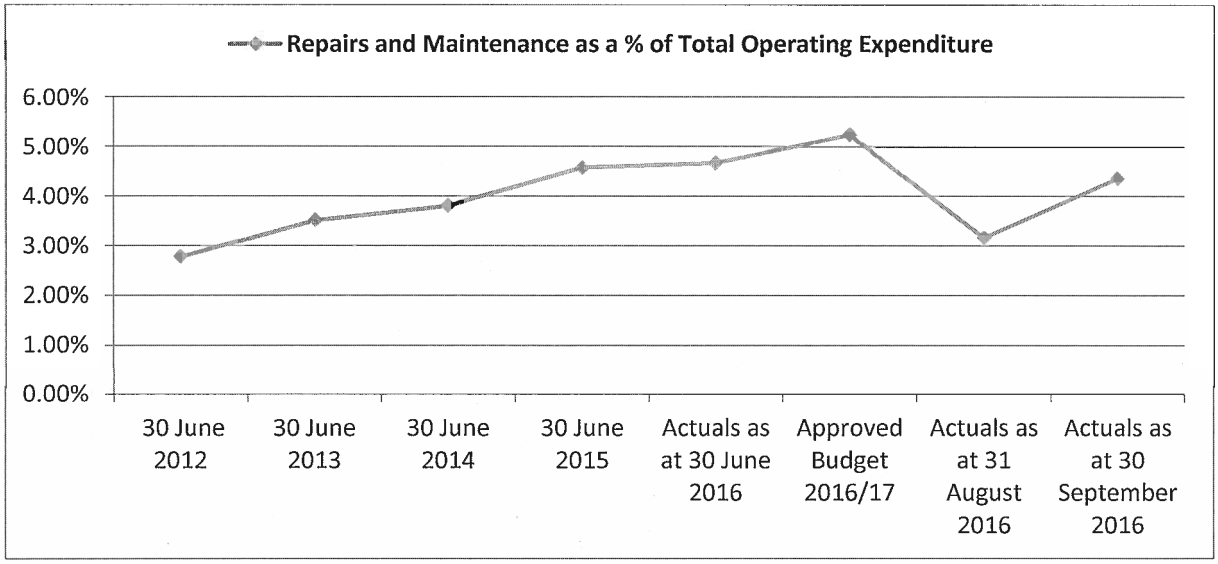

### 6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 30 September 2016, the ratio was 4.36%, 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)

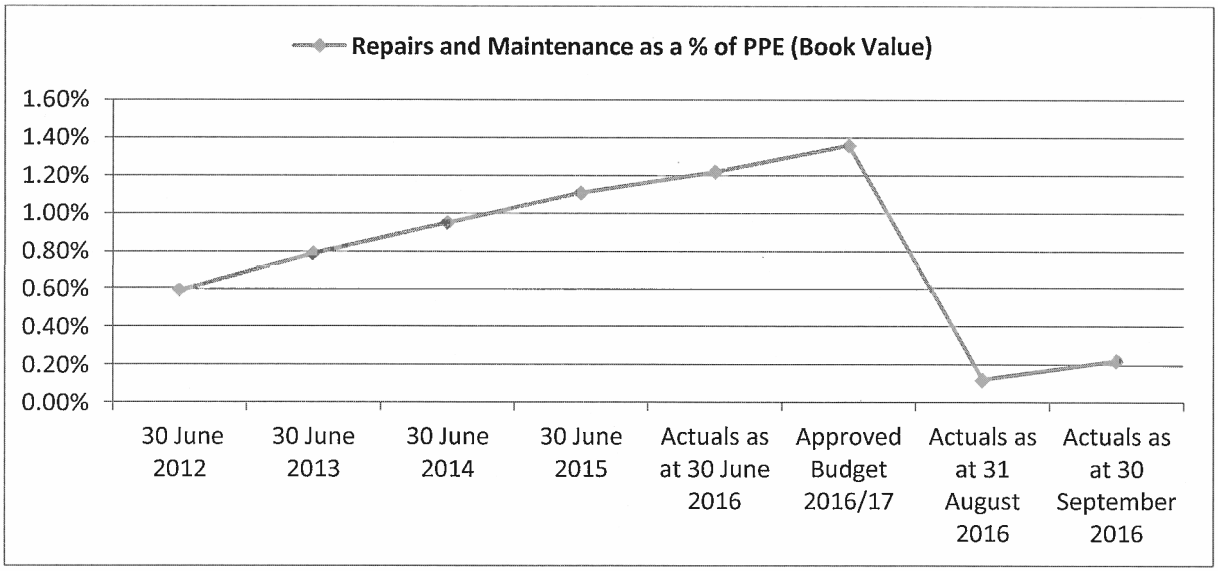
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 30 September 2016, repairs and maintenance expenditure constituted 0.22% 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%.



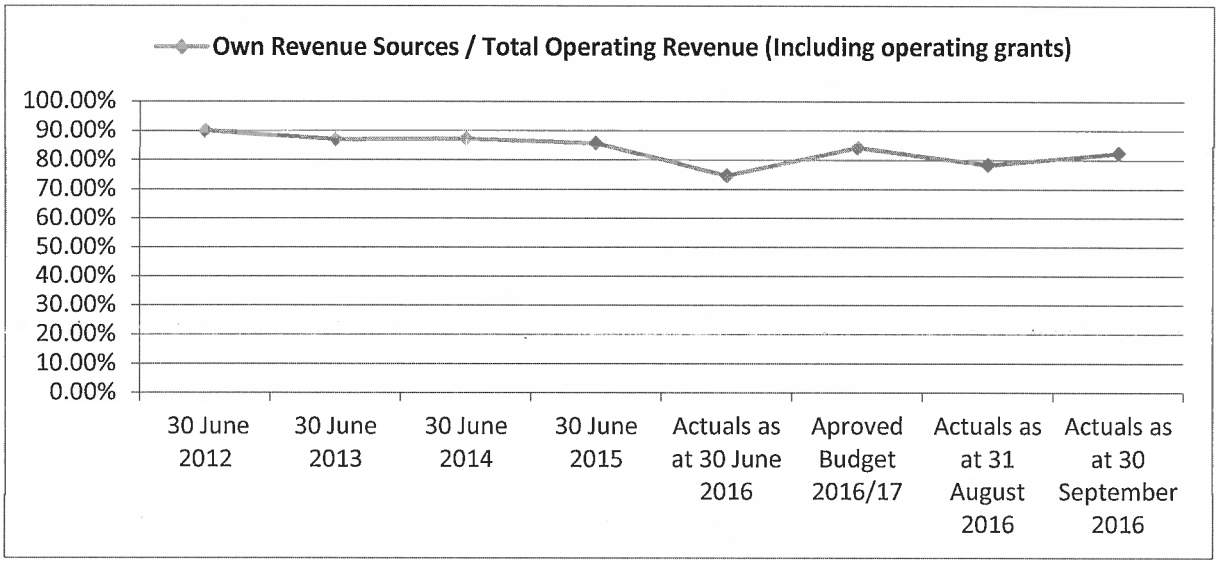

### 6.4.5. Own Revenue Generation

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 30 September 2016, the Municipality's own revenue sources constituted 82.32% 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 September 2016 amounted to 7.87%, compared to the budgeted ratio of 95%.

