KOUGA MUNICIPALITY (EC108)

FINANCE

DATE: **ITEM NO:**

....

1. MONTHLY BUDGET STATEMENTS FOR THE PERIOD JULY 2017 TO JANUARY 2018 AND FINANCIAL STATE OF AFFAIRS OF THE MUNICIPALITY AS AT 31 JANUARY 2018 (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 January 2018, so as to facilitate an informed assessment of the relative liquidity and financial position of the Municipality.

The financial performance highlights are as follows:

- Operating revenue amounted to R 423,426 million, whilst operating expenditure amounted to R 377,255 million, resulting in an operating surplus of R 46,171 million.
- Capital expenditure constituted 24.88% of the approved 2017/18 Adjusted Capital Budget.

- Overdue consumer debts increased by R 14,070 million (12.21%) since June 2017.
- An amount of R 84,940 million is owing to creditors, of which R 27,170 million (31.99%) represents current creditors.
- The municipality's investment portfolio has increased by R 59,750,079 (71.13%) since June 2017, from R 83,998,799 to R 143,748,877.

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

Ratio	Actuals as at June 2015	Actuals as at June 2016	Actuals as at 30 June 2017	Actuals as at 31 Jan 2017	Actuals as at 31 Jan 2018	2017/18 Approved Budget
Current Ratio	0.72:1	0.85:1	1.13:1	1.29:1	1.25:1	0.95:1
Liquidity Ratio	0.22:1	0.40:1	0.62:1	0.82:1	0.88:1	0.39:1
Cost Coverage (Excluding unspent conditional grants)	0.82 months	1.60 months	1.74 months	2.60 months	2.53 months	1.14 months
Debt servicing costs to Operating Revenue Ratio	0.05:1	0.04:1	0.02:1	0.01:1	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 January 2018:

Annexure "A1" – Operating Revenue and Expenditure Performance

Annexure "A2" - Capital Budget Performance

Annexure "A3"- Projected Cash Flow Statement

Annexure "A4" – Municipal Monthly Budget Tables

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

i. Overview of Outstanding Consumer Debtors

ii. Overview of Creditors position

iii. Investment portfolio

iv. Grants receipts and Expenditure

v. Councillors & Employee benefits

vi. Key performance Indicators

1.4. RECOMMENDATION

I. 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 January 2018

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

....
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 14/02/2018

Annexure "A1"

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD JULY TO JANUARY 2018

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 January 2018	% of Budget
OPERATING REVENUE			
Property rates	160 564 979	115 662 201	72.03%
Total Service Charges	370 093 675	212 968 389	57.54%
Service charges - electricity revenue	230 405 163	130 890 404	56.81%
Service charges - water revenue	58 871 483	35 573 044	60.42%
Service charges - sanitation revenue	40 622 429	22 234 337	54.73%
Service charges - refuse revenue	27 412 368	16 072 476	58.63%
Service charges - other	12 782 232	8 198 127	64.14%
Rental of Facilities and Equipment	1 309 449	646 152	49.35%
Interest Earned - External Investments	7 194 922	3 847 704	53.48%
Interest Earned - Outstanding Debtors	8 939 206	3 818 430	42.72%
Fines, penalties and forfeits	3 760 285	2 114 989	56.25%
Licences and Permits	11 772 882	7 084 773	60.18%
Grants & Subsidies Received - Operating	114 218 922	72 227 586	63.24%
Other Revenue	6 484 211	5 055 908	77.97%
Total Direct Operating Revenue	**684 338 531**	**423 426 132**	**61.87%**
OPERATING EXPENDITURE			
Employee Related Costs	256 021 847	145 404 822	56.79%
Remuneration of Councillors	11 725 189	5 037 648	42.96%
Bad Debts	31 680 232	613 086	1.94%
Depreciation & Asset Impairment	83 730 150	41 444 104	49.50%
Repairs & Maintenance - Municipal Assets	17 801 074	5 058 483	28.42%
Finance Charges - External Borrowings	3 768 124	2 316 927	61.49%
Total Bulk Purchases	225 623 251	134 539 408	59.63%
Bulk purchases - electricity	187 239 233	116 949 114	62.46%
Bulk purchases - water	38 384 018	17 590 294	45.83%
Contracted Services	41 750 674	11 916 015	28.54%
Transfers and Grants	1 580 000	-	0.00%
Other expenditure	71 161 717	30 924 713	43.46%
Total Direct Operating Expenditure	**744 842 258**	**377 255 207**	**50.65%**
Surplus/(Deficit)	**-60 503 727**	**46 170 925**	

The statement of financial performance indicates a surplus of R 46,170,925.

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

Revenue Variations

Property Rates

As at 31 January 2018, the Municipality has recognised 72.03% 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 January 2018 amounted to R 129,268 million.

Expenditure Variations

Bad Debts

Bad debts are written off upon Council approval.

Transfers and Grants

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

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 January 2018	% of Budget
Corporate Services	15,000	-	-
Finance	70,938	1,241	1.75%
Community Services	1,285,197	136,033	10.58%
Infrastructure and Engineering	16,379,939	4,921,209	30.04%
Planning, Development and Tourism	50,000	-	-
Total	**17,801,074**	**5,058,483**	**28.42%**

It is to be noted that actual repairs and maintenance expenditure constituted 28.42% 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 Adjusted Capital Budget.

Directorate	Approved Budget 2017/18	Approved Adjustments	Adjusted Budget 2017/18	Actuals as at 31 January 2018	% of Budget
	R			R	
Corporate Services	658,000	-	658,000	305,505	46.43%
Finance	3,303,500	305,200	3,608,700	1,160,008	32.14%
Community Services	12,481,455	7,400,000	19,881,455	7,181,601	36.12%
Infrastructure and Engineering	41,796,280	789,632	42,585,912	8,317,099	19.53%
Planning, Development and Tourism	1,440,485	-	1,440,485	-	-
Total	**59,679,720**	**8,494,832**	**68,174,552**	**16,964,213**	**24.88%**
Source of Funding	**Approved Budget 2017/18**	**Approved Adjustments**	**Adjusted Budget 2017/18**	**Actuals as at 31 January 2018**	**% of Budget**
	R			R	
Internally Generated Funding	24,219,420	8,494,832	32,714,252	9,357,650	28.60%
Government Grants	35,460,300	-	35,460,300	7,606,563	21.45%
Total	**59,679,720**	**8,494,832**	**68,174,552**	**16,964,213**	**24.88%**

It is to be noted that capital expenditure as at 31 January 2018 amounted to 24.88%, compared to the adjusted capital 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 January 2018

The purpose of the cash flow statement is to compare the cash inflows (receipts) with the cash outflows (payments), so as to ascertain the adequacy of the cash inflows to cover the cash outflows.

Table C7 Monthly Budget Statement – Cash Flow – M07 January 2018

Description	Ref	2016/17	Budget Year 2017/18							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			150 931		9 213	98 885	93 441	5 444	6%	150 931
Service charges			348 047		25 434	179 865	215 475	(35 610)	-17%	348 047
Other revenue			23 328		13 166	82 957	14 442	68 515	474%	23 328
Government - operating			114 219		588	82 910	78 063	4 847	6%	114 219
Government - capital			34 660			23 211	24 440	(1 229)	-5%	34 660
Interest			16 134		1 536	9 383	9 989	(606)	-6%	16 134
Dividends			–				–	–		–
Payments										
Suppliers and employees			(624 084)		(47 688)	(394 533)	(387 270)	7 264	-2%	(624 084)
Finance charges			(3 768)		(340)	(2 258)	(2 346)	(88)	4%	(3 768)
Transfers and Grants			(1 580)					–		(1 580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	57 887	–	1 909	80 419	46 233	(34 186)	-74%	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)		(3 098)	(16 964)	(44 720)	(27 756)	62%	(59 680)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	(59 680)	–	(3 098)	(16 964)	(44 720)	(27 756)	62%	(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)		(512)	(3 705)	(3 758)	(54)	1%	(6 443)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	(6 443)	–	(512)	(3 705)	(3 758)	(54)	1%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD		–	(8 235)	–	(1 700)	59 750	(2 245)			(8 235)
Cash/cash equivalents at beginning:			68 249			83 999	68 249			83 999
Cash/cash equivalents at month/year end:		–	60 014	–		143 749	66 003			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 January 2018 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M07 January 2018

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	148 075	160 565	–	8 987	115 662	109 447	6 215	6%	–
Service charges	337 384	370 094	–	31 404	212 968	252 250	(39 281)	-16%	–
Investment revenue	7 776	7 195	–	665	3 848	4 454	(607)	-14%	–
Transfers and subsidies	106 979	114 219	–	251	72 228	78 063	(5 835)	-7%	–
Other own revenue	39 649	32 267	–	5 110	18 720	19 976	(1 256)	-6%	–
Total Revenue (excluding capital transfers and contributions)	**639 862**	**684 339**	**–**	**46 417**	**423 426**	**464 190**	**(40 764)**	**-9%**	**–**
Employee costs	228 043	256 022	–	20 994	145 405	157 552	(12 147)	-8%	–
Remuneration of Councillors	11 101	11 725	–	1 166	5 038	6 840	(1 802)	-26%	–
Depreciation & asset impairment	71 047	83 730	–	5 908	41 444	62 798	(21 354)	-34%	–
Finance charges	15 491	3 768	–	643	2 317	2 826	(509)	-18%	–
Materials and bulk purchases	254 706	243 424	–	18 339	139 598	19 912	119 686	601%	–
Transfers and subsidies	1 080	1 580	–	–	–	1 185	(1 185)	-100%	–
Other expenditure	91 217	144 593	–	5 742	43 454	68 212	(24 758)	-36%	–
Total Expenditure	**672 685**	**744 842**	**–**	**52 792**	**377 255**	**319 324**	**57 931**	**18%**	**–**
Surplus/(Deficit)	**(32 823)**	**(60 503)**	**–**	**(6 375)**	**46 171**	**144 865**	**(98 695)**	**-68%**	**–**
Transfers and subsidies - capital (monetary alloc	37 326	34 660	–	–	8 205	24 440	(16 236)	-66%	–
Contributions & Contributed assets	–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions	**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**	**(114 930)**	**-68%**	**–**
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–		–
Surplus/ (Deficit) for the year	**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**	**(114 930)**	**-68%**	**–**
Capital expenditure & funds sources									
Capital expenditure	**–**	**59 680**	**–**	**3 098**	**16 964**	**27 400**	**(10 436)**	**-38%**	**–**
Capital transfers recognised	–	35 460	–	2 722	7 607	24 440	(16 834)	-69%	–
Public contributions & donations	–	–	–	–	–	–	–		–
Borrowing	–	–	–	–	–	–	–		–
Internally generated funds	–	24 219	–	376	9 358	13 245	(3 887)	-29%	–
Total sources of capital funds	**–**	**59 680**	**–**	**3 098**	**16 964**	**37 685**	**(20 721)**	**-55%**	**–**
Financial position									
Total current assets	174 240	145 598	–		205 559				145 598
Total non current assets	2 296 003	2 647 186	–		2 590 481				2 647 186
Total current liabilities	179 777	153 131	–		164 233				153 131
Total non current liabilities	187 477	148 939	–		165 124				148 939
Community wealth/Equity	**2 102 989**	**2 490 714**	**–**		**2 466 683**				**2 490 714**
Cash flows									
Net cash from (used) operating	–	57 887	–	1 909	80 419	46 233	(34 186)	-74%	57 887
Net cash from (used) investing	–	(59 680)	–	(3 098)	(16 964)	(44 720)	(27 756)	62%	(59 680)
Net cash from (used) financing	–	(6 443)	–	(512)	(3 705)	(3 758)	(54)	1%	(6 443)
Cash/cash equivalents at the month/year end	**–**	**60 014**	**–**	**–**	**143 749**	**66 003**	**(77 746)**	**-118%**	**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 1Yr	Total
Debtors Age Analysis									
Total By Income Source	27 703	4 768	4 147	2 916	2 446	13 817	10 349	90 825	156 972
Creditors Age Analysis									
Total Creditors	27 170	771	597	49	3 010	–	2 283	51 060	84 940

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) – M07 January 2018

Description	Ref	2016/17	Budget Year 2017/18							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue - Functional										
Governance and administration		–	281 833	–	12 358	195 106	163 984	31 123	19%	–
Executive and council		–	34	–	2	9	20	(11)	-55%	–
Finance and administration		–	281 799	–	12 356	195 097	163 964	31 133	19%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	14 965	–	867	6 748	8 729	(1 981)	-23%	–
Community and social services		–	2 428	–	45	2 054	1 416	638	45%	–
Sport and recreation		–	9 833	–	806	3 537	5 736	(2 199)	-38%	–
Public safety		–	4	–	0	4	2	1	63%	–
Housing		–	–	–	–	–	–	–		–
Health		–	2 699	–	15	1 153	1 574	(421)	-27%	–
Economic and environmental services		–	29 175	–	2 678	16 665	17 019	(354)	-2%	–
Planning and development		–	6 521	–	235	3 090	3 804	(713)	-19%	–
Road transport		–	8 408	–	1 226	4 437	4 904	(468)	-10%	–
Environmental protection		–	14 247	–	1 218	9 138	8 311	827	10%	–
Trading services		–	393 027	–	30 514	213 111	229 266	(16 154)	-7%	–
Energy sources		–	239 206	–	18 893	134 605	139 537	(4 932)	-4%	–
Water management		–	60 871	–	6 110	35 573	35 508	65	0%	–
Waste water management		–	65 521	–	3 178	26 860	38 220	(11 360)	-30%	–
Waste management		–	27 429	–	2 334	16 073	16 000	73	0%	–
Other	4	–	–	–	–	–	–	–		–
Total Revenue - Functional	2	–	719 000	–	46 417	431 631	418 997	12 633	3%	–
Expenditure - Functional										
Governance and administration		–	169 788	–	10 584	77 238	99 043	(21 805)	-22%	–
Executive and council		–	43 765	–	4 090	30 636	25 529	5 106	20%	–
Finance and administration		–	126 024	–	6 494	46 602	73 514	(26 912)	-37%	–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	81 788	–	6 935	44 534	47 710	(3 176)	-7%	–
Community and social services		–	9 701	–	505	4 215	5 659	(1 443)	-26%	–
Sport and recreation		–	42 081	–	4 285	25 210	24 547	663	3%	–
Public safety		–	20 985	–	1 569	10 662	12 241	(1 580)	-13%	–
Housing		–	4 369	–	203	1 822	2 548	(727)	-29%	–
Health		–	4 653	–	373	2 625	2 714	(89)	-3%	–
Economic and environmental services		–	111 075	–	9 400	51 285	64 793	(13 509)	-21%	–
Planning and development		–	30 274	–	1 484	14 492	17 660	(3 168)	-18%	–
Road transport		–	71 834	–	7 575	35 251	41 903	(6 652)	-16%	–
Environmental protection		–	8 966	–	341	1 542	5 230	(3 689)	-71%	–
Trading services		–	378 843	–	25 867	203 278	220 992	(17 714)	-8%	–
Energy sources		–	227 987	–	16 320	128 491	132 992	(4 501)	-3%	–
Water management		–	77 021	–	5 374	35 985	44 929	(8 944)	-20%	–
Waste water management		–	40 698	–	1 804	20 286	23 741	(3 455)	-15%	–
Waste management		–	33 136	–	2 368	18 516	19 330	(813)	-4%	–
Other		–	3 349	–	6	921	1 953	(1 033)	-53%	–
Total Expenditure - Functional	3	–	744 842	–	52 792	377 255	434 491	(57 236)	-13%	–
Surplus/ (Deficit) for the year		–	(25 843)	–	(6 375)	54 375	(15 494)	69 869	-451%	–

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 – M07 January 2018

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Revenue by Vote									
Vote 1 - Executive & Council	4	–	–	–	–	–	–		–
Vote 2 - Financial Services	261 637	277 541	–	11 989	193 203	161 899	31 304	19.3%	–
Vote 3 - Administration. Monitoring & Evaluation	16	752	–	2	9	439	(430)	-98.0%	–
Vote 4 - Led, Tourism & Creative Industries	–	1 440	–	–	–	840	(840)	-100.0%	–
Vote 5 - Infrastructure, Planning & Development	373 523	371 680	–	28 666	200 187	216 813	(16 626)	-7.7%	–
Vote 6 - Social Services	42 009	67 586	–	5 761	38 232	39 425	(1 193)	-3.0%	–
Total Revenue by Vote	**677 188**	**719 000**	**–**	**46 417**	**431 631**	**419 416**	**12 214**	**2.9%**	**–**
Expenditure by Vote									
Vote 1 - Executive & Council	30 867	35 224	–	2 739	19 367	20 547	(1 180)	-5.7%	–
Vote 2 - Financial Services	54 743	65 852	–	2 864	25 333	38 414	(13 081)	-34.1%	–
Vote 3 - Administration, Monitoring & Evaluation	34 858	41 583	–	2 962	21 265	24 257	(2 992)	-12.3%	–
Vote 4 - Led, Tourism & Creative Industries	9 279	11 017	–	168	3 256	6 427	(3 171)	-49.3%	–
Vote 5 - Infrastructure, Planning & Development	416 677	443 519	–	32 218	231 672	258 719	(27 047)	-10.5%	–
Vote 6 - Social Services	126 261	147 648	–	11 841	76 363	86 128	(9 765)	-11.3%	–
Total Expenditure by Vote	**672 685**	**744 842**	**–**	**52 792**	**377 255**	**434 491**	**(57 236)**	**-13.2%**	**–**
Surplus/ (Deficit) for the year	**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**(15 075)**	**69 450**	**-460.7%**	**–**

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) – M07 January 2018

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		148 075	160 565		8 987	115 662	109 447	6 215	6%	
Service charges - electricity revenue		241 234	230 405		18 873	130 890	151 542	(20 651)	-14%	
Service charges - water revenue		39 608	53 871		6 110	35 573	46 400	(10 827)	-23%	
Service charges - sanitation revenue		41 828	40 622		3 178	22 234	30 861	(8 627)	-28%	
Service charges - refuse revenue		53 036	27 412		2 333	16 072	15 991	82	1%	
Service charges - other		(38 322)	12 782		910	8 198	7 456	742	10%	
Rental of facilities and equipment		1 506	1 309		95	646	811	(165)	-20%	
Interest earned - external investments		7 776	7 195		665	3 848	4 454	(607)	-14%	
Interest earned - outstanding debtors		8 144	8 939		714	3 818	5 534	(1 716)	-31%	
Dividends received			–		–	–	–	–		
Fines, penalties and forfeits		10 552	3 761		387	2 115	2 328	(213)	-9%	
Licences and permits		6 877	11 773		1 428	7 085	7 289	(204)	-3%	
Agency services			–		–	–	–	–		
Transfers and subsidies		106 979	114 219		251	72 228	78 063	(5 835)	-7%	
Other revenue		12 570	6 484		2 487	5 056	4 014	1 042	26%	
Gains on disposal of PPE			–		–	–	–	–		
Total Revenue (excluding capital transfers and contributions)		**639 862**	**684 339**	**–**	**46 417**	**423 426**	**464 190**	**(40 764)**	**-9%**	**–**
Expenditure By Type										
Employee related costs		228 043	256 022		20 994	145 405	157 552	(12 147)	-8%	
Remuneration of councillors		11 101	11 725		1 166	5 038	6 840	(1 802)	-26%	
Debt impairment		24 779	31 680		–	613	2 346	(1 733)	-74%	
Depreciation & asset impairment		71 047	83 730		5 908	41 444	62 798	(21 354)	-34%	
Finance charges		15 491	3 768		643	2 317	2 826	(509)	-18%	
Bulk purchases		220 618	225 623		18 065	134 539	9 528	125 011	1312%	
Other materials		34 087	17 801		274	5 058	10 384	(5 325)	-51%	
Contracted services		13 293	41 751		1 630	11 916	24 355	(12 439)	-51%	
Transfers and subsidies		1 080	1 580		–	–	1 185	(1 185)	-100%	
Other expenditure		51 086	71 162		4 112	30 925	41 511	(10 586)	-26%	
Loss on disposal of PPE		2 058	–		–	–	–	–		
Total Expenditure		**672 685**	**744 842**	**–**	**52 792**	**377 255**	**319 324**	**57 931**	**18%**	**–**
Surplus/(Deficit)		**(32 823)**	**(60 503)**	**–**	**(6 375)**	**46 171**	**144 865**	**(98 695)**	**(0)**	**–**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		37 326	34 660		–	8 205	24 440	(16 236)	(0)	
(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		**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**			**–**
Taxation								–		
Surplus/(Deficit) after taxation		**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**			**–**
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**			**–**
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		**4 503**	**(25 843)**	**–**	**(6 375)**	**54 375**	**169 306**			**–**

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) – M07 January 2018

Vote Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
Single Year expenditure appropriation									
Vote 1 - Executive & Council	–	181	–	–	139	181	(42)	-23%	–
Vote 2 - Financial Services	–	3 304	–	–	1 160	1 853	(693)	-37%	–
Vote 3 - Administration, Monitoring & Evaluation	–	477	–	–	166	389	(223)	-57%	–
Vote 4 - Led, Tourism & Creative Industries	–	2 551	–	–	–	1 074	(1 074)	-100%	–
Vote 5 - Infrastructure, Planning & Development	–	40 408	–	3 068	8 317	17 334	(9 017)	-52%	–
Vote 6 - Social Services	–	12 759	–	29	7 182	6 569	613	9%	–
Total Capital single-year expenditure	–	59 680	–	3 098	16 964	27 400	(10 436)	-38%	–
Total Capital Expenditure	**–**	**59 680**	**–**	**3 098**	**16 964**	**27 400**	**(10 436)**	**-38%**	**–**
Capital Expenditure - Functional Classification									
Governance and administration	–	4 813	–	9	1 562	2 646	(1 084)	-41%	–
Executive and council		157			139	157	(18)	-11%	
Finance and administration		4 656		9	1 423	2 489	(1 066)	-43%	
Internal audit		–			–		–		
Community and public safety	–	6 993	–	21	239	4 418	(4 179)	-95%	–
Community and social services		599			61	249	(188)	-76%	
Sport and recreation		4 869		21	178	2 644	(2 466)	-93%	
Public safety		950			–	950	(950)	-100%	
Housing		–			–	–	–		
Health		575			–	575	(575)	-100%	
Economic and environmental services	–	6 502	–	–	184	2 727	(2 543)	-93%	–
Planning and development		2 742			111	665	(555)	-83%	
Road transport		2 820			73	1 342	(1 269)	-95%	
Environmental protection		940			–	720	(720)	-100%	
Trading services	–	41 372	–	3 068	14 979	17 697	(2 718)	-15%	–
Energy sources		7 255		207	293	2 959	(2 666)	-90%	
Water management		5 292			659	2 260	(1 601)	-71%	
Waste water management		25 680		2 515	6 908	11 164	(4 256)	-38%	
Waste management		3 145		346	7 119	1 314	5 806	442%	
Other		–			–	–	–		
Total Capital Expenditure - Functional Classification	**–**	**59 680**	**–**	**3 098**	**16 964**	**27 488**	**(10 523)**	**-38%**	**–**
Funded by:									
National Government		35 460		2 722	7 607	24 440	(16 834)	-69%	
Provincial Government							–		
District Municipality							–		
Other transfers and grants							–		
Transfers recognised - capital	**–**	**35 460**	**–**	**2 722**	**7 607**	**24 440**	**(16 834)**	**-69%**	**–**
Public contributions & donations							–		
Borrowing							–		
Internally generated funds		24 219		376	9 358	13 245	(3 887)	-29%	
Total Capital Funding	**–**	**59 680**	**–**	**3 098**	**16 964**	**37 685**	**(20 721)**	**-55%**	**–**

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 – M07 January 2018

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		5 687	18 004		23 641	18 004
Call investment deposits		78 567	42 010		120 108	42 010
Consumer debtors		42 559	55 213		53 644	55 213
Other debtors		42 472	25 677		3 219	25 677
Current portion of long-term receivables		3	3			3
Inventory		4 952	4 691		4 947	4 691
Total current assets		**174 240**	**145 598**	**–**	**205 559**	**145 598**
Non current assets						
Long-term receivables		65	150			150
Investments						–
Investment property		285 199	84 431		85 382	84 431
Investments in Associate						–
Property, plant and equipment		2 010 676	2 562 532		2 504 941	2 562 532
Agricultural						–
Biological assets						–
Intangible assets		62	73		159	73
Other non-current assets						–
Total non current assets		**2 296 003**	**2 647 186**	**–**	**2 590 481**	**2 647 186**
TOTAL ASSETS		**2 470 243**	**2 792 784**	**–**	**2 796 040**	**2 792 784**
LIABILITIES						
Current liabilities						
Bank overdraft						
Borrowing		8 600	6 443		6 439	6 443
Consumer deposits		10 273	8 856		10 273	8 856
Trade and other payables		138 260	106 811		107 697	106 811
Provisions		22 644	31 021		39 824	31 021
Total current liabilities		**179 777**	**153 131**	**–**	**164 233**	**153 131**
Non current liabilities						
Borrowing		32 567	30 269		30 295	30 269
Provisions		154 910	118 670		134 829	118 670
Total non current liabilities		**187 477**	**148 939**	**–**	**165 124**	**148 939**
TOTAL LIABILITIES		**367 254**	**302 070**	**–**	**329 357**	**302 070**
NET ASSETS	2	**2 102 989**	**2 490 714**	**–**	**2 466 683**	**2 490 714**
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		2 102 989	2 490 714		2 466 683	2 490 714
Reserves		–				
TOTAL COMMUNITY WEALTH/EQUITY	2	**2 102 989**	**2 490 714**	**–**	**2 466 683**	**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 – M07 January 2018

Description	Ref	2016/17	Budget Year 2017/18							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			150 931		9 213	98 885	93 441	5 444	6%	150 931
Service charges			348 047		25 434	179 865	215 475	(35 610)	-17%	348 047
Other revenue			23 328		13 166	82 957	14 442	68 515	474%	23 328
Government - operating			114 219		588	82 910	78 063	4 847	6%	114 219
Government - capital			34 660			23 211	24 440	(1 229)	-5%	34 660
Interest			16 134		1 536	9 383	9 989	(606)	-6%	16 134
Dividends			–				–	–		–
Payments										
Suppliers and employees			(624 084)		(47 688)	(394 533)	(387 270)	7 264	-2%	(624 084)
Finance charges			(3 768)		(340)	(2 258)	(2 346)	(88)	4%	(3 768)
Transfers and Grants			(1 580)					–		(1 580)
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	57 887	–	1 909	80 419	46 233	(34 186)	-74%	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)		(3 098)	(16 964)	(44 720)	(27 756)	62%	(59 680)
NET CASH FROM/(USED) INVESTING ACTIVITIES		–	(59 680)	–	(3 098)	(16 964)	(44 720)	(27 756)	62%	(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)		(512)	(3 705)	(3 758)	(54)	1%	(6 443)
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	(6 443)	–	(512)	(3 705)	(3 758)	(54)	1%	(6 443)
NET INCREASE/ (DECREASE) IN CASH HELD		–	(8 235)	–	(1 700)	59 750	(2 245)			(8 235)
Cash/cash equivalents at beginning:			68 249			83 999	68 249			83 999
Cash/cash equivalents at month/year end:		–	60 014	–		143 749	66 003			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 January 2018.

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

Description	Budget Year 2016/17								
R thousands	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	5 438	1 163	849	714	751	555	3 886	18 371	31 728
Trade and Other Receivables from Exchange Transactions - Electricity	15 151	1 167	617	437	329	255	2 103	6 284	26 344
Receivables from Non-exchange Transactions - Property Rates	7 491	729	570	474	377	320	6 460	16 408	32 829
Receivables from Exchange Transactions - Waste Water Management	3 614	607	409	325	457	264	1 790	8 445	15 911
Receivables from Exchange Transactions - Waste Management	2 694	498	410	365	384	311	1 676	10 431	16 769
Receivables from Exchange Transactions - Property Rental Debtors	–	–	–	–	–	–	–	1	1
Interest on Arrear Debtor Accounts	58	66	70	80	93	83	1 189	15 104	16 743
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–	–	–	–	–	–	–
Other	(11 383)	225	237	194	156	153	2 127	6 228	(2 062)
Total By Income Source	**23 063**	**4 455**	**3 163**	**2 588**	**2 547**	**1 940**	**19 232**	**81 272**	**138 261**
									–
Debtors Age Analysis By Customer Group									
Organs of State	500	352	150	42	34	33	743	969	2 823
Commercial	5 547	375	261	185	133	97	1 019	2 518	10 134
Households	17 017	3 729	2 752	2 361	2 380	1 810	17 470	77 785	125 304
Other									–
Total By Customer Group	**23 063**	**4 455**	**3 163**	**2 588**	**2 547**	**1 940**	**19 232**	**81 272**	**138 261**

Debtors' Age Analysis (Inclusive of VAT) as at 31 January 2018

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	7 870	1 311	1 198	865	693	1 587	3 284	20 554	37 362
Trade and Other Receivables from Exchange Transactions - Electricity	16 602	1 115	606	430	328	1 728	860	6 657	28 326
Receivables from Non-exchange Transactions - Property Rates	8 457	715	640	434	348	7 886	1 154	17 560	37 194
Receivables from Exchange Transactions - Waste Water Management	4 009	663	520	400	358	791	1 579	9 343	17 663
Receivables from Exchange Transactions - Waste Management	3 034	552	466	417	399	370	1 710	11 679	18 625
Receivables from Exchange Transactions - Property Rental Debtors	–	–	–	–	–	–	–	1	1
Interest on Arrear Debtor Accounts	53	66	80	88	94	467	613	17 364	18 825
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–	–	–	–	–	–	–
Other	(12 321)	346	639	281	226	990	1 148	7 667	(1 024)
Total By Income Source	**27 703**	**4 768**	**4 147**	**2 916**	**2 446**	**13 817**	**10 349**	**90 825**	**156 972**
Debtors Age Analysis By Customer Group									
Organs of State	676	227	42	37	50	1 123	116	1 507	3 778
Commercial	6 182	288	344	199	131	619	420	3 189	11 371
Households	20 845	4 254	3 761	2 679	2 265	12 076	9 812	86 129	141 822
Other	–	–	–	–	–	–	–	–	–
Total By Customer Group	**27 703**	**4 768**	**4 147**	**2 916**	**2 446**	**13 817**	**10 349**	**90 825**	**156 972**

The aforementioned analysis indicates that from 30 June 2017 to 31 January 2018, the overdue debts have increased from R 115,198 million to R 129,268 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	**30-Jun-17**	**31-Jan-18**	**Difference**
Trade and Other Receivables from Exchange Transactions - Water	26 290	29 492	3 201
Trade and Other Receivables from Exchange Transactions - Electricity	11 192	11 724	532
Receivables from Non-exchange Transactions - Property Rates	25 337	28 737	3 400
Receivables from Exchange Transactions - Waste Water Management	12 297	13 654	1 357
Receivables from Exchange Transactions - Waste Management	14 074	15 592	1 517
Receivables from Exchange Transactions - Property Rental Debtors	1	1	–
Interest on Arrear Debtor Accounts	16 685	18 772	2 087
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	–	–	–
Other	9 321	11 297	1 976
Total By Income Source	**115 198**	**129 268**	**14 070**
Debtors Age Analysis By Customer Group			
Organs of State	2 323	3 102	780
Commercial	4 588	5 189	601
Households	108 287	120 977	12 690
Other		–	–
Total By Customer Group	**115 198**	**129 268**	**14 070**

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	16 991	–	–	–	–	–	–	–	16 991
Bulk Water	1 283	7	–	6	12	–	2 191	48 032	51 530
PAYE deductions	3 300	–	–	–	–	–	–	–	3 300
VAT (output less input)	–	–	–	–	–	–	–	–	–
Pensions / Retirement deductions	3 037	–	–	–	–	–	–	–	3 037
Loan repayments	–	–	–	–	–	–	–	–	–
Trade Creditors	2 559	765	597	43	2 999	–	92	3 028	10 081
Auditor General	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total By Customer Type	**27 170**	**771**	**597**	**49**	**3 010**	**–**	**2 283**	**51 060**	**84 940**

The above amounts represent invoices still to be paid. The major creditors as at 31 January 2018 are as follows:

Department of Transport	R 3,175 million
Eskom	R 16,991 million
NMBM (Bulk water)	R 51,530 million
Pension Fund Deductions	R 3,037 million
PAYE Deductions	R 3,300 million
Department of Labour	R 3,771 million
Other Creditors	R 3,136 million
TOTAL	**R 84,940 million**

It is to be noted that the Eskom amount of R 16,991 million, represents the current account for January 2018, which will be paid by 24 February 2018.

The pension fund deductions represent employee related costs for the month of January 2018, with the amounts in question being paid on 5 February 2018 to the relevant pension funds.

The PAYE deductions represent employee related costs for the month of January 2018, with the amounts in question being paid on 5 February 2018 to SARS.

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 Department of Labour amount of R 3,771 million relates to outstanding workmen's compensation returns for the period 1 March 2007 to 28 February 2017. An agreement was reached with the Department of Labour for the settlement of the outstanding account, at approximately R 2 million per month for the period November 2017 to March 2018.

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 31 January 2018.

	Balance as at 30 June 2017	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 January 2018
Standard Bank	16 256 857	5 000 000	812 126	-	-	22 068 983
ABSA	16 288 040	8 000 000	852 414	-	228	25 140 226
Nedbank	17 053 655	5 000 000	855 514	-	-	22 909 168
RMB	13 300 134	29 434 952	1 102 066	17 398 068	-	26 439 084
INVESTEC	15 668 170	7 000 000	882 654	-	-	23 550 824
Total	**78 566 856**	**54 434 952**	**4 504 773**	**-17 398 068**	**-228**	**120 108 285**
INVESTMENT BYE TYPE	**Balance as at 30 June 2017**	**Invested**	**Interest**	**Withdrawals**	**Adjustments**	**Balance as at 31 January 2018**
General Account	71 159 248	29 523 952	3 668 336	7 000 000	228	97 351 308
Conditional Grants	4 619 926	24 911 000	729 238	10 398 068	-	19 862 096
Housing Funds	2 787 682	-	107 199	-	-	2 894 881
Total	**78 566 856**	**54 434 952**	**4 504 773**	**-17 398 068**	**-228**	**120 108 285**
Bank	5 431 943	18 208 649				23 640 592
Total	**83 998 799**	**72 643 602**	**4 504 773**	**-17 398 068**	**-228**	**143 748 877**

The increase in the investment portfolio since 30 June 2017 amounts to R 59,750,079. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 23,640,592
Short-term Investment Deposits	R 120,108,285
	R 143,748,877

Application of Cash

Unspent Conditional Grants	22,756,977
Internally Generated Funding	14,861,770
Outstanding Creditors Liability	84,939,871
	R 122,558,618

Reserves in excess of Commitments	**R 21,190,259**

The cash backed reserves exceed the commitments at this stage by an amount of R 21,190,259. It should be noted that the excess of reserves over commitments as at 31 January 2018, is mainly due to an amount of R 34,212 million in respect of the

Equitable Share allocation being received on 01 December 2017, but not yet fully spent.

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

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

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M07 January 2018

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
RECEIPTS:									
Operating Transfers and Grants									
National Government:	–	106 951	–	–	80 056	74 248	5 808	7.8%	–
Local Government Equitable Share		102 637			76 695	70 887	5 808	8.2%	
Finance Management		1 700			1 700	1 700			
MIG - Administration Fees		1 614			961	961			
EPWP Incentive		1 000			700	700			
Provincial Government:	–	4 050	–	–	2 050	2 050	–		–
ACIP-Water		2 000					–		
Sport and Recreation		2 050			2 050	2 050	–		
District Municipality:	–	2 500	–	588	1 765	1 765	–		–
Environmental Health Subsidy		2 500		588	1 765	1 765	–		
Other grant providers:	–	718	–	–	–	–	–		–
Skills Development Grant		718					–		
Total Operating Transfers and Grants	–	114 219	–	588	83 871	78 063	5 808	7.4%	–
Capital Transfers and Grants									
National Government:	–	34 660	–	–	22 250	24 440	(2 190)	-9.0%	–
Municipal Infrastructure Grant (MIG)		30 660			18 250	20 440	(2 190)	-10.7%	
Intergrated National Electrification Programme		4 000			4 000	4 000	–		
Total Capital Transfers and Grants	–	34 660	–	–	22 250	24 440	(2 190)	-9.0%	–
TOTAL RECEIPTS OF TRANSFERS & GRANTS	–	148 879	–	588	106 121	102 503	3 618	3.5%	–

Below is an analysis of the spending associated with the grants as at 31 January 2018:

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M07 January 2018

Description	2016/17	Budget Year 2017/18							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands								%	
EXPENDITURE									
Operating expenditure of Transfers and Grants									
National Government:	–	106 951	–	369	79 407	70 941	8 466	11.9%	–
Local Government Equitable Share		102 637			76 695	68 425	8 270	12.1%	
Finance Management		1 700		45	1 043	992	51	5.2%	
MIG - Administration Fees		1 614		134	941	941	–		
EPWP Incentive		1 000		189	728	583	144	24.8%	
Provincial Government:	–	4 050	–	–	–	–	–		–
ACIP-Water		2 000					–		
Sport and Recreation		2 050					–		
District Municipality:	–	2 500	–	–	1 765	1 458	307	21.0%	–
Environmental Health Subsidy		2 500			1 765	1 458	307	21.0%	
Other grant providers:	–	718	–	–	–	–	–		–
Skills Development Grant		718					–		
Total operating expenditure of Transfers and Grants:	–	**114 219**	–	**369**	**81 172**	**72 399**	**8 773**	**12.1%**	–
Capital expenditure of Transfers and Grants									
National Government:	–	34 660	–	3 103	7 945	20 219	(12 274)	-60.7%	–
Municipal Infrastructure Grant (MIG)		30 660		2 867	7 639	17 885	(10 246)	-57.3%	
Intergrated National Electrification Programme		4 000		236	306	2 333	(2 028)	-86.9%	
Total capital expenditure of Transfers and Grants	–	**34 660**	–	**3 103**	**7 945**	**20 219**	**(12 274)**	**-60.7%**	–
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	–	**148 879**	–	**3 472**	**89 117**	**92 618**	**(3 501)**	**-3.8%**	–

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 1,043,124
Unspent as at 31 January 2018:	R 656,876

The spending of the grant amounted to 61.36% as at 31 January 2018, compared to the amount of the grant received.

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

DORA Allocation:	R 1,000,000
Amount of Grant Received:	R 700,000
Expenditure to date:	R 727,757
Overspent as at 31 January 2018:	R -27,757

The spending of the grant amounted to 103.97% as at 31 January 2018, compared to the amount of the grant received.

DORA Capital Grants

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

DORA Allocation:	R 32,274,000
Amount of Grant Received:	R 19,211,000
Expenditure to date:	R 8,580,606
Unspent as at 31 January 2018:	R 10,630,394

The spending of the grant amounted to 44.67% as at 31 January 2018, compared to the amount of the grant received.

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

DORA Allocation:	R 4,000,000
Amount of Grant Received:	R 4,000,000
Expenditure to date:	R 305,635
Unspent as at 31 January 2018:	R 3,694,365

The spending of the grant amounted to 7.64% as at 31 January 2018, compared to the amount of the grant received.

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

Amount of Grant Received:	R 4,926,325
Expenditure to date:	R 2,093,046
Unspent as at 31 January 2018:	R 2,894,881

The spending of the grant amounted to 42.48% as at 31 January 2018, compared to the amount of the grant received.

5. Councillor and employee benefits-

Below is an analysis of Councillor and employee benefits:

Table SC8 Monthly Budget Statement – Councillor and staff benefits – M07 January 2018

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		821	4 376	4 498	(122)	-3%	
Medical Aid Contributions		650				379	(379)	-100%	
Motor Vehicle Allowance		2 602				1 518	(1 518)	-100%	
Cellphone Allowance		762		344	662	445	217	49%	
Sub Total - Councillors	–	**11 725**	–	**1 166**	**5 038**	**6 840**	**(1 802)**	**-26%**	–
Senior Managers of the Municipality									
Basic Salaries and Wages		8 700		420	3 279	5 075	(1 796)	-35%	
Pension and UIF Contributions				40	209	–	209		
Medical Aid Contributions				25	114	–	114		
Performance Bonus		2 143			3	1 250	(1 248)	-100%	
Motor Vehicle Allowance		726		16	144	424	(280)	-66%	
Other benefits and allowances		21		73	333	12	321	2579%	
Sub Total - Senior Managers of Municipality	–	**11 590**	–	**574**	**4 082**	**6 761**	**(2 679)**	**-40%**	–
Other Municipal Staff									
Basic Salaries and Wages		152 193		11 756	80 579	88 779	(8 200)	-9%	
Pension and UIF Contributions		24 723		1 918	13 451	14 422	(971)	-7%	
Medical Aid Contributions		15 143		1 151	7 496	8 833	(1 338)	-15%	
Overtime		10 375		3 253	11 650	6 052	5 598	92%	
Performance Bonus		12 595			–	7 347	(7 347)	-100%	
Motor Vehicle Allowance		7 231		881	5 801	4 218	1 583	38%	
Housing Allowances		2 301		150	1 076	1 342	(266)	-20%	
Other benefits and allowances		19 059		1 246	20 785	11 118	9 667	87%	
Long service awards		812		66	485	473	11	2%	
Sub Total - Other Municipal Staff	–	**244 432**	–	**20 420**	**141 323**	**142 585**	**(1 262)**	**-1%**	–
Total Parent Municipality	–	**267 747**	–	**22 160**	**150 442**	**156 186**	**(5 743)**	**-4%**	–
TOTAL SALARY, ALLOWANCES & BENEFITS	–	**267 747**	–	**22 160**	**150 442**	**156 186**	**(5 743)**	**-4%**	–
TOTAL MANAGERS AND STAFF	–	**256 022**	–	**20 994**	**145 405**	**149 346**	**(3 941)**	**-3%**	–

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 January 2018**
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	3.79%	4.83%	4.50%	3.67%	1.61%	1.37%	1.58%
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	1.25
Liquidity Ratio	Monetary assets / current liabilities	0.10	0.16	0.22	0.40	0.62	0.39	0.88
Revenue Management								
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	96.33%	96.07%	98.91%	97.60%	95.81%	94%	85.63%

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 January 2018
Cost coverage	(Cash and cash equivalents - Unspent Conditional Grants - Overdraft) + Short term investment)/monthly fixed operational expenditure excluding (depreciation, amortisation, provision for bad debts, impairment and loss on disposal of assets)	0.23	0.25	0.82	1.60	1.74	1.14	2.53
Employee Costs	Employee Costs / Total Operating Expenditure	35.41%	35.32%	35.70%	35.62%	35.27%	34.37%	38.54%
Capital Expenditure	Capital Expenditure / Capital Budget	78.84%	21.35%	241.30%	81.97%	63.84%	95%	24.88%
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%	1.34%
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%	0.20%
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%	82.94%

The above table is discussed in detail below.

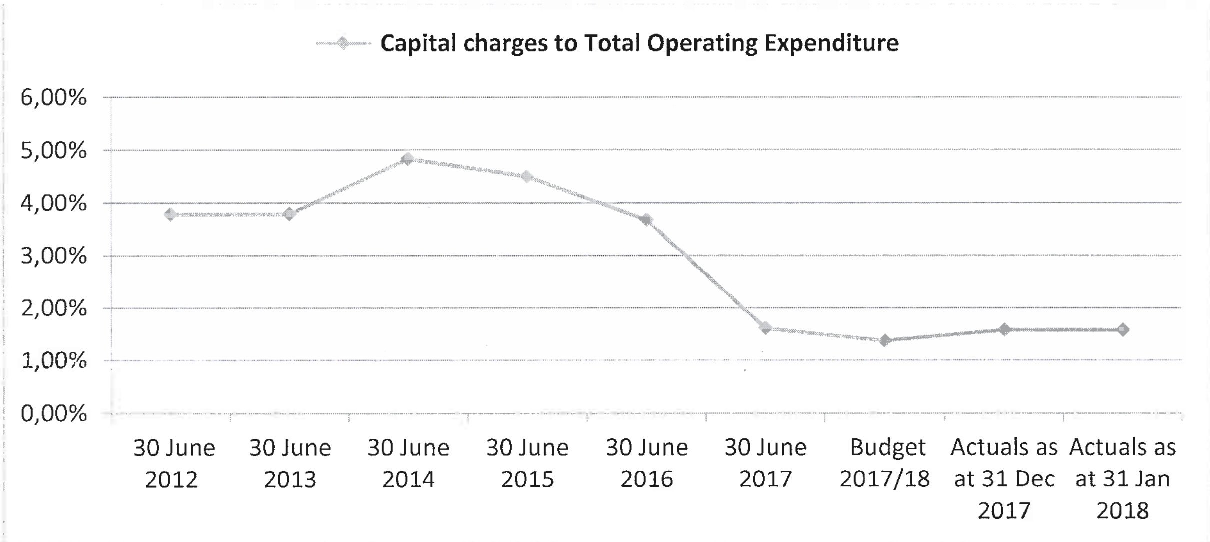
6.1. Borrowing Management

6.1.1. Capital charges to Operating Expenditure

The Ratio indicates the cost required to service the borrowing. It assesses the Borrowing or Payment obligation expressed as percentage of Total Operating Expenditure.

Capital charges/Total Operating Expenditure to date

The ratio indicates that 1.58% of the Total Operating Expenditure was utilised for capital charges as at 31 January 2018, 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.

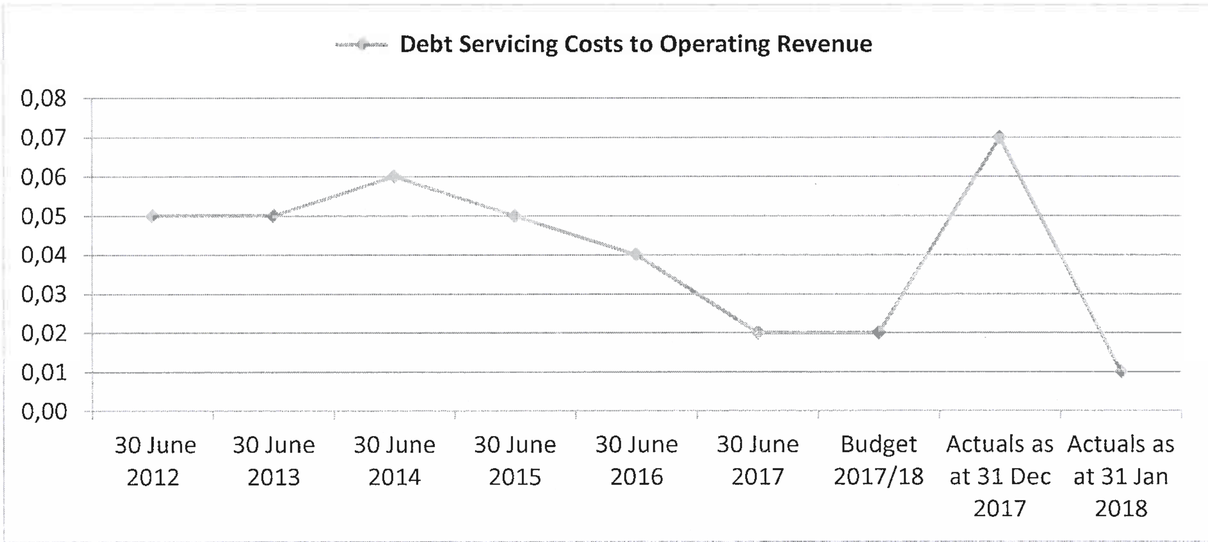
6.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 Januaryb 2018, 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:

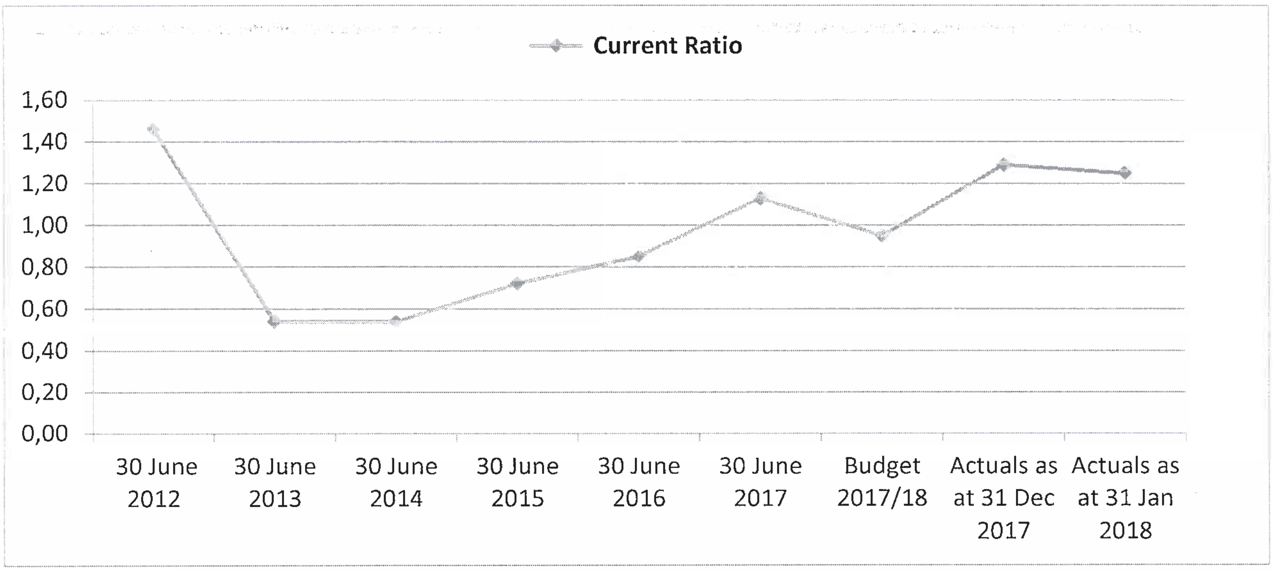
Current assets/Current liabilities

The ratio as at 31 January 2018 was 1.25:1, 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

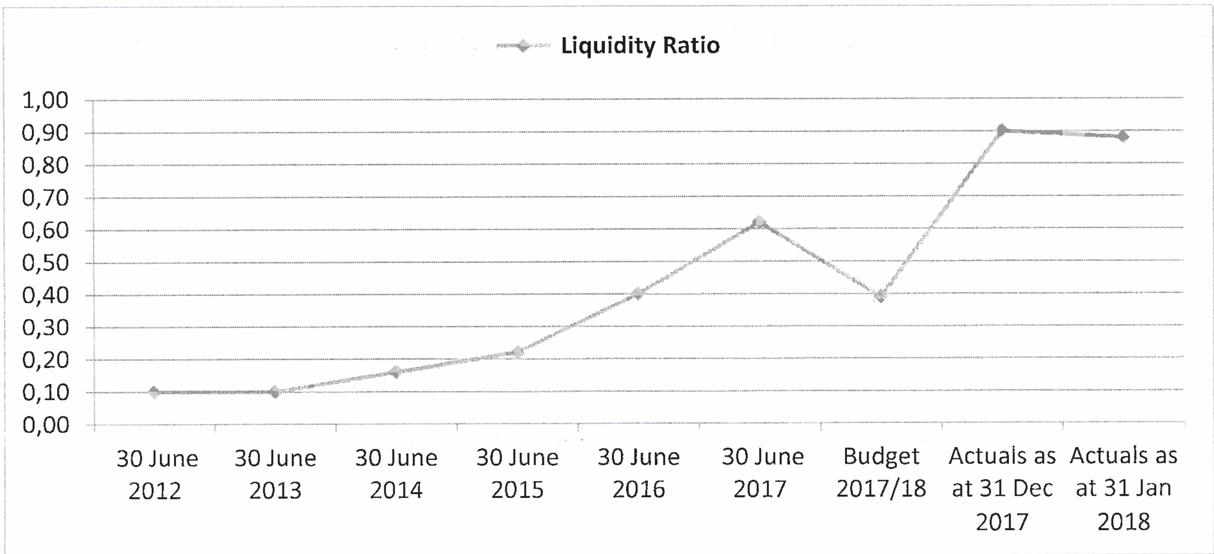
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

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 January 2018 was 0.88:1, 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

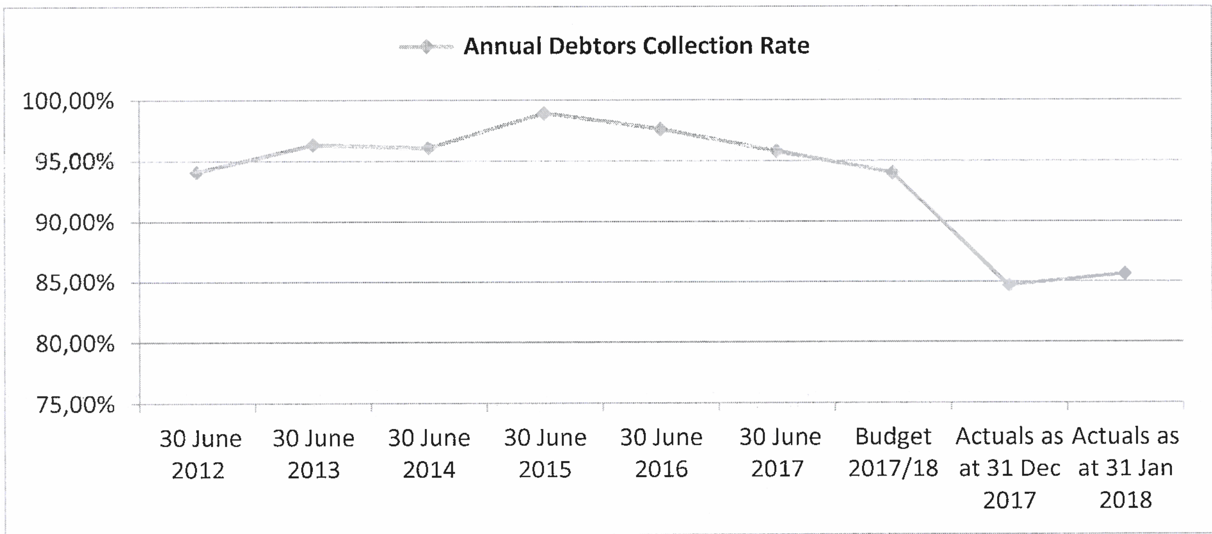
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 January 2018 was 85.63%, compared to the budgeted collection rate of 94%. The collection rate of 84.66% as at 31 December 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.

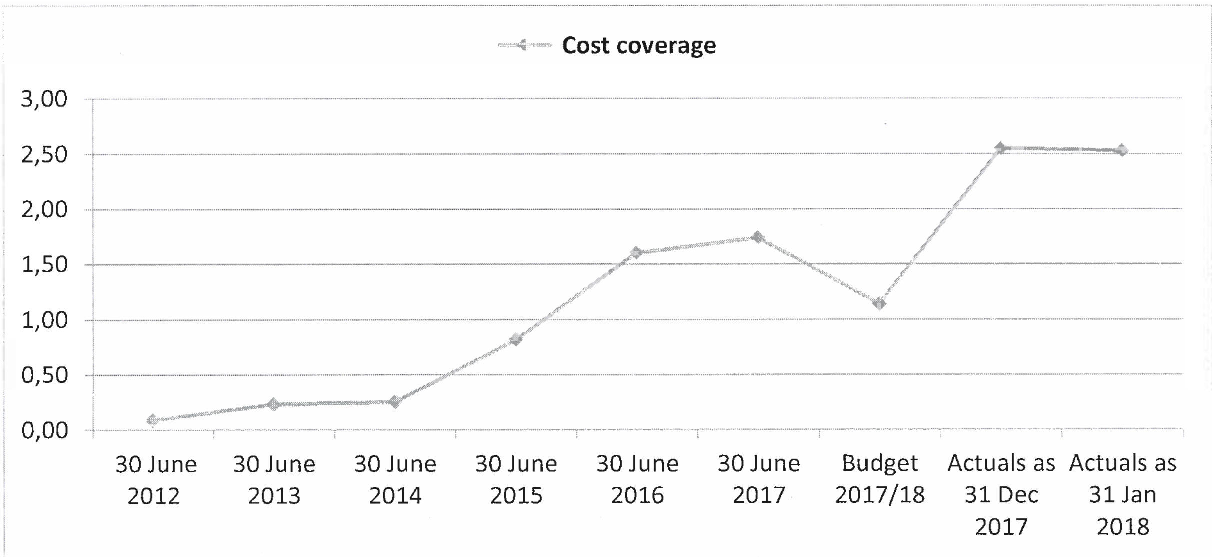
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 January 2018, the Ratio was 2.53 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



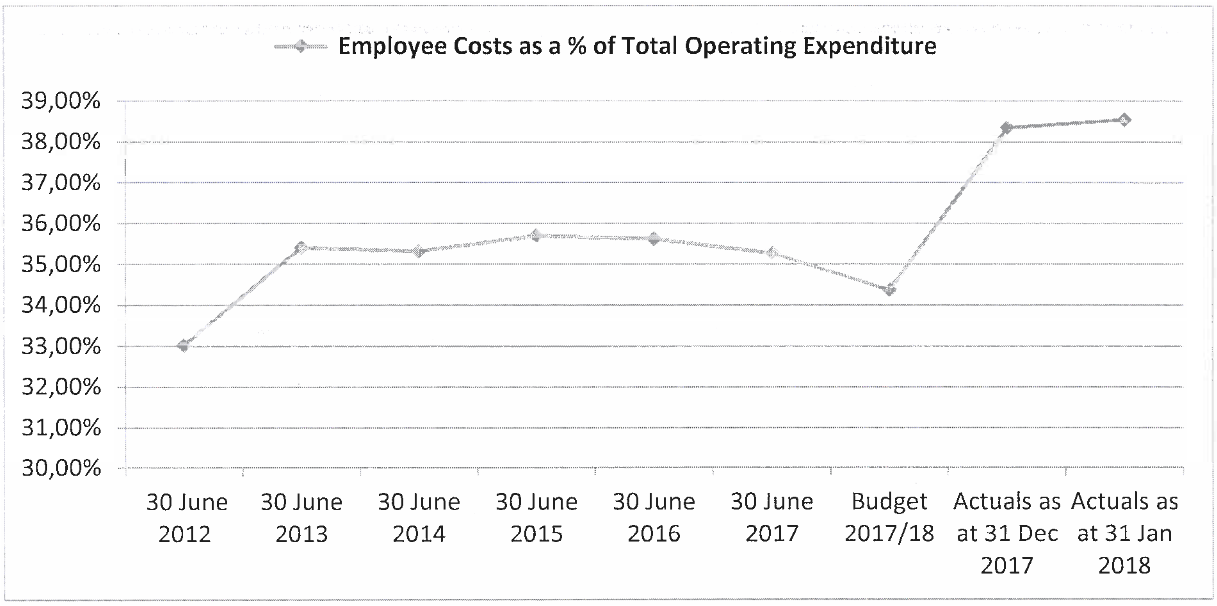
6.4.2. Employee costs as a % of Total Operating Expenditure

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 January 2018, Employee Related Costs constituted 38.54% of the Total Operating Expenditure, compared to the budgeted ratio of 34.37%.



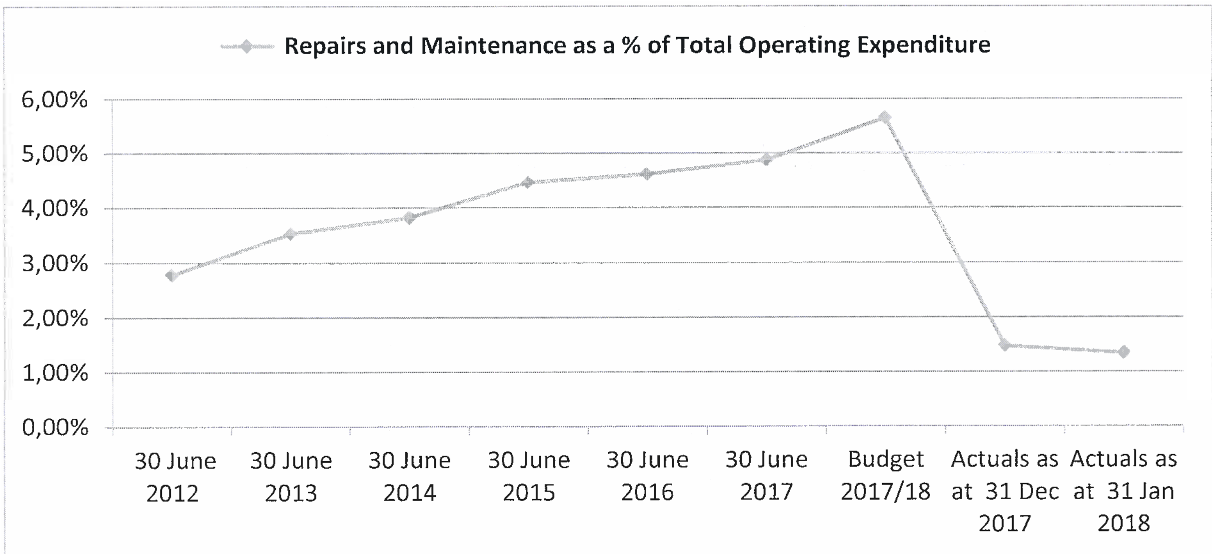
6.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 Jan 2018, the ratio was 1.34%, 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)

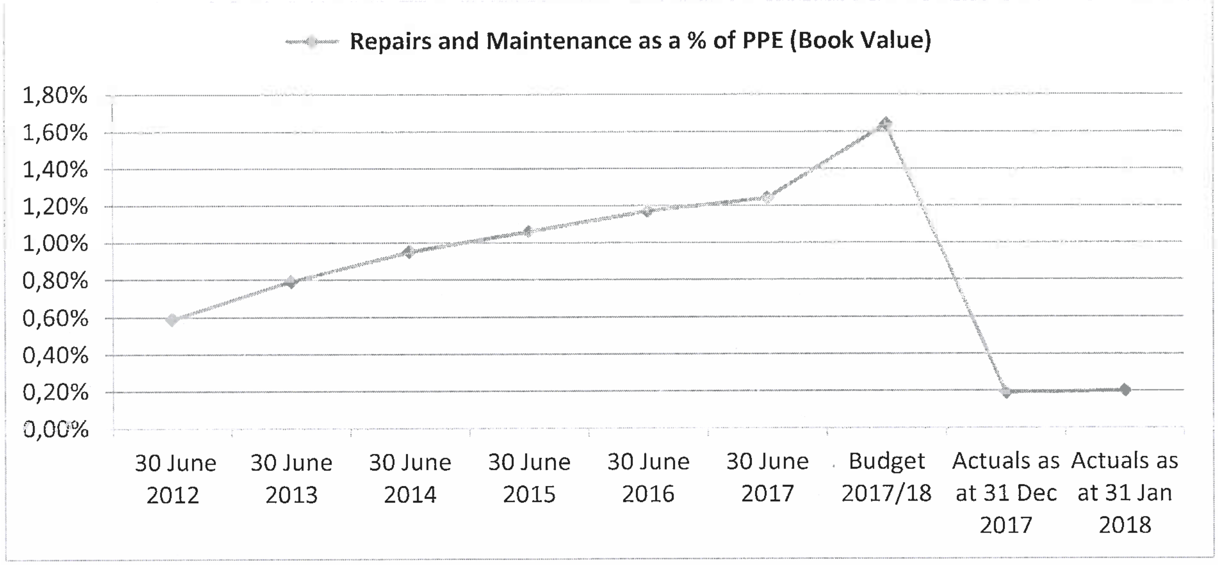
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 January 2018, repairs and maintenance expenditure constituted 0.20% 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%.



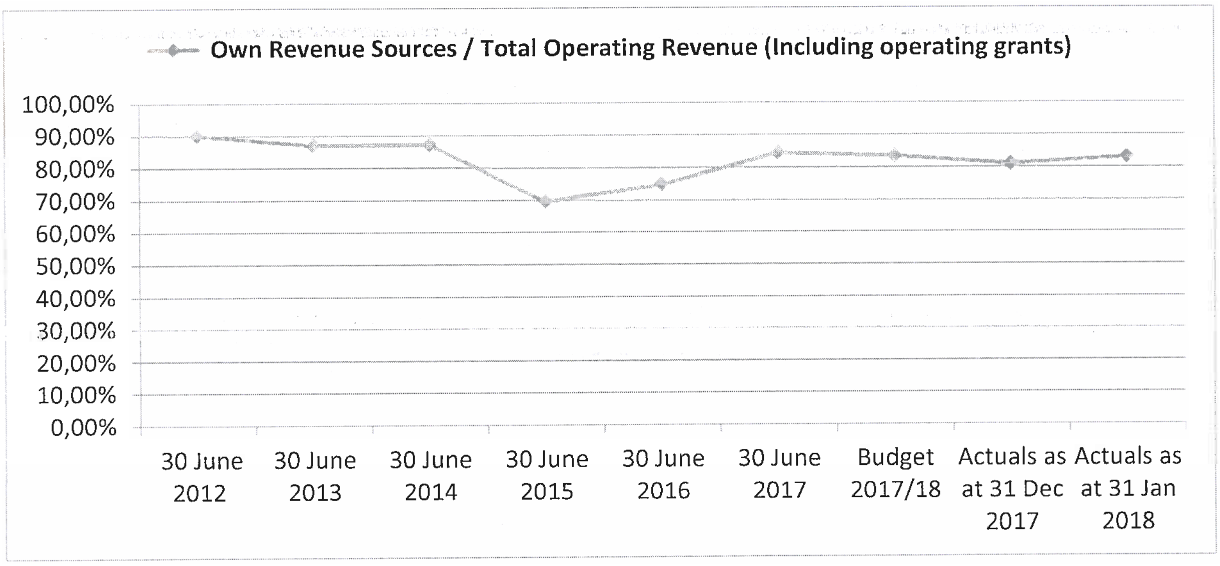
6.4.5. Own Revenue Generation

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 January 2018, the Municipality's own revenue sources constituted 82.94% 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 January 2018 amounted to 24.88%, compared to the budgeted ratio of 95%.