KOUGA MUNICIPALITY (EC108)

FINANCE

DATE: **ITEM NO:**

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1. MONTHLY BUDGET STATEMENTS FOR THE PERIOD JULY 2017 TO OCTOBER 2017 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 31 OCTOBER 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 period July to October 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 280,713 million, whilst operating expenditure amounted to R 178,416 million, resulting in an operating surplus of R 102,297 million.
- Capital expenditure constituted 1.93% of the approved 2017/18 Capital Adjusted Budget.

- Overdue consumer debts increased by R 19,033 million (16.52%) since June 2017.
- An amount of R 90,846 million is owing to creditors, of which R 25,229 million (27.77%) represents current creditors.
- The municipality's investment portfolio has increased by R 63,391,153 (75.47%) since June 2017, from R 83,998,799 to R 147,389,951.

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 Oct 2017	2017/18 Approved Budget
Current Ratio	0.54:1	0.72:1	0.85:1	1.13:1	1.18:1	0.95:1
Liquidity Ratio	0.16:1	0.22:1	0.40:1	0.62:1	0.85:1	0.39:1
Cost Coverage (Excluding unspent conditional grants)	0.25 months	0.82 months	1.60 months	1.74 months	2.33 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 October 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. 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.

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

.....
Mr. Charl Du Plessis (Municipal Manager)

Acknowledgement of section 71 reports by the Executive Mayor for the period July 2017 to October 2017

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

.....
Executive Mayor

1. Municipal Manager's Quality Certificate

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

Print Name CHARL DU PLESSIS

Municipal Manager of Kouga Local Municipality

Signature _____

Date 14/11/2017

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO OCTOBER 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 October 2017	% of Budget
OPERATING REVENUE			
Property rates	160 564 979	88 799 029	55.30%
Total Service Charges	370 093 675	125 661 552	33.95%
Service charges - electricity revenue	230 405 163	77 385 080	33.59%
Service charges - water revenue	58 871 483	20 395 916	34.64%
Service charges - sanitation revenue	40 622 429	13 294 101	32.73%
Service charges - refuse revenue	27 412 368	9 121 246	33.27%
Service charges - other	12 782 232	5 465 210	42.76%
Rental of Facilities and Equipment	1 309 449	345 574	26.39%
Interest Earned - External Investments	7 194 922	-	0.00%
Interest Earned - Outstanding Debtors	8 939 206	1 660 817	18.58%
Fines, penalties and forfeits	3 760 285	1 242 589	33.05%
Licences and Permits	11 772 882	3 138 170	26.66%
Grants & Subsidies Received - Operating	114 218 922	58 350 941	51.09%
Other Revenue	6 484 211	1 514 180	23.35%
Total Direct Operating Revenue	**684 338 531**	**280 712 852**	**41.02%**
OPERATING EXPENDITURE			
Employee Related Costs	256 021 847	75 122 230	29.34%
Remuneration of Councillors	11 725 189	2 621 545	22.36%
Bad Debts	31 680 232	-	0.00%
Depreciation & Asset Impairment	83 730 150	-	0.00%
Repairs & Maintenance - Municipal Assets	17 801 074	2 217 467	12.46%
Finance Charges - External Borrowings	3 768 124	-	0.00%
Total Bulk Purchases	225 623 251	82 204 980	36.43%
Bulk purchases - electricity	187 239 233	73 560 707	39.29%
Bulk purchases - water	38 384 018	8 644 273	22.52%
Contracted Services	41 750 674	4 675 648	11.20%
Transfers and Grants	1 580 000	-	0.00%
Other expenditure	71 161 717	11 573 835	16.26%
Total Direct Operating Expenditure	**744 842 258**	**178 415 706**	**23.95%**
Surplus/(Deficit)	**-60 503 727**	**102 297 146**	

The statement of financial performance indicates a surplus of R 102,297,146.
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 October 2017, the Municipality has recognised 55.30% of its property rates revenue, compared to the budget.

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

Service charges – Other

Other service charges relate to Environmental Management Fees, with approximately 12% of the total environmental management revenue raised in July 2017.

Rental of Facilities and Equipment

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

Interest Earned – External Investments

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

Interest Earned – Outstanding Debtors

Interest is influenced by the extent of outstanding debtors. The actual overdue debtors as at 31 October 2017 amounted to R 134,230 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 the depreciation and asset impairment 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 October 2017	% of Budget
Administration, Monitoring & Evaluation	15,000	-	-
Finance	70,938	1,241	1.75%
Social Services	1,285,197	85,621	6.66%
Infrastructure, Planning & Development	16,379,939	2,130,605	13.01%
LED, Tourism & Creative Industries	50,000	-	-
Total	**17,801,074**	**2,217,467**	**12.46%**

It is to be noted that actual repairs and maintenance expenditure constituted 12.46% 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 October 2017	% of Budget
	R			R	
Administration, Monitoring & Evaluation	658,000	-	658,000	274,041	41.65%
Finance	3,303,500	305,200	3,608,700	256,959	7.12%
Social Services	12,481,455	7,400,000	19,881,455	262,244	1.32%
Infrastructure, Planning & Development	41,796,280	789,632	42,585,912	525,620	1.23%
LED, Tourism & Creative Industries	1,440,485	-	1,440,485	-	-
Total	**59,679,720**	**8,494,832**	**68,174,552**	**1,318,864**	**1.93%**
Source of Funding	**Approved Budget 2017/18**	**Approved Adjustments**	**Adjusted Budget 2017/18**	**Actuals as at 31 October 2017**	**% of Budget**
	R			R	
Internally Generated Funding	35,460,300	-	35,460,300	682,473	1.92%
Government Grants	24,219,420	8,494,832	32,714,252	636,390	1.95%
Total	**59,679,720**	**8,494,832**	**68,174,552**	**1,318,864**	**1.93%**

It is to be noted that capital expenditure as at 31 October 2017 amounted to 1.93%, 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 October 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 – M04 October 2017

Description	Ref	2016/17	Budget Year 2017/18							
		Audited	Original	Adjusted	Monthly	YearTD	YearTD	YTD	YTD	Full Year
		Outcome	Budget	Budget	actual	actual	budget	variance	variance	Forecast
R thousands	1								%	
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			150 931		13 078	70 579	50 310	20 269	40%	150 931
Service charges			348 047		28 010	106 469	116 016	(9 547)	-8%	348 047
Other revenue			23 328		7 902	44 263	7 776	36 487	469%	23 328
Government - operating			114 219			44 716	38 073	6 643	17%	114 219
Government - capital			34 660		2 000	21 211	11 553	9 658	84%	34 660
Interest			16 134		1 588	4 819	5 378	(559)	-10%	16 134
Dividends			–					–		–
Payments										
Suppliers and employees			(624 084)		(59 138)	(223 939)	(208 028)	15 911	-8%	(624 084)
Finance charges			(3 768)		(345)	(1 297)	(1 256)	41	-3%	(3 768)
Transfers and Grants			(1 580)					–		(1 580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	**57 887**	–	**(6 905)**	**66 822**	**19 822**	**(47 000)**	**-237%**	**57 887**
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)		(921)	(1 319)	(19 893)	(18 574)	93%	(59 680)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	**(59 680)**	–	**(921)**	**(1 319)**	**(19 893)**	**(18 574)**	**93%**	**(59 680)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								–		
Borrowing long term/refinancing								–		
Increase (decrease) in consumer deposits								–		
Payments										
Repayment of borrowing			(6 443)		(507)	(2 112)	(2 148)	(35)	2%	(6 443)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	**(6 443)**	–	**(507)**	**(2 112)**	**(2 148)**	**(35)**	**2%**	**(6 443)**
NET INCREASE/ (DECREASE) IN CASH HELD		–	**(8 235)**	–	**(8 332)**	**63 391**	**(2 218)**			**(8 235)**
Cash/cash equivalents at beginning:			68 249			83 999	68 249			83 999
Cash/cash equivalents at month/year end:		–	60 014	–		147 390	66 030			75 764

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 period July to October 2017 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M04 October 2017

Description	2016/17	Budget Year 2017/18							
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	–	160 565	–	7 812	88 799	53 522	35 277	66%	–
Service charges	–	370 094	–	28 751	125 662	123 365	2 297	2%	–
Investment revenue	–	7 195	–	–	–	2 398	(2 398)	-100%	–
Transfers and subsidies	–	114 219	–	2 293	58 351	38 073	20 278	53%	–
Other own revenue	–	32 267	–	962	7 901	10 756	(2 854)	-27%	–
Total Revenue (excluding capital transfers and contributions)	**–**	**684 339**	**–**	**39 817**	**280 713**	**228 113**	**52 600**	**23%**	**–**
Employee costs	–	256 022	–	18 961	75 122	85 341	(10 218)	-12%	–
Remuneration of Councillors	–	11 725	–	625	2 622	3 908	(1 287)	-33%	–
Depreciation & asset impairment	–	83 730	–	–	–	27 910	(27 910)	-100%	–
Finance charges	–	3 768	–	–	–	1 256	(1 256)	-100%	–
Materials and bulk purchases	–	243 424	–	16 570	84 422	81 141	3 281	4%	–
Transfers and subsidies	–	1 580	–	–	–	527	(527)	-100%	–
Other expenditure	–	144 593	–	(17 141)	16 249	48 198	(31 948)	-66%	–
Total Expenditure	**–**	**744 842**	**–**	**19 015**	**178 416**	**248 281**	**(69 865)**	**-28%**	**–**
Surplus/(Deficit)	**–**	**(60 503)**	**–**	**20 802**	**102 297**	**(20 168)**	**122 465**	**-607%**	**–**
Transfers and subsidies - capital (monetary alloc	–	34 660	–	–	–	11 553	(11 553)	-100%	–
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	**–**	**(25 843)**	**–**	**20 802**	**102 297**	**(8 614)**	**110 911**	**-1288%**	**–**
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	**–**	**(25 843)**	**–**	**20 802**	**102 297**	**(8 614)**	**110 911**	**-1288%**	**–**
Capital expenditure & funds sources									
Capital expenditure	**–**	**59 680**	**–**	**921**	**1 319**	**19 893**	**(18 574)**	**-93%**	**–**
Capital transfers recognised	–	35 460	–	292	636	11 820	(11 184)	-95%	–
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	**–**	**24 219**	**–**	**630**	**682**	**8 073**	**(7 391)**	**-92%**	**–**
Total sources of capital funds	**–**	**59 680**	**–**	**921**	**1 319**	**19 893**	**(18 574)**	**-93%**	**–**
Financial position									
Total current assets	–	145 598	–		204 435				145 598
Total non current assets	–	2 647 186	–		2 590 481				2 647 186
Total current liabilities	–	153 131	–		172 798				153 131
Total non current liabilities	–	148 939	–		165 124				148 939
Community wealth/Equity	**–**	**2 490 714**	**–**		**2 456 993**				**2 490 714**
Cash flows									
Net cash from (used) operating	–	57 887	–	(6 905)	66 822	19 822	(47 000)	-237%	57 887
Net cash from (used) investing	–	(59 680)	–	(921)	(1 319)	(19 893)	(18 574)	93%	(59 680)
Net cash from (used) financing	–	(6 443)	–	(507)	(2 112)	(2 148)	(35)	2%	(6 443)
Cash/cash equivalents at the month/year end	**–**	**60 014**	**–**	**–**	**147 390**	**66 030**	**(81 360)**	**-123%**	**75 764**
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 1 Yr**	**Total**
Debtors Age Analysis									
Total By Income Source	28 698	4 876	20 283	2 881	2 083	2 006	11 160	90 941	162 929
Creditors Age Analysis									
Total Creditors	25 229	130	47	424	422	419	3 808	60 367	90 846

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) – M04 October 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**	–	**8 539**	**130 303**	**93 944**	36 359	39%	–
Executive and council		–	34	–	–	–	11	(11)	-100%	–
Finance and administration		–	281 799	–	8 539	130 303	93 933	36 370	39%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	**14 965**	–	**(400)**	**1 512**	**4 988**	(3 476)	-70%	–
Community and social services		–	2 428	–	36	139	809	(670)	-83%	–
Sport and recreation		–	9 833	–	(443)	1 344	3 278	(1 934)	-59%	–
Public safety		–	4	–	1	3	1	1	109%	–
Housing		–	–	–	–	–	–	–		–
Health		–	2 699	–	6	26	900	(873)	-97%	–
Economic and environmental services		–	**29 175**	–	**3 839**	**28 624**	**9 725**	18 899	194%	–
Planning and development		–	6 521	–	2 722	20 514	2 174	18 341	844%	–
Road transport		–	8 408	–	121	2 380	2 803	(423)	-15%	–
Environmental protection		–	14 247	–	996	5 730	4 749	981	21%	–
Trading services		–	**393 027**	–	**27 839**	**120 274**	**131 009**	(10 735)	-8%	–
Energy sources		–	239 206	–	18 025	77 462	79 735	(2 273)	-3%	–
Water management		–	60 871	–	4 658	20 396	20 290	105	1%	–
Waste water management		–	65 521	–	2 893	13 294	21 840	(8 546)	-39%	–
Waste management		–	27 429	–	2 264	9 121	9 143	(21)	0%	–
Other	4	–	–	–	–	–	–	–		–
Total Revenue - Functional	2	–	**719 000**	–	**39 817**	**280 713**	**239 667**	**41 046**	**17%**	–
Expenditure - Functional										
Governance and administration		–	**169 788**	–	**(13 873)**	**34 837**	**56 596**	(21 759)	-38%	–
Executive and council		–	43 765	–	4 069	16 421	14 588	1 832	13%	–
Finance and administration		–	126 024	–	(17 942)	18 417	42 008	(23 591)	-56%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	**81 788**	–	**5 420**	**21 234**	**27 263**	(6 029)	-22%	–
Community and social services		–	9 701	–	500	2 121	3 234	(1 113)	-34%	–
Sport and recreation		–	42 081	–	2 886	11 202	14 027	(2 825)	-20%	–
Public safety		–	20 985	–	1 421	5 546	6 995	(1 449)	-21%	–
Housing		–	4 369	–	240	968	1 456	(489)	-34%	–
Health		–	4 653	–	373	1 397	1 551	(154)	-10%	–
Economic and environmental services		–	**111 075**	–	**3 768**	**13 036**	**37 025**	(23 989)	-65%	–
Planning and development		–	30 274	–	1 534	5 800	10 091	(4 292)	-43%	–
Road transport		–	71 834	–	2 039	6 590	23 945	(17 354)	-72%	–
Environmental protection		–	8 966	–	195	646	2 989	(2 343)	-78%	–
Trading services		–	**378 843**	–	**23 332**	**108 795**	**126 281**	(17 486)	-14%	–
Energy sources		–	227 987	–	14 753	77 802	75 996	1 807	2%	–
Water management		–	77 021	–	4 047	15 140	25 674	(10 534)	-41%	–
Waste water management		–	40 698	–	2 013	6 529	13 566	(7 037)	-52%	–
Waste management		–	33 136	–	2 519	9 325	11 045	(1 721)	-16%	–
Other		–	**3 349**	–	**367**	**514**	**1 116**	**(603)**	**-54%**	–
Total Expenditure - Functional	**3**	–	**744 842**	–	**19 015**	**178 416**	**248 281**	**(69 865)**	**-28%**	–
Surplus/ (Deficit) for the year		–	**(25 843)**	–	**20 802**	**102 297**	**(8 614)**	**110 911**	**-1288%**	–

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 – M04 October 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	–	8 212	129 205	92 514	36 691	39.7%	–
Vote 3 - Administration, Monitoring & Evaluation	–	752	–	–	–	251	(251)	-100.0%	–
Vote 4 - Led, Tourism & Creative Industries	–	1 440	–	–	–	480	(480)	-100.0%	–
Vote 5 - Infrastructure, Planning & Development	–	371 680	–	28 231	131 801	123 893	7 908	6.4%	–
Vote 6 - Social Services	–	67 586	–	3 375	19 707	22 529	(2 822)	-12.5%	–
Total Revenue by Vote	**–**	**719 000**	**–**	**39 817**	**280 713**	**239 667**	**41 046**	**17.1%**	**–**
Expenditure by Vote									
Vote 1 - Executive & Council	–	35 224	–	2 569	10 198	11 741	(1 543)	-13.1%	–
Vote 2 - Financial Services	–	65 852	–	2 505	10 823	21 951	(11 128)	-50.7%	–
Vote 3 - Administration, Monitoring & Evaluation	–	41 583	–	2 549	8 612	13 861	(5 249)	-37.9%	–
Vote 4 - Led, Tourism & Creative Industries	–	11 017	–	682	2 001	3 672	(1 672)	-45.5%	–
Vote 5 - Infrastructure, Planning & Development	–	443 519	–	23 959	110 337	147 840	(37 502)	-25.4%	–
Vote 6 - Social Services	–	147 648	–	(13 250)	36 445	49 216	(12 771)	-25.9%	–
Total Expenditure by Vote	**–**	**744 842**	**–**	**19 015**	**178 416**	**248 281**	**(69 865)**	**-28.1%**	**–**
Surplus/ (Deficit) for the year	**–**	**(25 843)**	**–**	**20 802**	**102 297**	**(8 614)**	**110 911**	**-1287.5%**	**–**

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) – M04 October 2017

Description	Ref	2016/17	Budget Year 2017/18							
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			160 565		7 812	88 799	53 522	35 277	66%	
Service charges - electricity revenue			230 405		18 005	77 385	76 802	583	1%	
Service charges - water revenue			58 871		4 658	20 396	19 624	772	4%	
Service charges - sanitation revenue			40 622		2 893	13 294	13 541	(247)	-2%	
Service charges - refuse revenue			27 412		2 264	9 121	9 137	(16)	0%	
Service charges - other			12 782		951	5 465	4 261	1 204	28%	
Rental of facilities and equipment			1 309		106	346	436	(91)	-21%	
Interest earned - external investments			7 195		–	–	2 398	(2 398)	-100%	
Interest earned - outstanding debtors			8 939		759	1 661	2 980	(1 319)	-44%	
Dividends received			–		–	–	–	–		
Fines, penalties and forfeits			3 761		356	1 243	1 254	(11)	-1%	
Licences and permits			11 773		(381)	3 138	3 924	(786)	-20%	
Agency services			–		–	–	–	–		
Transfers and subsidies			114 219		2 293	58 351	38 073	20 278	53%	
Other revenue			6 484		122	1 514	2 161	(647)	-30%	
Gains on disposal of PPE			–		–	–	–	–		
Total Revenue (excluding capital transfers and contributions)		–	**684 339**	–	**39 817**	**280 713**	**228 113**	**52 600**	**23%**	–
Expenditure By Type										
Employee related costs			256 022		18 961	75 122	85 341	(10 218)	-12%	
Remuneration of councillors			11 725		625	2 622	3 908	(1 287)	-33%	
Debt impairment			31 680		–	–	10 560	(10 560)	-100%	
Depreciation & asset impairment			83 730		–	–	27 910	(27 910)	-100%	
Finance charges			3 768		–	–	1 256	(1 256)	-100%	
Bulk purchases			225 623		15 802	82 205	75 208	6 997	9%	
Other materials			17 801		768	2 217	5 934	(3 716)	-63%	
Contracted services			41 751		(20 773)	4 676	13 917	(9 241)	-66%	
Transfers and subsidies			1 580		–	–	527	(527)	-100%	
Other expenditure			71 162		3 632	11 574	23 721	(12 147)	-51%	
Loss on disposal of PPE			–		–	–	–	–		
Total Expenditure		–	**744 842**	–	**19 015**	**178 416**	**248 281**	**(69 865)**	**-28%**	–
Surplus/(Deficit)		–	**(60 503)**	–	**20 802**	**102 297**	**(20 168)**	**122 465**	**(0)**	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)			34 660		–	–	11 553	(11 553)	**(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)**	–	**20 802**	**102 297**	**(8 614)**			–
Taxation								–		
Surplus/(Deficit) after taxation		–	**(25 843)**	–	**20 802**	**102 297**	**(8 614)**			–
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		–	**(25 843)**	–	**20 802**	**102 297**	**(8 614)**			–
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		–	**(25 843)**	–	**20 802**	**102 297**	**(8 614)**			–

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) – M04 October 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	–	139	139	60	79	131%	–
Vote 2 - Financial Services	–	3304	–	236	257	1101	(844)	-77%	–
Vote 3 - Administration, Monitoring & Evaluation	–	477	–	135	135	159	(24)	-15%	–
Vote 4 - Led, Tourism & Creative Industries	–	2551	–	–	–	850	(850)	-100%	–
Vote 5 - Infrastructure, Planning & Development	–	40408	–	181	526	13469	(12944)	-96%	–
Vote 6 - Social Services	–	12759	–	230	262	4253	(3991)	-94%	–
Total Capital single-year expenditure	–	59680	–	921	1319	19893	**(18574)**	**-93%**	–
Total Capital Expenditure	**–**	**59680**	**–**	**921**	**1319**	**19893**	**(18574)**	**-93%**	**–**
Capital Expenditure - Functional Classification									
Governance and administration	**–**	**4813**	**–**	**522**	**575**	**1604**	(1029)	-64%	**–**
Executive and council		157		139	139	52	87	168%	
Finance and administration		4656		383	436	1552	(1116)	-72%	
Internal audit		–		–	–	–	–		
Community and public safety	**–**	**6993**	**–**	**132**	**132**	**2331**	(2199)	-94%	**–**
Community and social services		599		–	–	200	(200)	-100%	
Sport and recreation		4869		132	132	1623	(1491)	-92%	
Public safety		950		–	–	317	(317)	-100%	
Housing		–		–	–	–	–		
Health		575		–	–	192	(192)	-100%	
Economic and environmental services	**–**	**6502**	**–**	**86**	**86**	**2167**	(2081)	-96%	**–**
Planning and development		2742		74	74	914	(840)	-92%	
Road transport		2820		12	12	940	(928)	-99%	
Environmental protection		940		–	–	313	(313)	-100%	
Trading services	**–**	**41372**	**–**	**181**	**526**	**13791**	(13265)	-96%	**–**
Energy sources		7255		–	–	2418	(2418)	-100%	
Water management		5292		–	–	1764	(1764)	-100%	
Waste water management		25680		107	452	8560	(8108)	-95%	
Waste management		3145		74	74	1048	(974)	-93%	
Other		–		–	–	–	–		
Total Capital Expenditure - Functional Classific	**–**	**59680**	**–**	**921**	**1319**	**19893**	**(18574)**	**-93%**	**–**
Funded by:									
National Government		35460		292	636	11820	(11184)	-95%	
Provincial Government							–		
District Municipality							–		
Other transfers and grants							–		
Transfers recognised - capital	**–**	**35460**	**–**	**292**	**636**	**11820**	**(11184)**	**-95%**	**–**
Public contributions & donations							–		
Borrowing							–		
Internally generated funds		24219		630	682	8073	(7391)	-92%	
Total Capital Funding	**–**	**59680**	**–**	**921**	**1319**	**19893**	**(18574)**	**-93%**	**–**

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 – M04 October 2017

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash			18004		20543	18004
Call investment deposits			42010		126847	42010
Consumer debtors			55213		48879	55213
Other debtors			25677		3219	25677
Current portion of long-term receivables			3			3
Inventory			4691		4947	4691
Total current assets		–	**145598**	–	**204435**	**145598**
Non current assets						
Long-term receivables			150			150
Investments						–
Investment property			84431		85382	84431
Investments in Associate						–
Property, plant and equipment			2562532		2504941	2562532
Agricultural						–
Biological assets						–
Intangible assets			73		159	73
Other non-current assets						–
Total non current assets		–	**2647186**	–	**2590481**	**2647186**
TOTAL ASSETS		–	**2792784**	–	**2794916**	**2792784**
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing			6443		6439	6443
Consumer deposits			8856		10273	8856
Trade and other payables			106811		116262	106811
Provisions			31021		39824	31021
Total current liabilities		–	**153131**	–	**172798**	**153131**
Non current liabilities						
Borrowing			30269		30295	30269
Provisions			118670		134829	118670
Total non current liabilities		–	**148939**	–	**165124**	**148939**
TOTAL LIABILITIES		–	**302070**	–	**337923**	**302070**
NET ASSETS	2	–	**2490714**	–	**2456993**	**2490714**
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)			2490714		2456993	2490714
Reserves						
TOTAL COMMUNITY WEALTH/EQUITY	2	–	**2490714**	–	**2456993**	**2490714**

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 – M04 October 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								%	
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			150 931		13 078	70 579	50 310	20 269	40%	150 931
Service charges			348 047		28 010	106 469	116 016	(9 547)	-8%	348 047
Other revenue			23 328		7 902	44 263	7 776	36 487	469%	23 328
Government - operating			114 219			44 716	38 073	6 643	17%	114 219
Government - capital			34 660		2 000	21 211	11 553	9 658	84%	34 660
Interest			16 134		1 588	4 819	5 378	(559)	-10%	16 134
Dividends			–					–		–
Payments										
Suppliers and employees			(624 084)		(59 138)	(223 939)	(208 028)	15 911	-8%	(624 084)
Finance charges			(3 768)		(345)	(1 297)	(1 256)	41	-3%	(3 768)
Transfers and Grants			(1 580)					–		(1 580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	**57 887**	–	**(6 905)**	**66 822**	**19 822**	**(47 000)**	**-237%**	**57 887**
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)		(921)	(1 319)	(19 893)	(18 574)	93%	(59 680)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	**(59 680)**	–	**(921)**	**(1 319)**	**(19 893)**	**(18 574)**	**93%**	**(59 680)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								–		
Borrowing long term/refinancing								–		
Increase (decrease) in consumer deposits								–		
Payments										
Repayment of borrowing			(6 443)		(507)	(2 112)	(2 148)	(35)	2%	(6 443)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	**(6 443)**	–	**(507)**	**(2 112)**	**(2 148)**	**(35)**	**2%**	**(6 443)**
NET INCREASE/ (DECREASE) IN CASH HELD		–	**(8 235)**	–	**(8 332)**	**63 391**	**(2 218)**			**(8 235)**
Cash/cash equivalents at beginning:			68 249			83 999	68 249			83 999
Cash/cash equivalents at month/year end:		–	60 014	–		147 390	66 030			75 764

Explanatory notes to Table C7 – Budgeted Cash Flow Statement

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

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

Annexure "A5"

ANALYSIS OF THE MUNICIPALITY'S STATEMENT OF FINANCIAL POSITION

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

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

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

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

Description	Budget Year 2016/17								
R thousands	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1 Yr	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 October 2017

Description	Budget Year 2017/18								
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	6853	1141	2240	792	641	638	3413	19949	35666
Trade and Other Receivables from Exchange Transactions - Electricity	16728	1256	2793	374	278	261	995	7201	29886
Receivables from Non-exchange Transactions - Property Rates	9104	764	12036	366	303	277	1378	19721	43940
Receivables from Exchange Transactions - Waste Water Management	3875	695	1150	368	307	308	1608	9221	17524
Receivables from Exchange Transactions - Waste Management	3072	614	501	351	335	321	1737	11181	18111
Receivables from Exchange Transactions - Property Rental Debtors	–	–	–	–	–	–	–	1	1
Interest on Arrear Debtor Accounts	60	71	291	63	63	75	662	16579	17865
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–	–	–	–	–	–	–
Other	(10994)	335	1272	587	156	127	1366	7088	(64)
Total By Income Source	**28698**	**4876**	**20283**	**2881**	**2083**	**2006**	**11160**	**90941**	**162929**
									–
Debtors Age Analysis By Customer Group									
Organs of State	809	314	1256	80	64	62	194	1589	4368
Commercial	6170	495	954	158	133	131	431	3186	11657
Households	21720	4067	18072	2643	1887	1814	10535	86165	146903
Other	–	–	–	–	–	–	–	–	–
Total By Customer Group	**28698**	**4876**	**20283**	**2881**	**2083**	**2006**	**11160**	**90941**	**162929**

The aforementioned analysis indicates that from 30 June 2017 to 31 October 2017, the overdue debts have increased from R 115,198 million to R 134,230 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	**30-Jun-17**	**30-Oct-17**	**Difference**
Trade and Other Receivables from Exchange Transactions - Water	26290	28813	2523
Trade and Other Receivables from Exchange Transactions - Electricity	11192	13159	1966
Receivables from Non-exchange Transactions - Property Rates	25337	34835	9498
Receivables from Exchange Transactions - Waste Water Management	12297	13648	1352
Receivables from Exchange Transactions - Waste Management	14074	15039	964
Receivables from Exchange Transactions - Property Rental Debtors	1	1	–
Interest on Arrear Debtor Accounts	16685	17805	1120
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–
Other	9321	10930	1610
Total By Income Source	**115198**	**134230**	**19033**
		–	
Debtors Age Analysis By Customer Group			
Organs of State	2323	3560	1237
Commercial	4588	5488	900
Households	108287	125183	16896
Other		–	–
Total By Customer Group	**115198**	**134230**	**19033**

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	15079	–	–	–	–	–	–	–	**15079**
Bulk Water	1011	–	–	424	422	419	2117	46841	**51234**
PAYE deductions	2689	–	–	–	–	–	–	–	**2689**
VAT (output less input)	–	–	–	–	–	–	–	–	**–**
Pensions / Retirement deductions	3043	–	–	–	–	–	–	–	**3043**
Loan repayments	–	–	–	–	–	–	–	–	**–**
Trade Creditors	3407	130	47	–	–	–	1691	13526	**18801**
Auditor General	–	–	–	–	–	–	–	–	**–**
Other	–	–	–	–	–	–	–	–	**–**
Total By Customer Type	**25229**	**130**	**47**	**424**	**422**	**419**	**3808**	**60367**	**90846**

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

Department of Transport	R 4,892 million
Eskom	R 15,079 million
NMBM (Bulk water)	R 51,234 million
Pension Fund Deductions	R 3,043 million
PAYE Deductions	R 2,689 million
Department of Labour	R 9,810 million
Other Creditors	R 4,099 million
TOTAL	**R 90,846 million**

It is to be noted that the Eskom amount of R 15,079 million, represents the current account for October 2017, which will be paid by 24 November 2017.

The PAYE deductions represent employee related costs for the month of October 2017, with the amounts in question being paid on 6 November 2017 to SARS.

The pension fund deductions represent employee related costs for the month of October 2017, with the amounts in question being paid on 6 November 2017 to the relevant pension funds.

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.

The Department of Labour amount of R 9,810 million relates to outstanding workmens compensation returns for the period 1 March 2007 to 28 February 2017, whilst engagements are underway between Kouga and the Department of Labour with regards to the settlement of this account.

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 31 October 2017.

	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 October 2017
Standard Bank	16 256 857	5 000 000	451 753	-	-	21 708 610
ABSA	16 288 040	8 000 000	442 361	-	150	24 730 252
Nedbank	17 053 655	5 000 000	478 594	-	-	22 532 248
RMB	13 300 134	24 131 678	650 482	3 363 789	-	34 718 505
INVESTEC	15 668 170	7 000 000	489 371	-	-	23 157 541
Total	**78 566 856**	**49 131 678**	**2 512 561**	**-3 363 789**	**-150**	**126 847 156**
INVESTMENT BY TYPE	**Balance as at 30 June 2017**	**Invested**	**Interest**	**Withdrawals**	**Adjustments**	**Balance as at 31 October 2017**
General Account	71 159 248	28 220 678	2 051 188	-	150	101 430 963
Conditional Grants	4 619 926	20 911 000	400 375	3 363 789	-	22 567 513
Housing Funds	2 787 682	-	60 998	-	-	2 848 680
Total	**78 566 856**	**49 131 678**	**2 512 561**	**-3 363 789**	**-150**	**126 847 156**
Bank	5 431 943	15 110 852				20 542 795
Total	**83 998 799**	**64 242 530**	**2 512 561**	**-3 363 789**	**-150**	**147 389 951**

The increase in the investment portfolio since 30 June 2017 amounts to R 63,391,153. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 20,542,795
Short-term Investment Deposits	R 126,847,156

	R 147,389,951
Application of Cash	
Unspent Conditional Grants	25,416,193
Internally Generated Funding	34,777,827
Outstanding Creditors Liability	90,845,784
	R 151,039,804
Shortfall on Commitments	- **R 3,649,853**

The commitments exceed the cash backed reserves by an amount of R 3,649,853 at this stage. This is largely influenced by the significant Nelson Mandela Bay Municipality bulk water account.

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

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M04 October 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	–	–	45 677	45 677	–		–
Local Government Equitable Share		102 637			42 766	42 766	–		
Finance Management		1 700			1 700	1 700			
MIG - Administration Fees		1 614			961	961			
EPWP Incentive		1 000			250	250			
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	–	–	45 677	45 677	–		–
Capital Transfers and Grants									
National Government:	–	34 660	–	2 000	20 250	20 250	–		–
Municipal Infrastructure Grant (MIG)		30 660			18 250	18 250	–		
Intergrated National Electrification Programme		4 000		2 000	2 000	2 000	–		
Total Capital Transfers and Grants	–	34 660	–	2 000	20 250	20 250	–		–
TOTAL RECEIPTS OF TRANSFERS & GRANTS	–	148 879	–	2 000	65 927	65 927	–		–

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

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M04 October 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	–	400	43 815	44 204	(389)	-0.9%	–
Local Government Equitable Share		102 637			42 766	42 766	–		
Finance Management		1 700		162	332	567	(235)	-41.5%	
MIG - Administration Fees		1 614		134	538	538	–		
EPWP Incentive		1 000		103	180	333	(154)	-46.1%	
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 and Grants:	–	114 219	–	400	43 815	44 204	(389)	-0.9%	–
Capital expenditure of Transfers and Grants									
National Government:	–	34 660	–	234	627	11 553	(10 926)	-94.6%	–
Municipal Infrastructure Grant (MIG)		30 660		234	627	10 220	(9 593)	-93.9%	
Intergrated National Electrification Programme		4 000				1 333	(1 333)	-100.0%	
Total capital expenditure of Transfers and Grants	–	34 660	–	234	627	11 553	(10 926)	-94.6%	–
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	–	148 879	–	634	44 442	55 757	(11 315)	-20.3%	–

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 331,521
Unspent as at 31 October 2017:	R 1,368,479

The spending of the grant amounted to 19.50% as at 31 October 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 250,000
Expenditure to date:	R 179,595
Unspent as at 31 October 2017:	R 70,407

The spending of the grant amounted to 71.84% as at 31 October 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 32,274,000
Amount of Grant Received:	R 19,211,000
Expenditure to date:	R 1,165,015
Unspent as at 31 October 2017:	R 18,045,985

The spending of the grant amounted to 6.06% as at 31 October 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 2,000,000
Expenditure to date:	R 0,00
Unspent as at 31 October 2017:	R 2,000,000

The spending of the grant amounted to 0% as at 31 October 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 2,093,046
Unspent as at 31 October 2017:	R 2,848,680

The spending of the grant amounted to 42.48% as at 31 October 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 – M04 October 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		573	2 408	2 571	(163)	-6%	
Medical Aid Contributions		650				217	(217)	-100%	
Motor Vehicle Allowance		2 602				867	(867)	-100%	
Cellphone Allowance		762		52	214	254	(40)	-16%	
Sub Total - Councillors	–	**11 725**	–	**625**	**2 622**	**3 908**	**(1 287)**	**-33%**	–
Senior Managers of the Municipality									
Basic Salaries and Wages		8 700		502	1 902	2 900	(997)	-34%	
Pension and UIF Contributions				27	92	–	92	0%	
Medical Aid Contributions				15	48	–	48	0%	
Performance Bonus		2 143		1	2	714	(713)	-100%	
Motor Vehicle Allowance		726		16	94	242	(148)	-61%	
Other benefits and allowances		21		10	214	7	206	2906%	
Sub Total - Senior Managers of Municipality	–	**11 590**	–	**571**	**2 352**	**3 863**	**(1 511)**	**-39%**	–
Other Municipal Staff									
Basic Salaries and Wages		152 193		11 435	45 341	50 731	(5 390)	-11%	
Pension and UIF Contributions		24 723		1 943	7 711	8 241	(530)	-6%	
Medical Aid Contributions		15 143		1 067	4 233	5 048	(814)	-16%	
Overtime		10 375		1 289	5 272	3 458	1 814	52%	
Performance Bonus		12 595		–	–	4 198	(4 198)	-100%	
Motor Vehicle Allowance		7 231		866	3 188	2 410	778	32%	
Housing Allowances		2 301		154	624	767	(143)	-19%	
Other benefits and allowances		19 059		1 550	6 093	6 353	(260)	-4%	
Long service awards		812		86	307	271	37	14%	
Sub Total - Other Municipal Staff	–	**244 432**	–	**18 390**	**72 770**	**81 477**	**(8 707)**	**-11%**	–
Total Parent Municipality	–	**267 747**	–	**19 586**	**77 744**	**89 249**	**(11 505)**	**-13%**	–
TOTAL SALARY, ALLOWANCES & BENEFITS	–	**267 747**	–	**19 586**	**77 744**	**89 249**	**(11 505)**	**-13%**	–
TOTAL MANAGERS AND STAFF	–	**256 022**	–	**18 961**	**75 122**	**85 341**	**(10 218)**	**-12%**	–

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 October 2017**
Capital Charges to Operating Expenditure	Interest & principal paid/ Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.37%	1.91%
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	1.18
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.39	0.85
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33 %	96.07 %	98.91 %	97.60 %	95.81%	94%	82.68%

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 October 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	2.33
Employee Costs	Employee Costs / Total Operating Expenditure	35.41 %	35.32 %	35.70 %	35.62 %	35.27%	34.37%	42.11%

Capital Expenditure	Capital Expenditure / Capital Budget	78.84 %	21.35 %	241.30%	81.97 %	63.84%	95%	1.93%
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%	1.24%
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%	0.09%
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%	79.21%

The above table is discussed in details below.

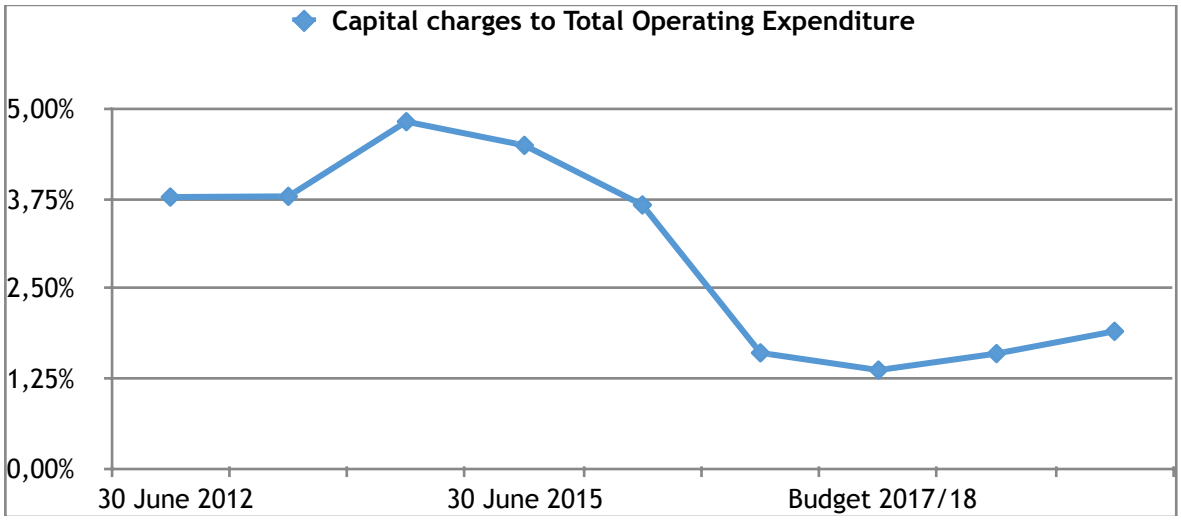
6.1. Borrowing Management

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 1.91% of the Total Operating Expenditure was utilised for capital charges as at 31 October 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.

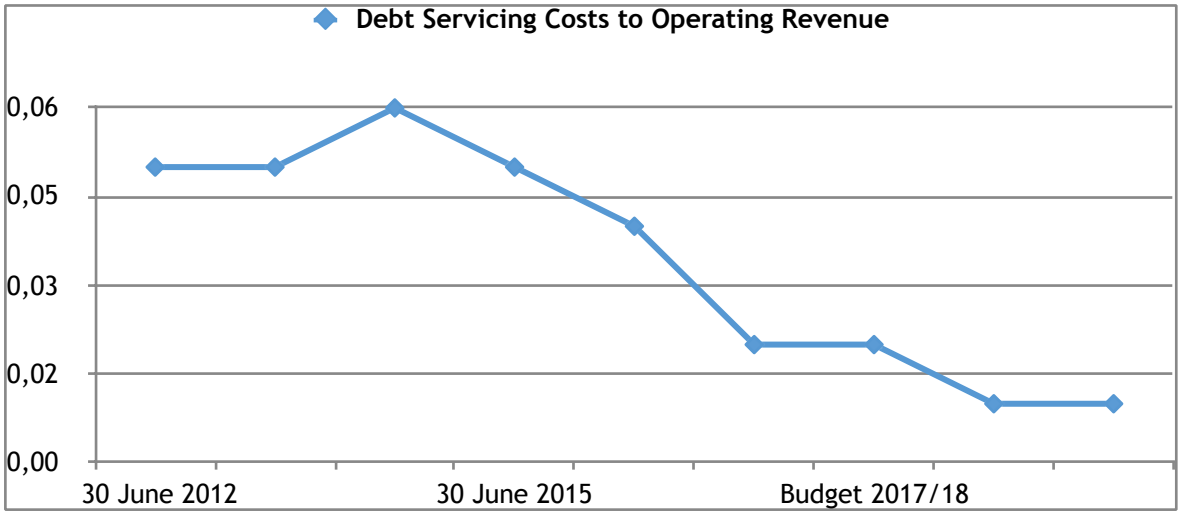
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 October 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:

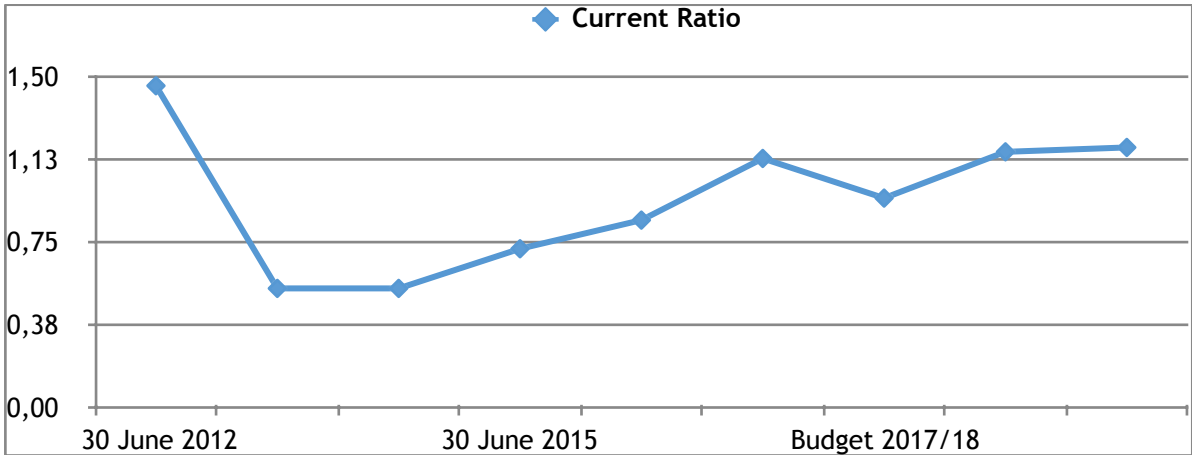
Current assets/Current liabilities

The ratio as at 31 October 2017 was 1.18:1, 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

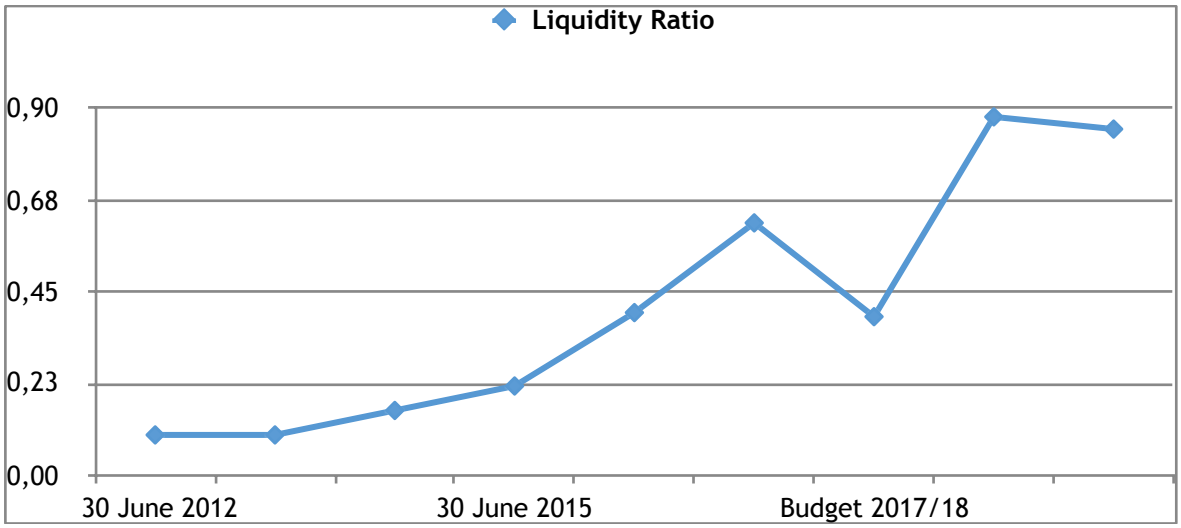
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

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 October 2017 was 0.85:1, 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

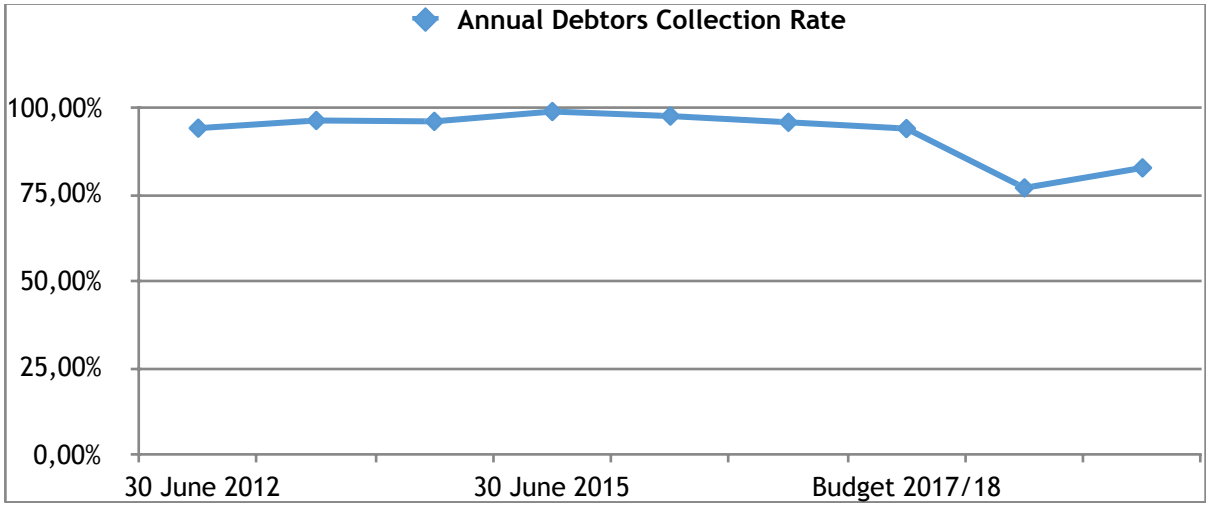
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 October 2017 was 82.68%, compared to the budgeted collection rate of 94%. The collection rate of 82.68% as at 31 October 2017 is influenced by the annual property rates raised in July 2017, but not yet paid. The collection rates have been calculated, based on the revenue receipted, compared to the revenue billed on a month – to - month basis.



6.4. Other indicators

6.4.1. Cost coverage

The Ratio indicates the Municipality's ability to meet at least its monthly fixed operating commitments from cash and short-term investments, without collecting any additional revenue, during that particular month.

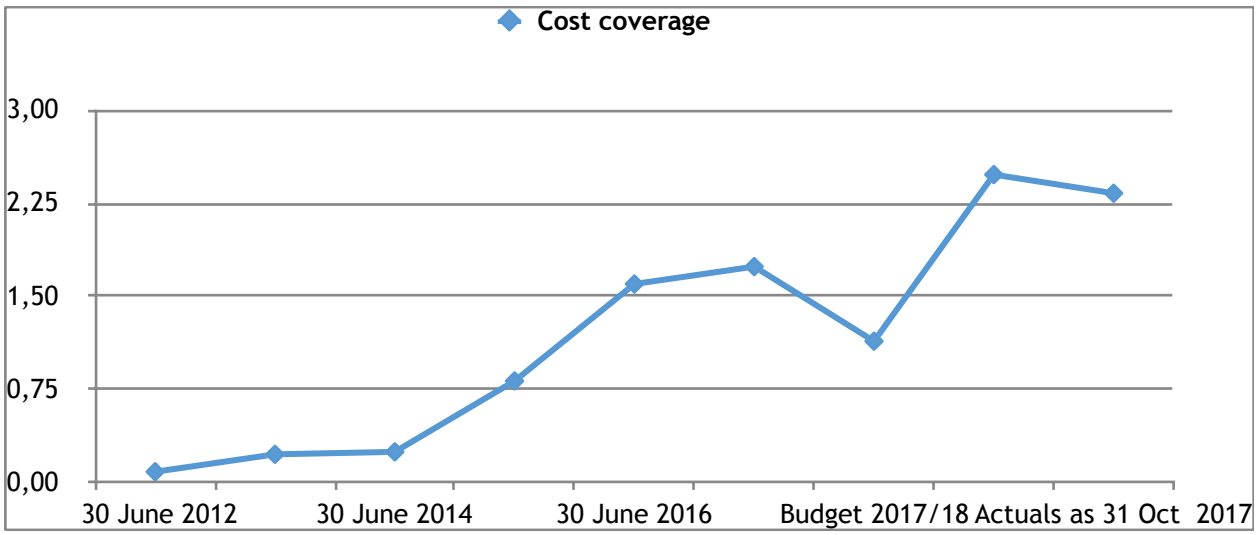
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

The ratio is determined as follows:

Cash and cash equivalents – unspent conditional grants – overdraft + short-term investments/ monthly fixed operational expenditure excluding (depreciation, amortisation, provisions for bad debts, impairment and loss on the disposal of assets)

As at 31 October 2017, the Ratio was 2.33 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



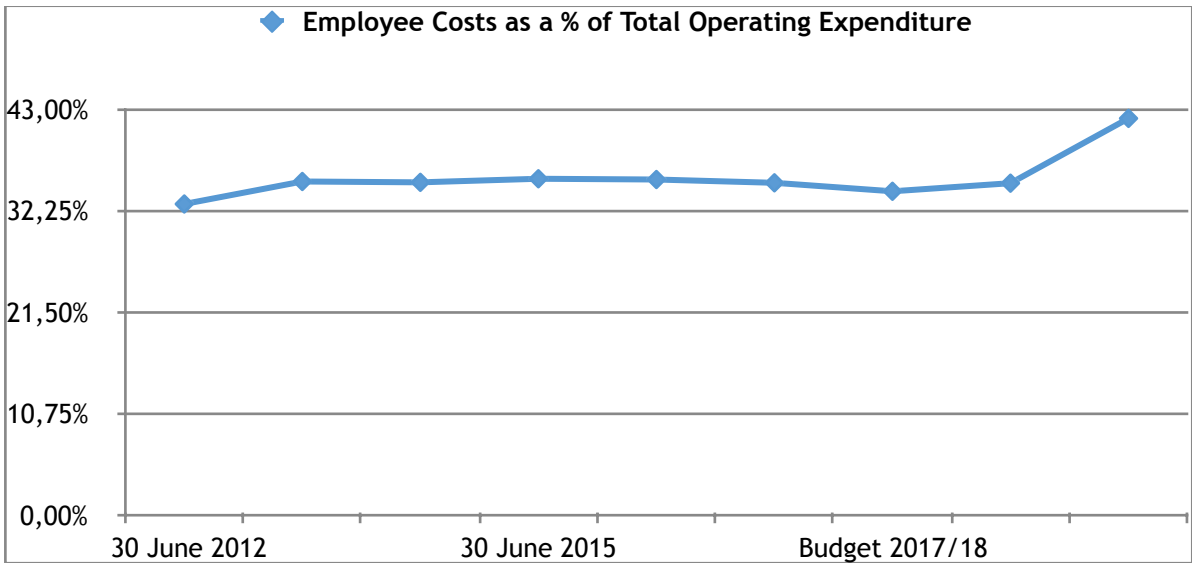
6.4.2. Employee costs as a % of Total Operating Expenditure

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 October 2017, Employee Related Costs constituted 42.11% of the Total Operating Expenditure, compared to the budgeted ratio of 34.37%.



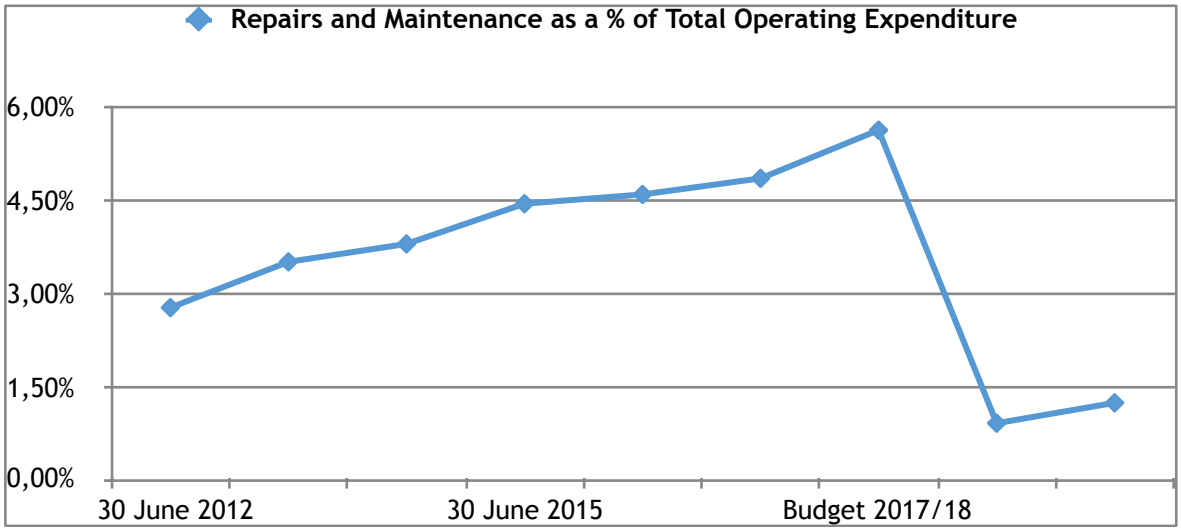
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 October 2017, the ratio was 1.24%, 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)

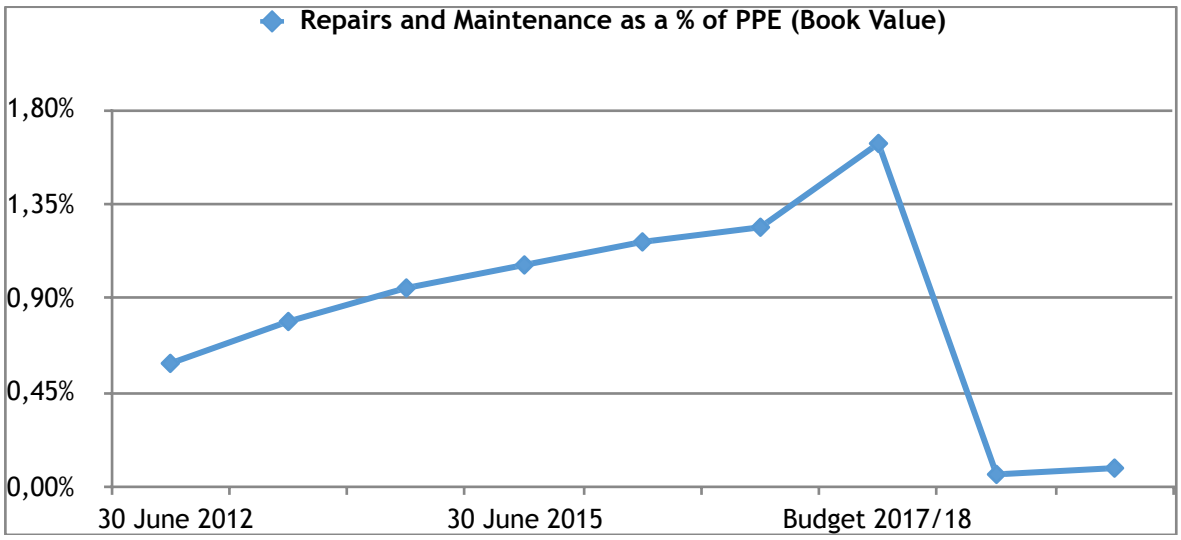
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 October 2017, repairs and maintenance expenditure constituted 0.09% 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%.



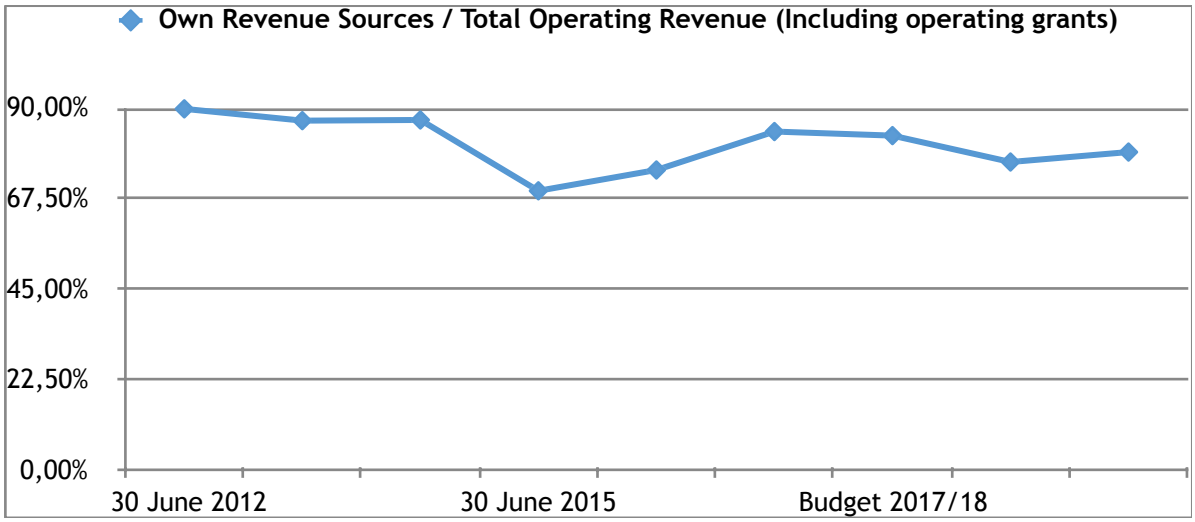
6.4.5. Own Revenue Generation

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 October 2017, the Municipality's own revenue sources constituted 79.21% 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 October 2017 amounted to 1.93%, compared to the budgeted ratio of 95%.

