KOUGA MUNICIPALITY (EC108)

FINANCE

DATE: **ITEM NO:**

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1. MONTHLY BUDGET STATEMENTS FOR THE MONTH OF JULY 2017 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 31 JULY 2017 (2017/18 FINANCIAL YEAR)

1.1. PURPOSE

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

1.2. LEGISLATIVE REQUIREMENTS

The Municipality is required to assess on an 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 2017, 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 147,321 million, whilst operating expenditure amounted to R 44,404 million, resulting in an operating surplus of R 102,917 million.
- Capital expenditure constituted 0% of the approved 2017/18 Capital Budget.

- Overdue consumer debts increased by R 0,383 million (0.33%) since June 2017.
- An amount of R 88,220 million is owing to creditors, of which R 26,348 million (29.87%) represents current creditors.
- The municipality's investment portfolio has increased by R 39,731,897 (50.57%) since June 2017, from R 78,566,856 to R 118,298,753.

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

Ratio	Actual as at June 2014	Actual as at June 2015	Actual as at June 2016	Actual as at 30 June 2017	Actuals as at 31 July 2017	2017/18 Approved Budget
Current Ratio	0.54:1	0.72:1	0.85:1	1.13:1	1.20:1	0.95:1
Liquidity Ratio	0.16:1	0.22:1	0.40:1	0.62:1	0.87:1	0.39:1
Cost Coverage (Excluding unspent conditional grants)	0.25 months	0.82 months	1.60 months	1.74 months	2.24 months	1.14 months
Debt servicing costs to Operating Revenue Ratio	0.06:1	0.05:1	0.04:1	0.02:1	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 2017:

Annexure "A1" – Operating Revenue and Expenditure Performance

Annexure "A2" - Capital Budget Performance

Annexure "A3"- Projected Cash Flow Statement

Annexure "A4" – Municipal Monthly Budget Tables

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

i. Overview of Outstanding Consumer Debtors

ii. Overview of Creditors position

iii. Investment portfolio

iv. Grants receipts and Expenditure

v. Councillors & Employee benefits

vi. Key performance Indicators

1.4. RECOMMENDATION

i. That the Executive Mayor notes the Municipal Manager's report on the monthly budget statements, in accordance with Section 71(1) of the Municipal Finance Management Act.

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

Report submitted by

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Mr. Charl Du Plessis (Municipal Manager)

Acknowledgement of section 71 reports by the Executive Mayor for the month of July 2017

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

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Executive Mayor

1.1. Municipal Manager's Quality Certificate

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

Print Name CHARL DU PLESSIS

Municipal Manager of Kouga Local Municipality

Signature

Date 15/08/2017

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE MONTH OF JULY 2017

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

Item Description	Approved Budget 2017/18	Actuals as at 31 July 2017	% of Budget
OPERATING REVENUE			
Propert Rates	160 564 979	65 608 305	40.86%
Total Service Charges	369 714 339	39 172 262	10.60%
Service charges - electricity	230 025 827	22 453 686	9.76%
Service charges - water	58 871 483	7 144 140	12.14%
Service charges - sewerage & sanitation	40 622 429	4 546 470	11.19%
Service charges - refuse	27 412 368	2 293 920	8.37%
Service charges - environmental management	12 782 232	2 734 045	21.39%
Rental of Facilities and Equipment	1 309 449	27 488	2.10%
Interest Earned - External Investments	7 194 922	-	0.00%
Interest Earned - Outstanding Debtors	8 939 206	620 832	6.95%
Fines	3 760 285	171 653	4.56%
Licences and Permits	11 772 882	2 358 919	20.04%
Grants & Subsidies Received - Operating	114 218 922	39 005 264	34.15%
Other Revenue	6 484 211	356 366	5.50%
Total Direct Operating Revenue	**683 959 195**	**147 321 088**	**21.54%**
OPERATING EXPENDITURE			
Employee Related Costs	256 021 847	18 789 772	7.34%
Remuneration of Councillors	11 725 189	651 039	5.55%
Bad Debts	31 657 472	-	0.00%
Depreciation & Asset Impairment	83 730 150	-	0.00%
Repairs & Maintenance - Municipal Assets	17 801 074	99 798	0.56%
Finance Charges - External Borrowings	3 768 124	-	0.00%
Total Bulk Purchases	225 623 251	23 860 703	10.58%
Bulk purchases - electricity	187 239 233	23 860 703	12.74%
Bulk purchases - water	38 384 018	-	0.00%
Contracted Services	41 750 674	497 602	1.19%
Transfers and Grants	1 580 000	-	0.00%
General Expenses - Other	71 161 717	505 417	0.71%
Total Direct Operating Expenditure	**744 819 498**	**44 404 332**	**5.96%**
Surplus/(Deficit)	**-60 860 303**	**102 916 756**	

The statement of financial performance indicates a surplus of R 102,916,756. This is influenced by the accounting treatment of the bad debts provision and the depreciation and asset impairment.

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

Revenue Variations

Property Rates

As at 31 July 2017, the Municipality has recognised 40.86% of its property rates revenue, compared to the budget.

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

Rental of Facilities and Equipment

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

Interest Earned – External Investments

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

Interest Earned – Outstanding Debtors

Interest is influenced by the extent of outstanding debtors. The actual overdue debtors as at 31 June 2017 amounted to R 115,581 million.

Expenditure Variations

Bad Debts

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

Transfers and Grants

Transfers and grants relate to allocations to Kouga Local Tourism, Arts Council and Sports Council in terms of memorandum of agreement.

General expenses – other

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

Repairs and Maintenance

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

Directorate	Approved Budget 2017/18	Actuals as at 31 July 2017	% of Budget
Administration, Monitoring & Evaluation	15,000	-	-
Finance	70,938	-	-
Social Services	1,285,197	15,094	1.17%
Infrastructure, Planning & Development	16,379,939	84,704	0.52%
LED, Tourism & Creative Industries	50,000	-	-
Total	**17,801,074**	**99,798**	**0.56%**

It is to be noted that actual repairs and maintenance expenditure constituted 0.56% of the approved 2017/18 Budget.

Annexure "A2"

CAPITAL BUDGET PERFORMANCE

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

Directorate	Approved Budget 2017/18	Approved Adjustments	Adjusted Budget 2017/18	Actuals as at 31 July 2017	% of Budget
	R			R	
Administration, Monitoring & Evaluation	658,000	-	658,000	-	-
Finance	3,303,500	305,200	3,608,700	-	-
Social Services	12,481,455	7,400,000	19,881,455	-	-
Infrastructure, Planning & Development	41,796,280	789,632	42,585,912	-	-
LED, Tourism & Creative Industries	1,440,485	-	1,440,485	-	-
Total	**59,679,720**	**8,494,832**	**68,174,552**	-	-
Source of Funding	**Approved Budget 2017/18**	**Approved Adjustments**	**Adjusted Budget 2017/18**	**Actuals as at 31 July 2017**	**% of Budget**
	R			R	
Internally Generated Funding	35,460,300	-	35,460,300	-	-
Government Grants	24,219,420	8,494,832	32,714,252	-	-
Total	**59,679,720**	**8,494,832**	**68,174,552**	-	-

It is to be noted that no capital expenditure as at 31 July 2017, compared to the capital adjusted budget of R 68,174,552.

Annexure "A3"

PROJECTED CASH FLOW STATEMENT FOR THE 2017/18 FINANCIAL YEAR

Projected Cash Flow Statement as at 31 July 2017

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 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		150 931		7 717	7 717	12 578	(4 861)	-39%	
Service charges		348 047		24 461	24 461	29 004	(4 543)	-16%	
Other revenue		23 328		7 345	7 345	1 944	5 401	278%	
Government - operating		114 219		44 466	44 466	9 518	34 948	367%	
Government - capital		34 660		19 211	19 211	2 888	16 323	565%	
Interest		16 134		1 278	1 278	1 345	(67)	-5%	
Dividends		–					–		
Payments									
Suppliers and employees		(624 084)		(46 595)	(46 595)	(52 007)	(5 412)	10%	
Finance charges		(3 768)		(352)	(352)	(314)	38	-12%	
Transfers and Grants		(1 580)					–		
NET CASH FROM/(USED) OPERATING ACTIVITIES	–	**57 887**	–	**57 530**	**57 530**	**4 956**	**(52 575)**	**-1061%**	–
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		(59 680)				(4 973)	(4 973)	100%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	–	**(59 680)**	–	–	–	**(4 973)**	**(4 973)**	**100%**	–
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans							–		
Borrowing long term/refinancing							–		
Increase (decrease) in consumer deposits							–		
Payments									
Repayment of borrowing		(6 443)		(503)	(503)	(537)	(34)	6%	
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	**(6 443)**	–	**(503)**	**(503)**	**(537)**	**(34)**	**6%**	–
NET INCREASE/ (DECREASE) IN CASH HELD	–	**(8 235)**	–	**57 028**	**57 028**	**(555)**			–
Cash/cash equivalents at beginning:		68 249			83 999	68 249			
Cash/cash equivalents at month/year end:	–	60 014	–		141 026	67 694			

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 2017/18 budget performance for the month of July 2017 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M01 July 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Financial Performance									
Property rates	–	160 565	–	65 608	65 608	13 380	52 228	390%	–
Service charges	–	370 094	–	39 172	39 172	30 841	8 331	27%	–
Investment revenue	–	7 195	–	–	–	600	(600)	-100%	–
Transfers and subsidies	–	114 219	–	39 005	39 005	9 518	29 487	310%	–
Other own revenue	–	32 267	–	3 535	3 535	2 689	846	31%	–
Total Revenue (excluding capital transfers and contributions)	–	**684 339**	–	**147 321**	**147 321**	**57 028**	**90 293**	**158%**	–
Employee costs	–	256 022	–	18 790	18 790	21 335	(2 545)	-12%	–
Remuneration of Councillors	–	11 725	–	651	651	977	(326)	-33%	–
Depreciation & asset impairment	–	83 730	–	–	–	6 978	(6 978)	-100%	–
Finance charges	–	3 768	–	–	–	314	(314)	-100%	–
Materials and bulk purchases	–	243 424	–	23 961	23 961	20 285	3 675	18%	–
Transfers and subsidies	–	1 580	–	–	–	132	(132)	-100%	–
Other expenditure	–	144 593	–	1 003	1 003	12 049	(11 046)	-92%	–
Total Expenditure	–	**744 842**	–	**44 404**	**44 404**	**62 070**	**(17 666)**	**-28%**	–
Surplus/(Deficit)	–	**(60 503)**	–	**102 917**	**102 917**	**(5 042)**	**107 959**	**-2141%**	–
Transfers and subsidies - capital (monetary allocation	–	34 660	–	–	–	2 888	(2 888)	-100%	–
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**	**105 070**	**-4879%**	–
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**	**105 070**	**-4879%**	–
Capital expenditure & funds sources									
Capital expenditure	–	**59 680**	–	–	–	**4 973**	**(4 973)**	**-100%**	–
Capital transfers recognised	–	35 460	–	–	–	2 955	(2 955)	-100%	–
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	–	**24 219**	–	–	–	**2 018**	**(2 018)**	**-100%**	–
Total sources of capital funds	–	**59 680**	–	–	–	**4 973**	**(4 973)**	**-100%**	–
Financial position									
Total current assets	–	145 598	–		202 269				145 598
Total non current assets	–	2 647 186	–		2 590 481				2 647 186
Total current liabilities	–	153 131	–		168 505				153 131
Total non current liabilities	–	148 939	–		165 124				148 939
Community wealth/Equity	–	**2 490 714**	–		**2 459 122**				**2 490 714**
Cash flows									
Net cash from (used) operating	–	57 887	–	57 530	57 530	4 956	(52 575)	-1061%	–
Net cash from (used) investing	–	(59 680)	–	–	–	(4 973)	(4 973)	100%	–
Net cash from (used) financing	–	(6 443)	–	(503)	(503)	(537)	(34)	6%	–
Cash/cash equivalents at the month/year end	–	**60 014**	–	–	**141 026**	**67 694**	**(73 332)**	**-108%**	**83 999**
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	96 725	3 979	3 158	2 683	2 333	2 383	18 469	82 576	212 306
Creditors Age Analysis									
Total Creditors	26 348	4 911	809	535	298	317	1 682	53 319	88 220

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 2017

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands	1								%	
Revenue - Functional										
Governance and administration		–	**281 833**	–	**105 412**	**105 412**	**23 486**	81 926	349%	–
Executive and council		–	34	–	–	–	3	(3)	-100%	–
Finance and administration		–	281 799	–	105 412	105 412	23 483	81 929	349%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	**14 965**	–	**911**	**911**	**1 247**	(336)	-27%	–
Community and social services		–	2 428	–	31	31	202	(171)	-85%	–
Sport and recreation		–	9 833	–	873	873	819	53	6%	–
Public safety		–	4	–	0	0	0	(0)	-24%	–
Housing		–	–	–	–	–	–	–		–
Health		–	2 699	–	7	7	225	(218)	-97%	–
Economic and environmental services		–	**29 175**	–	**4 541**	**4 541**	**2 431**	2 109	87%	–
Planning and development		–	6 521	–	244	244	543	(300)	-55%	–
Road transport		–	8 408	–	1 498	1 498	701	797	114%	–
Environmental protection		–	14 247	–	2 799	2 799	1 187	1 612	136%	–
Trading services		–	**393 027**	–	**36 457**	**36 457**	**32 752**	3 705	11%	–
Energy sources		–	239 206	–	22 473	22 473	19 934	2 539	13%	–
Water management		–	60 871	–	7 144	7 144	5 073	2 072	41%	–
Waste water management		–	65 521	–	4 546	4 546	5 460	(914)	-17%	–
Waste management		–	27 429	–	2 294	2 294	2 286	8	0%	–
Other	4	–	–	–	–	–	–	–		–
Total Revenue - Functional	2	–	**719 000**	–	**147 321**	**147 321**	**59 917**	**87 404**	**146%**	–
Expenditure - Functional										
Governance and administration		–	**169 788**	–	**6 949**	**6 949**	**14 149**	(7 200)	-51%	–
Executive and council		–	43 765	–	3 086	3 086	3 647	(561)	-15%	–
Finance and administration		–	126 024	–	3 863	3 863	10 502	(6 639)	-63%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	**81 788**	–	**5 268**	**5 268**	**6 816**	(1 547)	-23%	–
Community and social services		–	9 701	–	521	521	808	(287)	-36%	–
Sport and recreation		–	42 081	–	2 748	2 748	3 507	(759)	-22%	–
Public safety		–	20 985	–	1 407	1 407	1 749	(342)	-20%	–
Housing		–	4 369	–	271	271	364	(93)	-26%	–
Health		–	4 653	–	321	321	388	(66)	-17%	–
Economic and environmental services		–	**111 075**	–	**2 806**	**2 806**	**9 256**	(6 450)	-70%	–
Planning and development		–	30 274	–	1 306	1 306	2 523	(1 217)	-48%	–
Road transport		–	71 834	–	1 401	1 401	5 986	(4 585)	-77%	–
Environmental protection		–	8 966	–	100	100	747	(648)	-87%	–
Trading services		–	**378 843**	–	**29 338**	**29 338**	**31 570**	(2 232)	-7%	–
Energy sources		–	227 987	–	24 680	24 680	18 999	5 681	30%	–
Water management		–	77 021	–	1 486	1 486	6 418	(4 933)	-77%	–
Waste water management		–	40 698	–	1 053	1 053	3 392	(2 339)	-69%	–
Waste management		–	33 136	–	2 120	2 120	2 761	(641)	-23%	–
Other		–	**3 349**	–	**42**	**42**	**279**	**(237)**	**-85%**	–
Total Expenditure - Functional	3	–	**744 842**	–	**44 404**	**44 404**	**62 070**	**(17 666)**	**-28%**	–
Surplus/ (Deficit) for the year		–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**	**105 070**	**-4879%**	–

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 2017

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Revenue by Vote									
Vote 1 - Executive & Council	–	–	–	–	–	–	–		–
Vote 2 - Financial Services	–	277 541	–	105 261	105 261	23 128	82 132	355.1%	–
Vote 3 - Administration, Monitoring & Evaluation	–	752	–	–	–	63	(63)	-100.0%	–
Vote 4 - Led, Tourism & Creative Industries	–	1 440	–	–	–	120	(120)	-100.0%	–
Vote 5 - Infrastructure, Planning & Development	–	371 680	–	34 407	34 407	30 973	3 434	11.1%	–
Vote 6 - Social Services	–	67 586	–	7 653	7 653	5 632	2 021	35.9%	–
Total Revenue by Vote	**–**	**719 000**	**–**	**147 321**	**147 321**	**59 917**	**87 404**	**145.9%**	**–**
Expenditure by Vote									
Vote 1 - Executive & Council	–	35 224	–	1 396	1 396	2 935	(1 540)	-52.5%	–
Vote 2 - Financial Services	–	65 852	–	2 363	2 363	5 488	(3 124)	-56.9%	–
Vote 3 - Administration, Monitoring & Evaluation	–	41 583	–	2 023	2 023	3 465	(1 442)	-41.6%	–
Vote 4 - Led, Tourism & Creative Industries	–	11 017	–	416	416	918	(502)	-54.7%	–
Vote 5 - Infrastructure, Planning & Development	–	443 519	–	29 657	29 657	36 960	(7 303)	-19.8%	–
Vote 6 - Social Services	–	147 648	–	8 550	8 550	12 304	(3 754)	-30.5%	–
Total Expenditure by Vote	**–**	**744 842**	**–**	**44 404**	**44 404**	**62 070**	**(17 666)**	**-28.5%**	**–**
Surplus/ (Deficit) for the year	**–**	**(25 843)**	**–**	**102 917**	**102 917**	**(2 154)**	**105 070**	**-4878.9%**	**–**

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 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Revenue By Source									
Property rates		160 565		65 608	65 608	13 380	52 228	390%	
Service charges - electricity revenue		230 405		22 454	22 454	19 200	3 253	17%	
Service charges - water revenue		58 871		7 144	7 144	4 906	2 238	46%	
Service charges - sanitation revenue		40 622		4 546	4 546	3 385	1 161	34%	
Service charges - refuse revenue		27 412		2 294	2 294	2 284	10	0%	
Service charges - other		12 782		2 734	2 734	1 065	1 669	157%	
Rental of facilities and equipment		1 309		27	27	109	(82)	-75%	
Interest earned - external investments		7 195		–	–	600	(600)	-100%	
Interest earned - outstanding debtors		8 939		621	621	745	(124)	-17%	
Dividends received		–		–	–	–	–		
Fines, penalties and forfeits		3 761		172	172	313	(142)	-45%	
Licences and permits		11 773		2 359	2 359	981	1 378	140%	
Agency services		–		–	–	–	–		
Transfers and subsidies		114 219		39 005	39 005	9 518	29 487	310%	
Other revenue		6 484		356	356	540	(184)	-34%	
Gains on disposal of PPE		–		–	–	–	–		
Total Revenue (excluding capital transfers and contributions)	–	**684 339**	–	**147 321**	**147 321**	**57 028**	**90 293**	**158%**	–
Expenditure By Type									
Employee related costs		256 022		18 790	18 790	21 335	(2 545)	-12%	
Remuneration of councillors		11 725		651	651	977	(326)	-33%	
Debt impairment		31 680		–	–	2 640	(2 640)	-100%	
Depreciation & asset impairment		83 730		–	–	6 978	(6 978)	-100%	
Finance charges		3 768		–	–	314	(314)	-100%	
Bulk purchases		225 623		23 861	23 861	18 802	5 059	27%	
Other materials		17 801		100	100	1 483	(1 384)	-93%	
Contracted services		41 751		498	498	3 479	(2 982)	-86%	
Transfers and subsidies		1 580		–	–	132	(132)	-100%	
Other expenditure		71 162		505	505	5 930	(5 425)	-91%	
Loss on disposal of PPE		–		–	–	–	–		
Total Expenditure	–	**744 842**	–	**44 404**	**44 404**	**62 070**	**(17 666)**	**-28%**	–
Surplus/(Deficit)	–	**(60 503)**	–	**102 917**	**102 917**	**(5 042)**	**107 959**	**(0)**	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		34 660		–	–	2 888	(2 888)	(0)	
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)		–					–		
Transfers and subsidies - capital (in-kind - all)							–		
Surplus/(Deficit) after capital transfers & contributions	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**			–
Taxation							–		
Surplus/(Deficit) after taxation	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**			–
Attributable to minorities									
Surplus/(Deficit) attributable to municipality	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**			–
Share of surplus/ (deficit) of associate									
Surplus/ (Deficit) for the year	–	**(25 843)**	–	**102 917**	**102 917**	**(2 154)**			–

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) – M01 July 2017

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Single Year expenditure appropriation									
Vote 1 - Executive & Council	–	181	–	–	–	15	(15)	-100%	–
Vote 2 - Financial Services	–	3 304	–	–	–	275	(275)	-100%	–
Vote 3 - Administration, Monitoring & Evaluation	–	477	–	–	–	40	(40)	-100%	–
Vote 4 - Led, Tourism & Creative Industries	–	2 551	–	–	–	213	(213)	-100%	–
Vote 5 - Infrastructure, Planning & Development	–	40 408	–	–	–	3 367	(3 367)	-100%	–
Vote 6 - Social Services	–	12 759	–	–	–	1 063	(1 063)	-100%	–
Total Capital single-year expenditure	–	59 680	–	–	–	4 973	**(4 973)**	**-100%**	–
Total Capital Expenditure	–	**59 680**	–	–	–	**4 973**	**(4 973)**	**-100%**	–
Capital Expenditure - Functional Classification									
Governance and administration	–	**4 813**	–	–	–	**401**	(401)	-100%	–
Executive and council		157				13	(13)	-100%	
Finance and administration		4 656				388	(388)	-100%	
Internal audit		–				–	–		
Community and public safety	–	**6 993**	–	–	–	**583**	(583)	-100%	–
Community and social services		599				50	(50)	-100%	
Sport and recreation		4 869				406	(406)	-100%	
Public safety		950				79	(79)	-100%	
Housing		–				–	–		
Health		575				48	(48)	-100%	
Economic and environmental services	–	**6 502**	–	–	–	**542**	(542)	-100%	–
Planning and development		2 742				228	(228)	-100%	
Road transport		2 820				235	(235)	-100%	
Environmental protection		940				78	(78)	-100%	
Trading services	–	**41 372**	–	–	–	**3 448**	(3 448)	-100%	–
Energy sources		7 255				605	(605)	-100%	
Water management		5 292				441	(441)	-100%	
Waste water management		25 680				2 140	(2 140)	-100%	
Waste management		3 145				262	(262)	-100%	
Other		–				–	–		
Total Capital Expenditure - Functional Classif	–	**59 680**	–	–	–	**4 973**	**(4 973)**	**-100%**	–
Funded by:									
National Government		35 460				2 955	(2 955)	-100%	
Provincial Government							–		
District Municipality							–		
Other transfers and grants							–		
Transfers recognised - capital	–	**35 460**	–	–	–	**2 955**	**(2 955)**	**-100%**	–
Public contributions & donations							–		
Borrowing							–		
Internally generated funds		24 219				2 018	(2 018)	-100%	
Total Capital Funding	–	**59 680**	–	–	–	**4 973**	**(4 973)**	**-100%**	–

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 2017

Description	2016/17	Budget Year 2017/18			
	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands					
ASSETS					
Current assets					
Cash		18 004		22 728	18 004
Call investment deposits		42 010		118 299	42 010
Consumer debtors		55 213		53 076	55 213
Other debtors		25 677		3 219	25 677
Current portion of long-term receivables		3			3
Inventory		4 691		4 947	4 691
Total current assets	–	**145 598**	–	**202 269**	**145 598**
Non current assets					
Long-term receivables		150			150
Investments					–
Investment property		84 431		85 382	84 431
Investments in Associate					–
Property, plant and equipment		2 562 532		2 504 941	2 562 532
Agricultural					–
Biological assets					–
Intangible assets		73		159	73
Other non-current assets					–
Total non current assets	–	**2 647 186**	–	**2 590 481**	**2 647 186**
TOTAL ASSETS	–	**2 792 784**	–	**2 792 750**	**2 792 784**
LIABILITIES					
Current liabilities					
Bank overdraft					
Borrowing		6 443		6 439	6 443
Consumer deposits		8 856		10 273	8 856
Trade and other payables		106 811		111 968	106 811
Provisions		31 021		39 824	31 021
Total current liabilities	–	**153 131**	–	**168 505**	**153 131**
Non current liabilities					
Borrowing		30 269		30 295	30 269
Provisions		118 670		134 829	118 670
Total non current liabilities	–	**148 939**	–	**165 124**	**148 939**
TOTAL LIABILITIES	–	**302 070**	–	**333 629**	**302 070**
NET ASSETS	–	**2 490 714**	–	**2 459 122**	**2 490 714**
COMMUNITY WEALTH/EQUITY					
Accumulated Surplus/(Deficit)		2 490 714		2 459 122	2 490 714
Reserves					
TOTAL COMMUNITY WEALTH/EQUITY	–	**2 490 714**	–	**2 459 122**	**2 490 714**

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 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property rates		150 931		7 717	7 717	12 578	(4 861)	-39%	
Service charges		348 047		24 461	24 461	29 004	(4 543)	-16%	
Other revenue		23 328		7 345	7 345	1 944	5 401	278%	
Government - operating		114 219		44 466	44 466	9 518	34 948	367%	
Government - capital		34 660		19 211	19 211	2 888	16 323	565%	
Interest		16 134		1 278	1 278	1 345	(67)	-5%	
Dividends		–					–		
Payments									
Suppliers and employees		(624 084)		(46 595)	(46 595)	(52 007)	(5 412)	10%	
Finance charges		(3 768)		(352)	(352)	(314)	38	-12%	
Transfers and Grants		(1 580)					–		
NET CASH FROM/(USED) OPERATING ACTIVITIES	–	57 887	–	57 530	57 530	4 956	(52 575)	-1061%	–
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		(59 680)				(4 973)	(4 973)	100%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	–	(59 680)	–	–	–	(4 973)	(4 973)	100%	–
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans							–		
Borrowing long term/refinancing							–		
Increase (decrease) in consumer deposits							–		
Payments									
Repayment of borrowing		(6 443)		(503)	(503)	(537)	(34)	6%	
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	(6 443)	–	(503)	(503)	(537)	(34)	6%	–
NET INCREASE/ (DECREASE) IN CASH HELD	–	(8 235)	–	57 028	57 028	(555)			–
Cash/cash equivalents at beginning:		68 249			83 999	68 249			
Cash/cash equivalents at month/year end:	–	60 014	–		141 026	67 694			

Explanatory notes to Table C7 – Budgeted Cash Flow Statement

i. The budgeted cash flow statement represents the first measurement in determining whether the budget is funded.

ii. It reflects the expected cash inflows versus outflows that are likely to result from the implementation of the budget.

Annexure "A5"

ANALYSIS OF THE MUNICIPALITY'S STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

Debtors' Age Analysis (Inclusive of VAT) as at 31 July 2017

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	9 465	1 008	888	757	655	717	3 827	18 693	36 010
Trade and Other Receivables from Exchange Transactions - Electricity	22 824	945	643	461	350	270	1 964	6 343	33 800
Receivables from Non-exchange Transactions - Property Rates	61 646	689	539	473	423	339	6 018	16 423	86 550
Receivables from Exchange Transactions - Waste Water Management	5 782	528	423	340	294	438	1 759	8 596	18 160
Receivables from Exchange Transactions - Waste Management	3 108	495	411	364	341	369	1 713	10 638	17 438
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1
Interest on Arrear Debtor Accounts	61	61	72	79	89	102	1 154	15 510	17 128
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-
Other	(6 161)	255	182	208	181	148	2 033	6 372	3 219
Total By Income Source	**96 725**	**3 979**	**3 158**	**2 683**	**2 333**	**2 383**	**18 469**	**82 576**	**212 306**
									-
Debtors Age Analysis By Customer Group									
Organs of State	4 178	199	172	99	41	34	620	1 122	6 466
Commercial	8 495	317	247	205	150	108	934	2 627	13 083
Households	84 052	3 464	2 739	2 379	2 143	2 242	16 914	78 826	192 757
Other	-	-	-	-	-	-	-	-	-
Total By Customer Group	**96 725**	**3 979**	**3 158**	**2 683**	**2 333**	**2 383**	**18 469**	**82 576**	**212 306**

The aforementioned analysis indicates that from 30 June 2017 to 31 July 2017, the overdue debts have increased from R 0,383 million to R 115,581 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	**30-Jun-17**	**31-Jul-17**	**Difference**
Trade and Other Receivables from Exchange Transactions - Water	26 290	26 545	255
Trade and Other Receivables from Exchange Transactions - Electricity	11 192	10 976	(216)
Receivables from Non-exchange Transactions - Property Rates	25 337	24 904	(433)
Receivables from Exchange Transactions - Waste Water Management	12 297	12 378	82
Receivables from Exchange Transactions - Waste Management	14 074	14 330	256
Receivables from Exchange Transactions - Property Rental Debtors	1	1	–
Interest on Arrear Debtor Accounts	16 685	17 067	382
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–
Other	9 321	9 379	59
Total By Income Source	**115 198**	**115 581**	**383**
Debtors Age Analysis By Customer Group			
Organs of State	2 323	2 287	(36)
Commercial	4 588	4 588	0
Households	108 287	108 706	418
Other		–	–
Total By Customer Group	**115 198**	**115 581**	**383**

2. Overview of Creditors position

Below is an analysis of the status of the major creditors

Description	Budget Year 2017/18								
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	24 994	2	–	–	–	–	–	–	24 996
Bulk Water	–	424	428	427	221	264	1 673	46 360	49 797
PAYE deductions	–	–	–	–	–	–	–	–	–
VAT (output less input)	–	–	–	–	–	–	–	–	–
Pensions / Retirement deductions	–	–	–	–	–	–	–	–	–
Loan repayments	–	–	–	–	–	–	–	–	–
Trade Creditors	1 354	4 485	381	108	77	53	9	6 959	13 426
Auditor General	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total By Customer Type	**26 348**	**4 911**	**809**	**535**	**298**	**317**	**1 682**	**53 319**	**88 220**

The above amounts represent invoices still to be paid. The major creditors as at 31 July 2017 are as follows:

Department of Transport	R 6,498 million
Eskom	R 24,996 million
NMBM (Bulk water)	R 49,797 million
Other Creditors	R 6,929 million
TOTAL	**R 88,220 million**

It is to be noted that the Eskom amount of R 24,996 million, represents the current account for July 2017, which will be paid fully on 25 August 2017.

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 has verified the accuracy of the account and engagements are underway 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 31 July 2017.

	Balance as at 30 June 2017	INVESTED	INTEREST	WITHDRAWN	ADJUSTMENT	Balance as at 31 July 2017
Standard Bank	16 256 857	5 000 000	97 262	-	-	21 354 119
ABSA	16 288 040	3 000 000	98 247	-	50	19 386 237
Nedbank	17 053 655	5 000 000	107 875	-	-	22 161 530
RMB	13 300 134	22 152 562	113 666	2 941 562	-	32 624 800
INVESTEC	15 668 170	7 000 000	103 897	-	-	22 772 067
Total	**78 566 856**	**42 152 562**	**520 947**	**(2 941 562)**	**(50)**	**118 298 753**
INVESTMENT BY TYPE	**Balance as at 30 June 2017**	**INVESTED**	**INTEREST**	**WITHDRAWN**	**ADJUSTMENT**	**Balance as at 31 July 2017**
General Account	71 159 248	22 941 562	449 727	-	50	94 550 488
Conditional Grants	4 619 926	19 211 000	55 685	2 941 562	-	20 945 049
Housing Funds	2 787 682	-	15 535	-	-	2 803 216
Total	**78 566 856**	**42 152 562**	**520 947**	**(2 941 562)**	**(50)**	**118 298 753**
Bank	5 431 943	17 295 794				**22 727 738**
Total	**83 998 799**	**59 448 357**	**520 947**	**(2 941 562)**	**(50)**	**141 026 491**

The increase in the investment portfolio since 30 June 2017 amounts to R 57,027,692. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 22,727,738
Short-term Investment Deposits	R 118,298,753
	R 141,026,491

Application of Cash

Unspent Conditional Grants	23,748,265
Outstanding Creditors Liability	88,219,847
	R 111,968,112

Reserves in excess of Commitments **R 29,058,379**

The cash backed reserves exceed the commitments at this stage by an amount of R 29,058,379. It should be noted that the excess of reserves over commitments as at 31 July 2017, is mainly due to an amount of R 42,766 million in respect of the Equitable Share allocation being received on 07 July 2017, but not yet fully spent.

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

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

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M01 July 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
RECEIPTS:									
Operating Transfers and Grants									
National Government:	–	106 951	–	45 427	45 427	45 427			–
Local Government Equitable Share		102 637		42 766	42 766	42 766			
Finance Management		1 700		1 700	1 700	1 700			
MIG - Administration Fees		1 614		961	961	961			
EPWP Incentive		1 000							
Provincial Government:	–	4 050	–	–	–				–
ACIP-Water		2 000							
Sport and Recreation		2 050							
District Municipality:	–	2 500	–	–	–				–
Environmental Health Subsidy		2 500							
Other grant providers:	–	718	–	–	–				–
Skills Development Grant		718							
Total Operating Transfers and Grants	–	114 219	–	45 427	45 427	45 427			–
Capital Transfers and Grants									
National Government:	–	34 660	–	18 250	18 250	18 250			–
Municipal Infrastructure Grant (MIG)		30 660		18 250	18 250	18 250			
Intergrated National Electrification Programme		4 000							
Total Capital Transfers and Grants	–	34 660	–	18 250	18 250	18 250			–
TOTAL RECEIPTS OF TRANSFERS & GRANTS	–	148 879	–	63 677	63 677	63 677			–

Below is an analysis of the spending associated with the grants as at 31 July 2017:

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M01 July 2017

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
EXPENDITURE									
Operating expenditure of Transfers and Grants									
National Government:	–	**106 951**	–	**42 947**	**42 947**	**43 042**	**(96)**	**-0.2%**	–
Local Government Equitable Share		102 637		42 766	42 766	42 766	–		
Finance Management		1 700		46	46	142	(96)	-67.5%	
MIG - Administration Fees		1 614		134	134	134	–		
EPWP Incentive		1 000					–		
Provincial Government:	–	**4 050**	–	–	–	–	–		–
ACIP-Water		2 000					–		
Sport and Recreation		2 050					–		
District Municipality:	–	**2 500**	–	–	–	–	–		–
Environmental Health Subsidy		2 500					–		
Other grant providers:	–	**718**	–	–	–	–	–		–
Skills Development Grant		718					–		
Total operating expenditure of Transfers	–	**114 219**	–	**42 947**	**42 947**	**43 042**	**(96)**	**-0.2%**	–
Capital expenditure of Transfers and Grants									
National Government:	–	34 660	–	–	–	2 555	(2 555)	**-100.0%**	–
Municipal Infrastructure Grant (MIG)		30 660				2 555	(2 555)	-100.0%	
Intergrated National Electrification Programme		4 000					–		
Total capital expenditure of Transfers an	–	**34 660**	–	–	–	**2 555**	**(2 555)**	**-100.0%**	–
TOTAL EXPENDITURE OF TRANSFERS	–	**148 879**	–	**42 947**	**42 947**	**45 597**	**(2 651)**	**-5.8%**	–

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

Grants received from National Government

DORA Operating Grants

Financial Management Grant (FMG)

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

DORA Allocation:	R 1,700,000
Amount of Grant Received:	R 1,700,000
Expenditure to date:	R 46,104
Unspent as at 31 July 2017:	R 1,653,896

The spending of the grant amounted to 2.71% as at 31 July 2017, compared to the amount of the grant received.

Expanded Public Works Programme (EPWP)

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

DORA Allocation:	R 1,000,000
Amount of Grant Received:	R 0,00
Expenditure to date:	R 0,00
Unspent as at 31 July 2017:	R 0,00

The spending of the grant amounted to 0% as at 31 July 2017, compared to the amount of the grant received.

DORA Capital Grants

Municipal Infrastructure Grant (MIG)
The purpose of this grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs.

DORA Allocation:	R 30,660,300
Amount of Grant Received:	R 18,250,450
Expenditure to date:	R 0,00
Unspent as at 31 July 2017:	R 18,250,450

The spending of the grant amounted to 0% as at 31 July 2017, compared to the amount of the grant received.

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

DORA Allocation:	R 4,000,000
Amount of Grant Received:	R 0,00
Expenditure to date:	R 0,00
Unspent as at 31 July 2017:	R 0,00

The spending of the grant amounted to 0% as at 31 July 2017, compared to the amount of the grant received.

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

Amount of Grant Received:	R 4,926,325
Expenditure to date:	R 2,138,643
Unspent as at 31 July 2017:	R 2,787,682

The spending of the grant amounted to 43.41% as at 31 July 2017, compared to the amount of the grant received.

5. Councillor and employee benefits

Below is an analysis of Councillor and employee benefits:

Table SC8 Monthly Budget Statement – Councillor and staff benefits – M01 July 2017

Summary of Employee and Councillor remuneration	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages		7 712		597	597	643	(46)	-7%	
Medical Aid Contributions		650				54	(54)	-100%	
Motor Vehicle Allowance		2 602				217	(217)	-100%	
Cellphone Allowance		762		54	54	64	(9)	-15%	
Sub Total - Councillors	–	**11 725**	–	**651**	**651**	**977**	**(326)**	**-33%**	–
Senior Managers of the Municipality									
Basic Salaries and Wages		8 700		545	545	725	(180)	-25%	
Pension and UIF Contributions				20	20	20	–		
Medical Aid Contributions				9	9	9	–		
Performance Bonus		2 143					–		
Motor Vehicle Allowance		726		45	45	61	(16)	-26%	
Other benefits and allowances		21		11	11	2	9	503%	
Sub Total - Senior Managers of Municipality	–	**11 590**	–	**629**	**629**	**816**	**(187)**	**-23%**	–
Other Municipal Staff									
Basic Salaries and Wages		152 193		11 309	11 309	12 683	(1 373)	-11%	
Pension and UIF Contributions		24 723		1 918	1 918	2 060	(142)	-7%	
Medical Aid Contributions		15 143		1 068	1 068	1 262	(194)	-15%	
Overtime		10 375		1 349	1 349	865	485	56%	
Performance Bonus		12 595		48	48	1 050	(1 002)	-95%	
Motor Vehicle Allowance		7 231		785	785	603	182	30%	
Housing Allowances		2 301		158	158	192	(33)	-17%	
Other benefits and allowances		19 059		1 401	1 401	1 588	(187)	-12%	
Long service awards		812		124	124	68	56	83%	
Sub Total - Other Municipal Staff	–	**244 432**	–	**18 160**	**18 160**	**20 369**	**(2 209)**	**-11%**	–
Total Parent Municipality	–	**267 747**	–	**19 441**	**19 441**	**22 162**	**(2 722)**	**-12%**	–
TOTAL SALARY, ALLOWANCES & BENEFITS	–	**267 747**	–	**19 441**	**19 441**	**22 162**	**(2 722)**	**-12%**	–
TOTAL MANAGERS AND STAFF	–	**256 022**	–	**18 790**	**18 790**	**21 185**	**(2 396)**	**-11%**	–

6. Key performance indicators

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

Borrowing Management		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Approved Budget 2017/18	Actuals as at 31 July 2017
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.37%	1.92%
Borrowed funding of "own"capital expenditure	Borrowings/Capital expenditure excl. transfers & grants	0%	0%	0%	0%	0%	0%	0%
Debt Servicing Costs to Operating Revenue	Debt Servicing Costs / Total Operating Revenue - Conditional Grants	0.05	0.06	0.05	0.04	0.02	0.02	0.01
Liquidity								
Current Ratio	Current assets / current liabilities	0.54	0.54	0.72	0.85	1.13	0.95	1.20
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.39	0.87
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%	94%	110.22%

Other indicators		Actuals as at 30 June 2013	Actuals as at 30 June 2014	Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Approved Budget 2017/18	Actuals as at 31 July 2017
Cost coverage	(Cash and cash equivalents - Unspent Conditional Grants - Overdraft) + Short term investment)/monthly fixed operational expenditure excluding (depreciation, amortisation, provision for bad debts, impairment and loss on disposal of assets)	0.23	0.25	0.82	1.60	1.74	1.14	2.24
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	35.70%	35.62%	35.27%	34.37%	42.32%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	63.84%	95%	0%
Repairs and Maintenance as % of Total Operating Expenditure	Repairs and Maintenance / Total Operating Expenditure	3.52%	3.81%	4.46%	4.61%	4.87%	5.65%	0.22%
Repairs and Maintenance as % of PPE (Book Value)	Repairs and Maintenance / Net PPE	0.79%	0.95%	1.06%	1.17%	1.24%	1.64%	0%
Own Revenue Sources / Total Operating Revenue (Including operating grants)	Own Revenue Sources / Total Operating Revenue (Including Conditional Grants)	87.04%	87.21%	69.55%	74.74%	84.32%	83.31%	73.52%

The above table is discussed in details below.

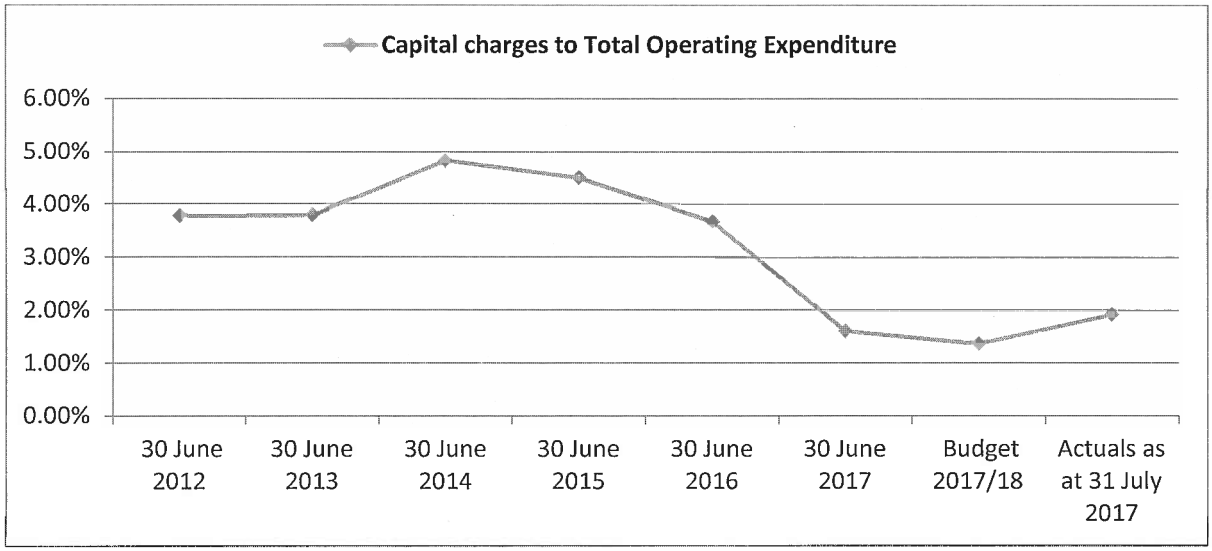
6.1. Borrowing Management

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 1.92% of the Total Operating Expenditure was utilised for capital charges as at 31 July 2017, compared to the budgeted ratio of 1.37%.



6.1.2. Borrowed funding of capital expenditure

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

The ratio is determined as follows:

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

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

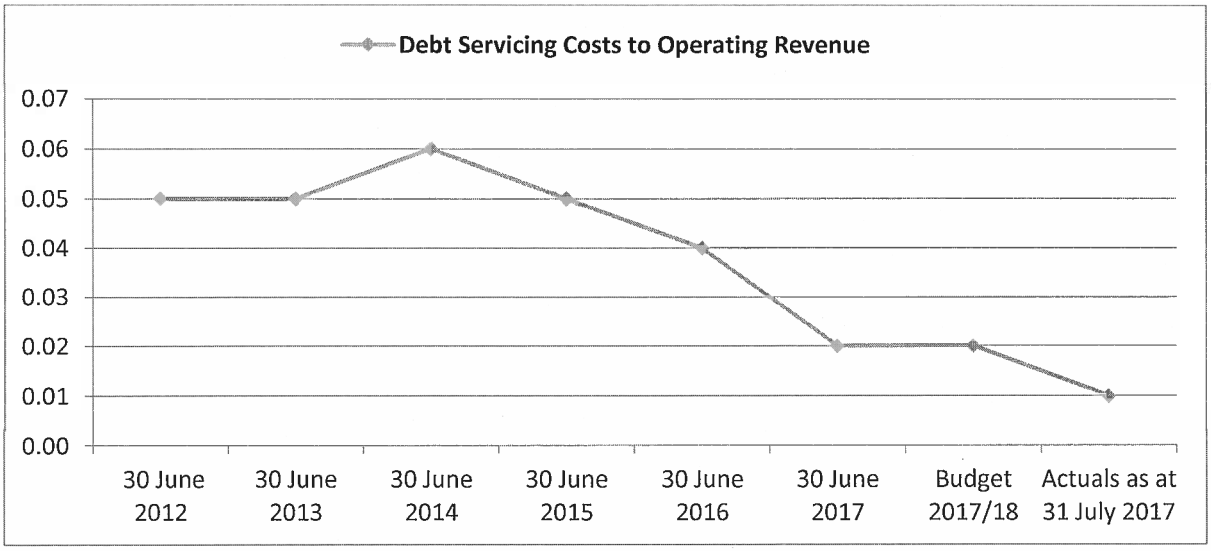
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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

The ratio is determined as follows:

Debt Servicing Costs/Operating Revenue

As at 31 July 2017, 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:

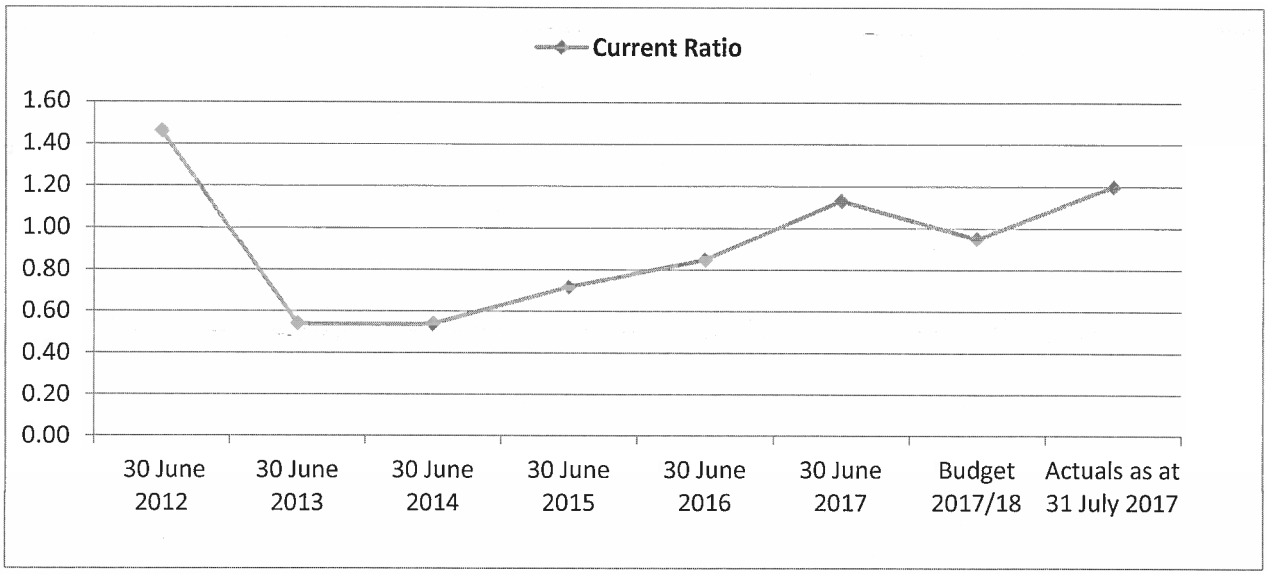
Current assets/Current liabilities

The ratio as at 31 July 2017 was 1.20:1, compared to the budgeted ratio of 0.95:1.

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

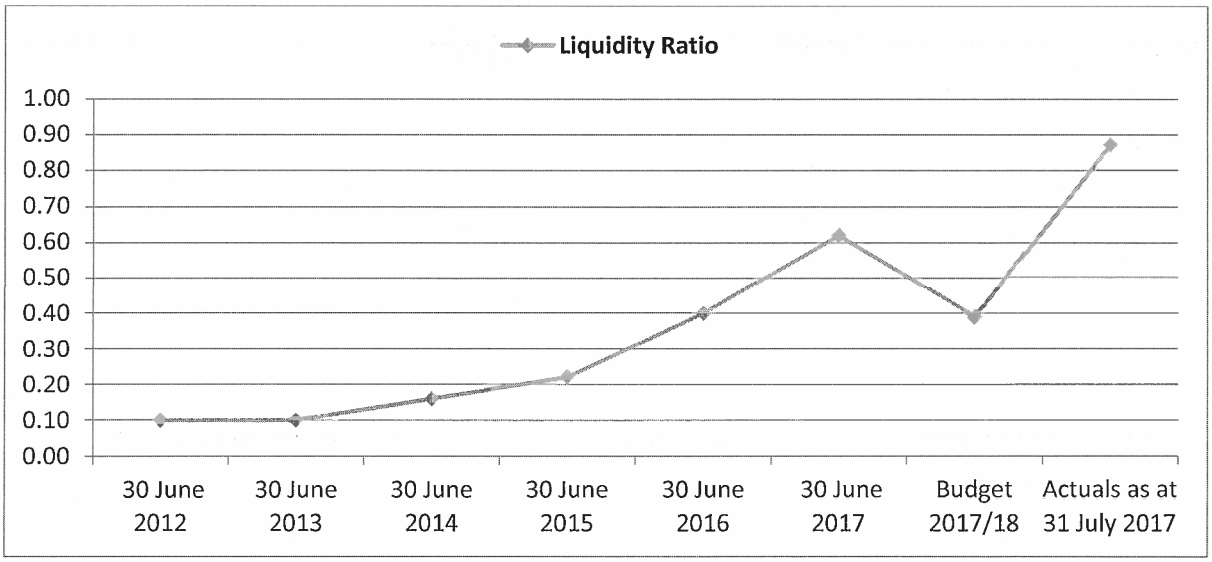
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

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 2017 was 0.87:1, compared to the budgeted ratio of 0.39:1.

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

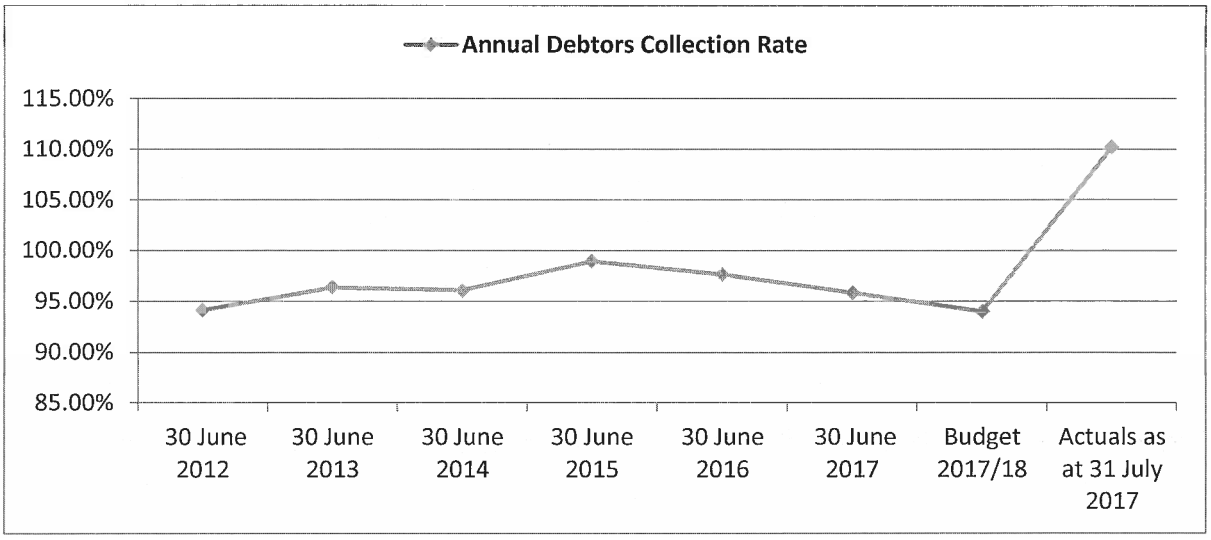
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 2017 was 110.22%, 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.

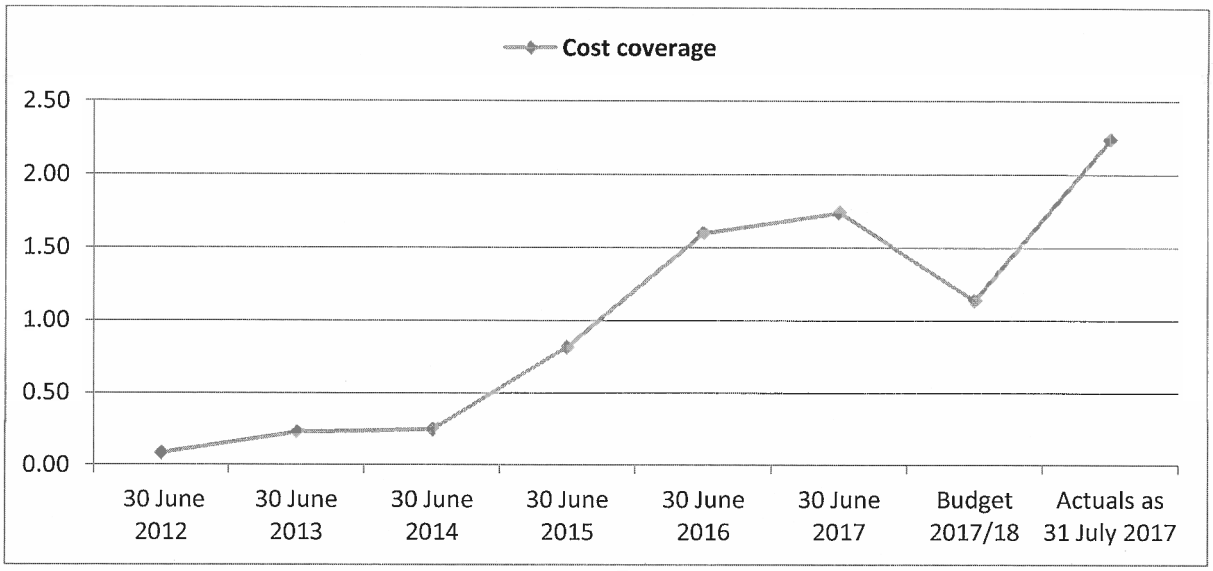
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 2017, the Ratio was 2.24 months, compared to the budgeted ratio of 1.14 months.

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



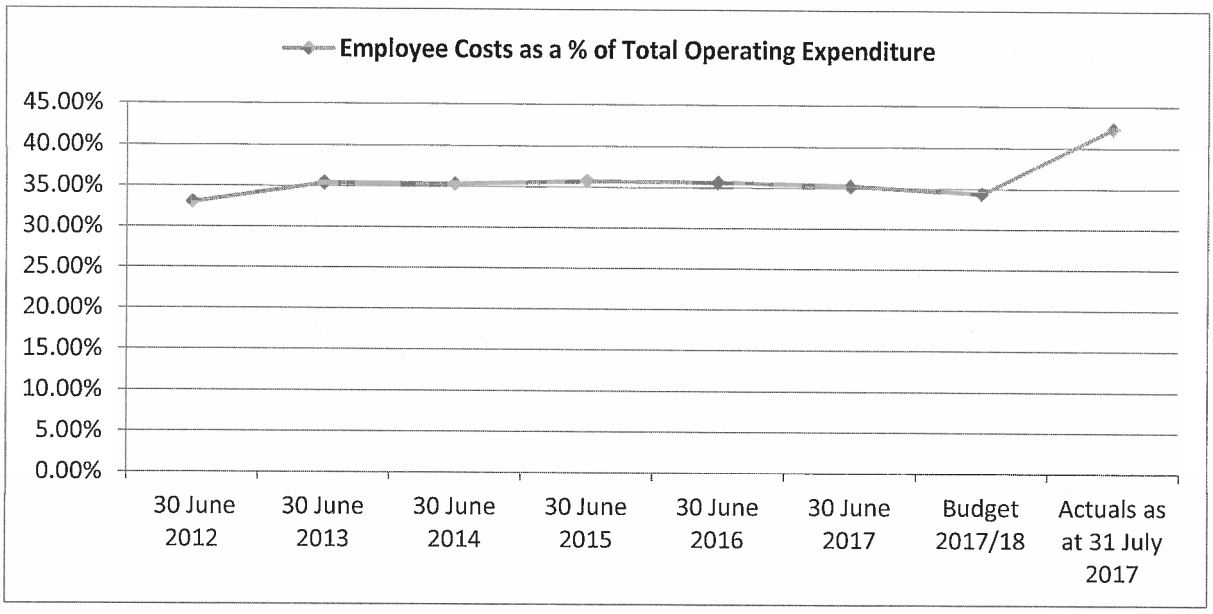
6.4.2. Employee costs as a % of Total Operating Expenditure

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 2017, Employee Related Costs constituted 42.32% of the Total Operating Expenditure, compared to the budgeted ratio of 34.37%.



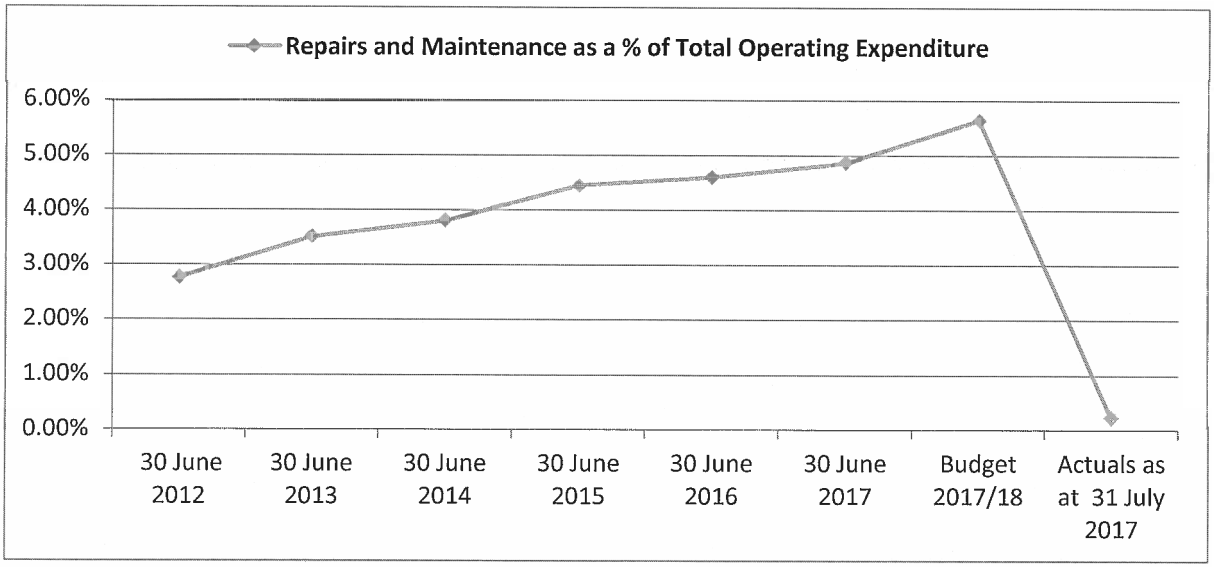
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 2017, the ratio was 0.22%, compared to the budgeted ratio of 5.65%.



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

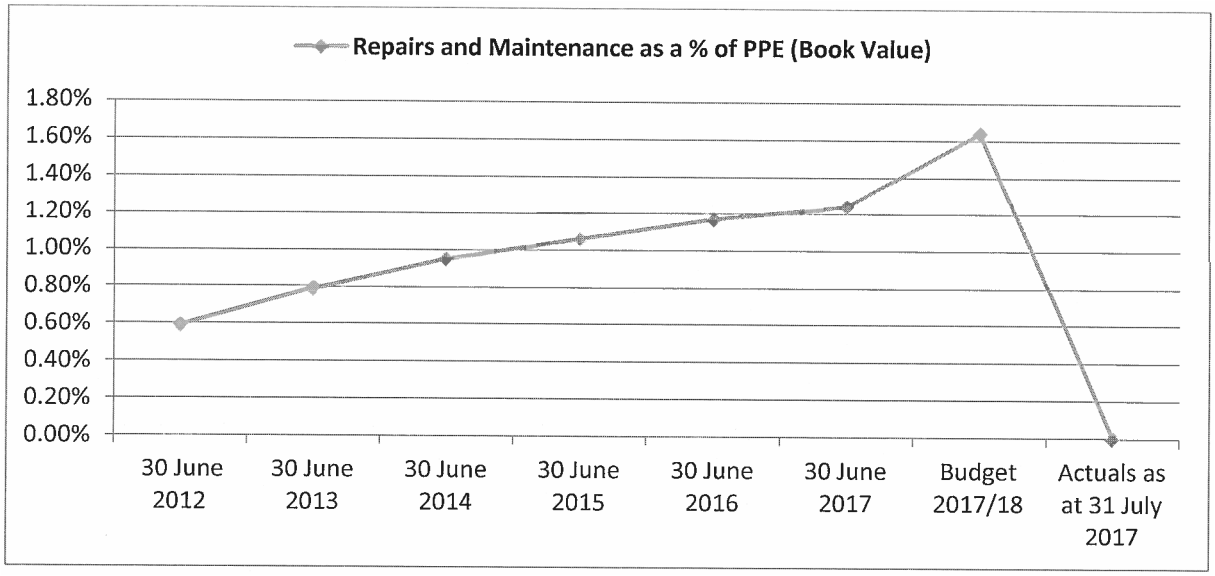
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 July 2017, repairs and maintenance expenditure constituted 0% of the book value of PPE, compared to the budgeted ratio of 1.64%.

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



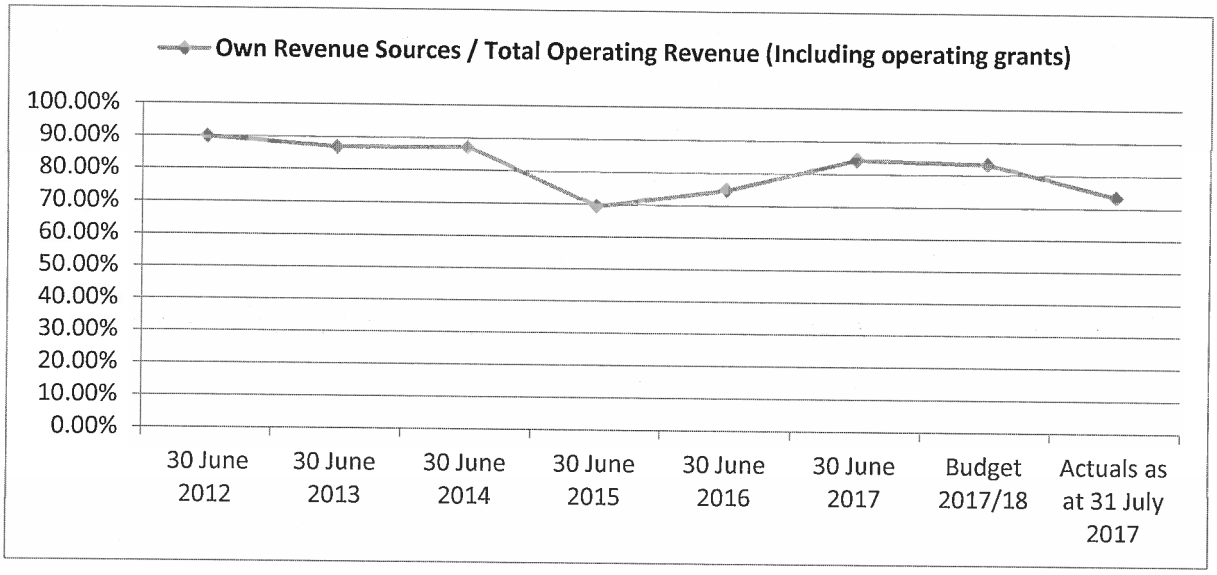
6.4.5. Own Revenue Generation

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 2017, the Municipality's own revenue sources constituted 73.52% of its total Operating Income, compared to the budgeted ratio of 83.31%.



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 2017 amounted to 0%, compared to the budgeted ratio of 95%.

