

KOUGA MUNICIPALITY (EC108)

ORDINARY COUNCIL MEETING

FINANCE

DATE: 31 JANUARY 2019

ITEM NO: 19/01/F1

MID-YEAR FINANCIAL REPORT FOR THE PERIOD JULY TO DECEMBER 2018 AND THE ASSESSMENT OF THE MUNICIPALITY'S FINANCIAL POSITION AS AT 31 DECEMBER 2018 (2018/19 FINANCIAL YEAR)

1. Purpose

The purpose of this report is to assess the financial performance and financial position of the Municipality, as at 31 December 2018, and its consequential impact on the implementation of the approved 2018/19 Budget.

This report is submitted in compliance with Sections 72, 52(d) and 54(1)(f) of the Municipal Finance Management Act (MFMA) and the Municipal Budget and Reporting Regulations.

2. Legislative Requirements

The Municipality is required to assess on an ongoing 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 72 of the MFMA, the Accounting Officer is required to submit to the Mayor of the Municipality, National Treasury and Provincial Treasury a report on the performance of the municipality during the first half of the financial year on the state of the municipality's budget.

In accordance with Section 52(d) of the MFMA, the Executive Mayor must within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the Municipality. Furthermore, section 54(1)(f) of the MFMA states that, in the case of a section 72 report, the Executive Mayor must submit the report to the Council by 31 January of each year.

3. Executive Summary

This report provides a balanced and consolidated financial performance overview to assist the Executive Mayor in his 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 2018 to December 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 449,477 million, whilst operating expenditure amounted to R 376,817 million, resulting in an operating surplus of R 72,660 million.
- Capital expenditure constituted 35,20% of the 2018/19 Adjusted Capital Budget.
- Overdue consumer debts increased by R 22,830 million (18,25%) since June 2018.
- An amount of R 77,923 million is owing to creditors, of which R 19,895 million (25,53%) represents current creditors. Currently all outstanding creditors are not reflected on the creditors age analysis.
- The municipality's investment portfolio has increased by R 95,463,037 (101,22%) since June 2018, from R 94,314,704 to R 189,777,741.

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

Ratio	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Actuals as at 30 June 2018	Actuals as at 31 December 2017	Actuals as at 31 December 2018	Approved Budget 2018/19
Current Ratio	0.85:1	0.97:1	1.11:1	1.29:1	1.66:1	0.98:1
Liquidity Ratio	0.40:1	0.47:1	0.52:1	0.90:1	1.08:1	0.40:1
Cost Coverage (Excluding unspent conditional grants)	1.60 months	1.62 months	1.72 months	2.55 months	2.49 months	0.95 months
Debtors Collection Rate	97.60%	95.81%	90.73%	84.66%	93.24%	94%
Capital Expenditure	81.97%	72.92%	72.98%	20.34%	35.20%	95%

4. Detailed Reports

In order to comply with Schedule C of the Municipal Budget and Reporting Regulations, the following detailed schedules are attached for the period, ending 31 December 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

5. Recommendation

- I. That the Municipal Manager's report on the Mid-year Budget and Performance Assessment of the municipality, in accordance with Section 72(1)(a) of the MFMA, be noted.
- II. That the Executive Mayor's report on the implementation of the budget and the financial state of affairs of the municipality, in accordance with Sections 52(d), 54(1)(f) and 72 of the MFMA, be noted.
- III. That an Adjustments Budget, based on the realistically anticipated revenues, in line with section 18 of the MFMA, be tabled by the Executive Mayor to the Council.
- IV. That the 2018/19 Adjustments Budget be tabled by the Executive Mayor to the Council on 28 February 2019.
- V. That the Mid-year report accordingly be submitted to National Treasury and Provincial Treasury, in line with Section 72(1) (b) of the MFMA.

6. Municipal Manager's Quality Certificate

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

Print Name CHARL DU PLESSIS

Municipal Manager of Kouga Local Municipality

Signature



Date

15/01/2019

OVERVIEW OF OPERATING REVENUE AND EXPENDITURE PERFORMANCE FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2018

Below is an analysis of the operating revenue and expenditure performance

Description	Budget Year 2018/19		
	Approved Budget	Actuals as at 31 December 2018	%
R thousands			
Revenue By Source			
Property rates	176 766	122 019	69.03%
Service charges - electricity revenue	247 165	124 316	50.30%
Service charges - water revenue	67 702	37 478	55.36%
Service charges - sanitation revenue	41 658	23 018	55.25%
Service charges - refuse revenue	43 571	27 161	62.34%
Rental of facilities and equipment	1 881	268	14.26%
Interest earned - external investments	7 561	4 277	56.57%
Interest earned - outstanding debtors	14 986	3 375	22.52%
Fines, penalties and forfeits	4 230	3 136	74.13%
Licences and permits	16 661	11 220	67.34%
Transfers and subsidies	123 618	88 649	71.71%
Other revenue	7 917	4 560	57.59%
Total Revenue (excluding capital transfers and contributions)	753 717	449 477	59.63%
Expenditure By Type			
Employee related costs	272 802	136 967	50.21%
Remuneration of councillors	12 784	5 874	45.95%
Debt impairment	41 429	1	0.00%
Depreciation & asset impairment	75 357	36 782	48.81%
Finance charges	3 021	2 076	68.74%
Bulk purchases	241 476	124 519	51.57%
Other materials	28 458	13 466	47.32%
Contracted services	45 111	19 674	43.61%
Other expenditure	76 346	37 458	49.06%
Total Expenditure	796 785	376 817	47.29%
Surplus/(Deficit)	(43 068)	72 660	

The statement of financial performance indicates a surplus of R 72,660 million.

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

Revenue Variations

Property Rates

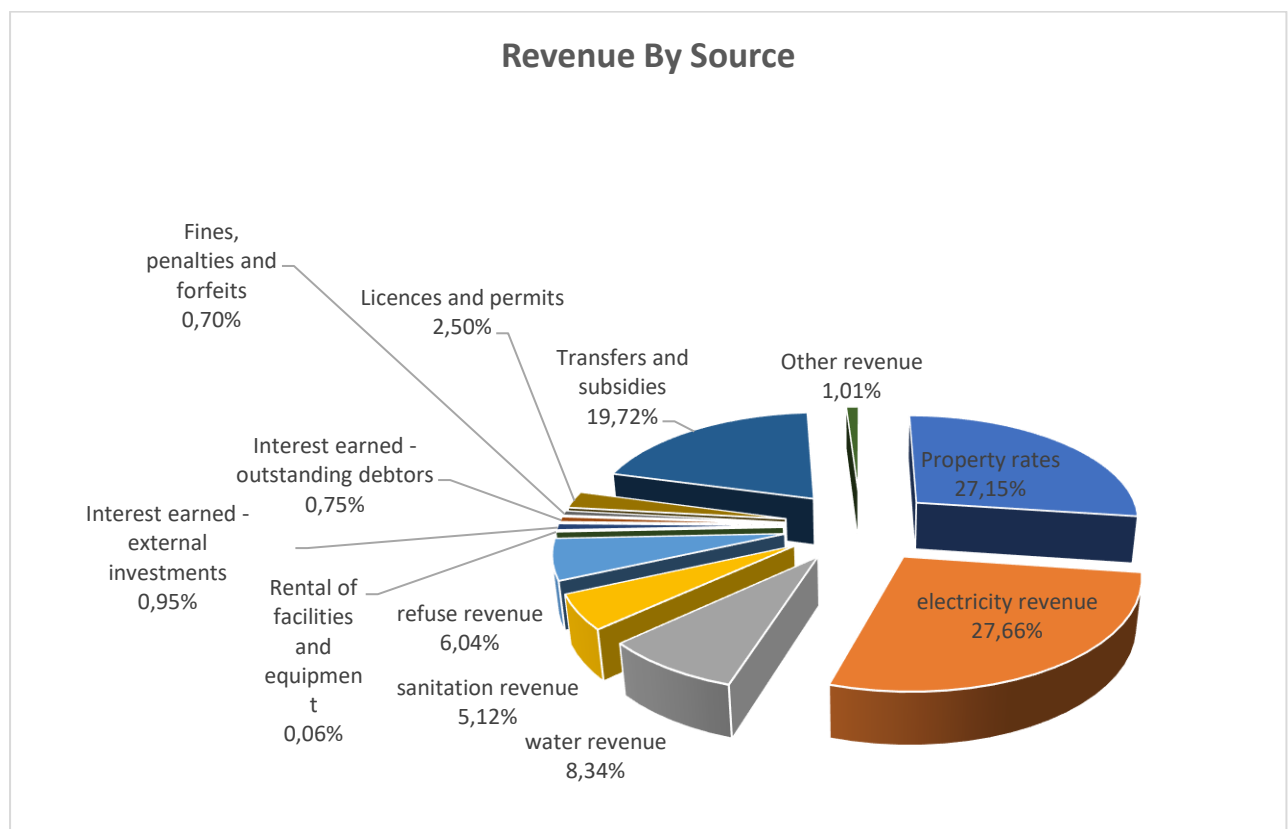
As at 31 December 2018, the Municipality has recognised 69,03% of its property rates revenue, compared to the approved budget. This is influenced by annual property rates raised in July 2018, amounting to R 79,540 million.

Rental of Facilities and Equipment

This relates to the rental of municipal buildings, community halls and other municipal facilities. The revenue is influenced by the extent of rental agreements.

Interest Earned – Outstanding Debtors

Interest is influenced by the extent of outstanding debtors. The actual overdue debtors as at 31 December 2018 amounted to R 147,894 million.



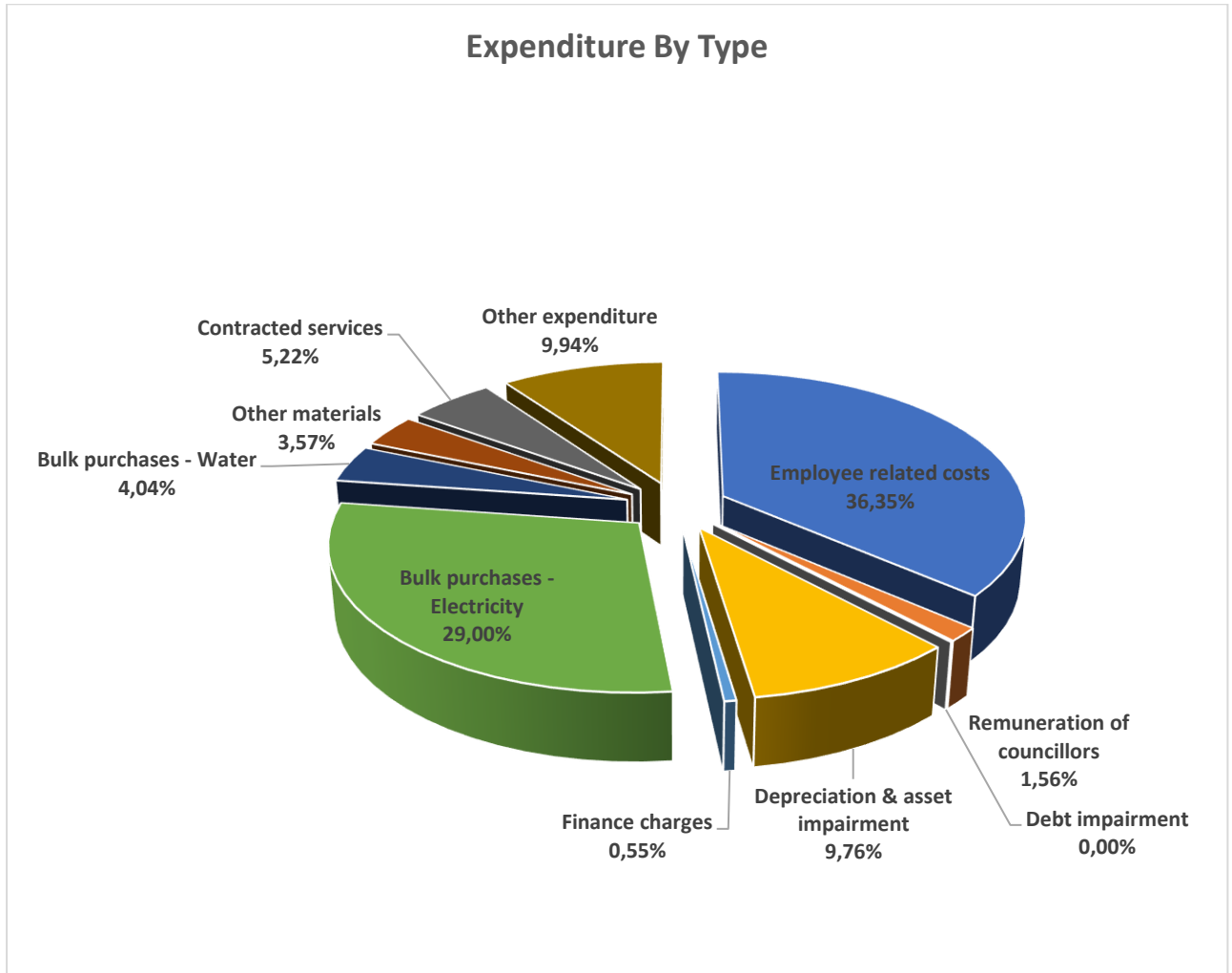
Expenditure Variations

Debt Impairment

Bad debts are written off upon Council approval.

Finance Charges

Finance charges relate to the interest paid on long-term liabilities, in line with the loan repayment schedules.



Repairs and Maintenance

Below is an analysis of actual repairs and maintenance expenditure by Directorate, compared to the approved 2018/19 Budget.

Item Description	Approved Budget 2018/19	Amended Budget 2018/19	Actuals as at 31 December 2018	% of Budget
Executive & Council				
Contracted Services:Maintenance of Vehicles	10 000	10 000	450	4.50%
	10 000	10 000	450	4.50%
Corporate Services				
Contracted Services:Maintenance of Buildings and Facilities	300 000	300 000	6 605	2.20%
Contracted Services:Maintenance of Vehicles	35 000	35 000	-	0.00%
	335 000	335 000	6 605	1.97%
Finance				
Contracted Services:Maintenance of Buildings and Facilities	370 000	391 200	62 424	15.96%
Expenditure:Contracted Services:Contractors:Maintenance of Vehicles	90 000	90 000	9 099	10.11%
Inventory Consumed:Materials and Supplies	165 000	165 000	1 295	0.78%
	625 000	646 200	72 818	11.27%
Community Services				
Contracted Services:Maintenance of Buildings and Facilities	870 000	2 266 750	1 757 401	77.53%
Contracted Services:Maintenance of Vehicles	3 443 000	4 883 000	2 610 405	53.46%
Contracted Services:Maintenance of Equipment	122 400	122 400	62 246	50.85%
Inventory Consumed:Materials and Supplies	1 049 625	1 109 625	821 258	74.01%
Operational Cost:Rental of Machinery and Equipment	2 000 000	2 000 000	518 798	25.94%
	7 485 025	10 381 775	5 770 108	55.58%
Planning, Development & Tourism				
Inventory Consumed:Materials and Supplies	50 000	50 000	39 110	78.22%
Contracted Services:Maintenance of Vehicles	20 000	20 000	1 728	8.64%
	70 000	70 000	40 837	58.34%
Infrastructure & Engineering				
Contracted Services:Maintenance of Equipment	226 000	226 000	80 104	35.44%
Contracted Services:Maintenance of Buildings and Facilities	85 193	175 193	152 978	87.32%
Contracted Services:Maintenance of Vehicles	12 524 000	13 167 000	3 692 115	28.04%
Inventory Consumed:Materials and Supplies	12 695 000	11 561 000	4 911 965	42.49%
Operational Cost:Rental of Machinery and Equipment	3 010 435	2 890 435	1 161 124	40.17%
	28 540 628	28 019 628	9 998 286	35.68%
Total	37 065 653	39 462 603	15 889 105	40.26%

It is to be noted that actual repairs and maintenance expenditure constituted 40,26% of the 2018/19 Adjusted Budget.

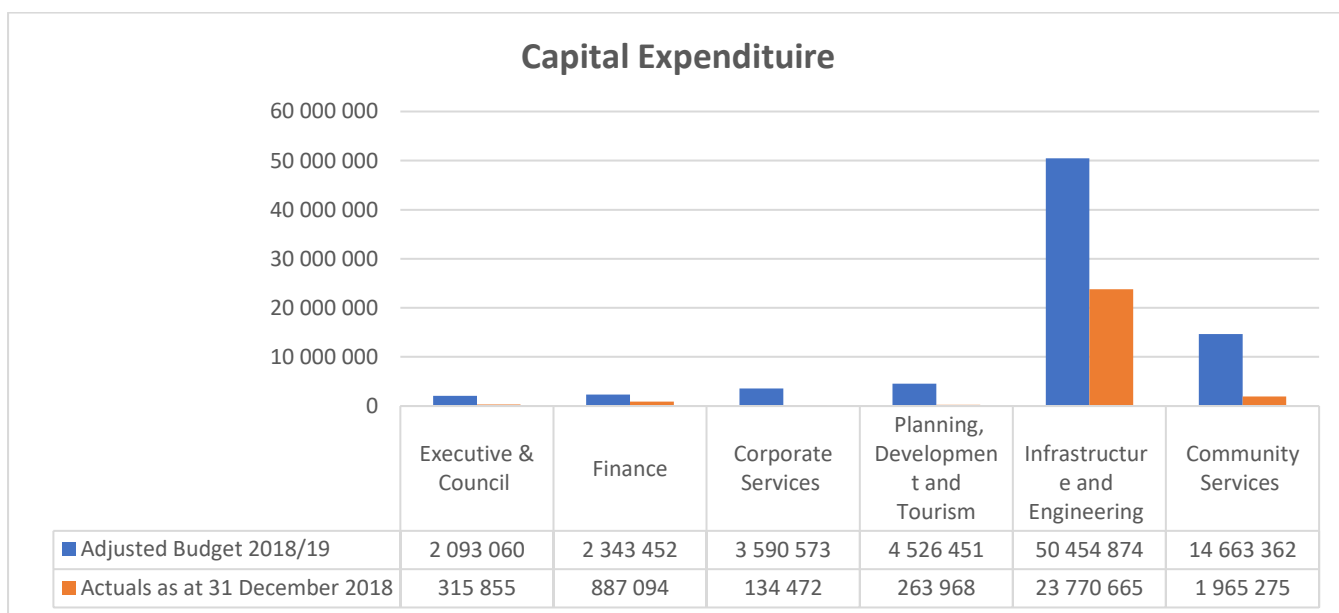
CAPITAL BUDGET PERFORMANCE

Below is an analysis of the capital expenditure compared to the 2018/19 Adjusted Capital Budget.

Summary - Capital Budget 2018/19	Approved Budget 2018/19	Adjustments	Adjusted Budget 2018/19	Actuals as at 31 December 2018	% of Budget	Funding
Executive and Council						
Computer Equipment (ward ass)	110 000		110 000	91 734	83.39%	Internal
PA System		145 830	145 830	172 265	118.13%	Internal
EDMS		400 000	400 000			Internal
Wards Capital Programmes	750 000	687 229	1 437 229	51 856	3.61%	Internal
	860 000	1 233 060	2 093 060	315 855	15.09%	
Corporate Services						
Furniture and Office Equipment	752 000	364 395	1 116 395	14 467	1.30%	Internal
Computer Equipment	157 000	48 789	205 789	93 241	45.31%	Internal
Library upgrade (phase 2)	500 000	745 400	1 245 400			Internal
Main Office Building Upgrade	300 000		300 000	26 765	8.92%	Internal
Computer Software (Legal Services)	100 000		100 000			Internal
HR System	500 000		500 000			Internal
Upgrade offices of Councillors		47 254	47 254			Internal
Upgrade community centre		75 734	75 734			Internal
	2 309 000	1 281 573	3 590 573	134 472	3.75%	
Finance						
Furniture and Office Equipment	115 700		115 700	23 509	20.32%	Internal
Computer Equipment	1 391 200	202 730	1 593 930	703 585	44.14%	Internal
IT Sever		533 822	533 822	160 000	29.97%	FMG
Office Upgrade ICT		100 000	100 000			Internal
	1 506 900	836 552	2 343 452	887 094	37.85%	
Infrastructure and Engineering						
Computer Equipment	35 000		35 000	88 418	252.62%	Internal
Computer Equipment	50 000		50 000	28 359	56.72%	MIG
Water infrastructure boreholes	1 500 000		1 500 000	3 233 693	215.58%	Internal
Furniture and Office Equipment	198 000		198 000	20 929	10.57%	Internal
Bucket Eradication Prograame	2 300 000		2 300 000			Internal
Illegal electricity connections (LV Network)	1 000 000		1 000 000	203 032	20.30%	Internal
Machinery and Equipment	415 000		415 000	89 026	21.45%	Internal
MV Networks	8 869 565		8 869 565	283 072	3.19%	INEP
New overheadlines 66kv overheadlines(Jbay to Melkhout)	3 000 000		3 000 000	1 922 729	64.09%	Internal
Jeffreys Bay- Northern Bulk main outfall sewer -area north of R102	1 200 000		1 200 000			Internal
Fencing: New x Loerie Sewer pump station	900 000		900 000			Internal
Fencing of Jeffreys Bay and Kruisfontein Reservoir	900 000		900 000			Internal
Roads upgrade	2 500 000		2 500 000	117 413	4.70%	Internal
upgrading of infrastructure for new township establishment	500 000		500 000			Internal
Vehicles	2 500 000	3 910 264	6 410 264	3 124 795	48.75%	Internal
Upgrading of the Sea Vista Wastewater Treatment Works	18 503 132		18 503 132	12 567 124	67.92%	MIG
Humansdorp - Upgrade Kruisfontein Waste Water Treatment Works	2 173 913		2 173 913	2 092 074	96.24%	MIG
	46 544 610	3 910 264	50 454 874	23 770 665	47.11%	

Summary - Capital Budget 2018/19	Approved Budget 2018/19	Adjustments	Adjusted Budget 2018/19	Actuals as at 31 December 2018	% of Budget	Funding
Planning, Development and Tourism						
Machinery and Equipment	30 000		30 000			Internal
Informal Traders - building	1 220 951		1 220 951			MIG
Furniture and Office Equipment	200 000		200 000	22 647	11.32%	Internal
Computer Software	700 000		700 000	36 500	5.21%	Internal
Computer Equipment	60 000		60 000	54 821	91.37%	Internal
Land acquisition housing projects	1 000 000		1 000 000	150 000	15.00%	Internal
Arts and Creative industries		250 000	250 000			District
Loerie Flower Project		65 500	65 500			DEDEAT
Upgrading Kouga Cultural Centre	1 000 000		1 000 000			Internal
	4 210 951	315 500	4 526 451	263 968	5.83%	
Community Services						
Fencing of existing cemeteries	500 000		500 000	24 739	4.95%	Internal
Computer Equipment	160 000		160 000	16 666	10.42%	Internal
Fencing - Fire Station	200 000		200 000			Internal
Furniture and Office Equipment	145 000		145 000	129 142	89.06%	Internal
Upgrading of Sports Facilities	3 864 352		3 864 352			MIG
Machinery and Equipment	844 010		844 010	281 650	33.37%	Internal
Life Guards Beach shelter	250 000		250 000	26 400	10.56%	Internal
Fencing of caravan parks & camping sites	500 000		500 000	26 070	5.21%	Internal
Security Cameras	150 000		150 000			Internal
Table and Chairs Community Facilities	100 000		100 000			Internal
Weston Library Upgrade	100 000		100 000			Internal
Wheelie bins	1 000 000	500 000	1 500 000			Internal
Vehicles	4 000 000	1 850 000	5 850 000	1 434 668	24.52%	Internal
Fencing of Sport and Recreational Facilities	500 000		500 000	25 940	5.19%	Internal
	12 313 362	2 350 000	14 663 362	1 965 275	13.40%	
Total	67 744 823	9 926 948	77 671 772	27 337 330	35.20%	
Internally generated funds	33 062 910	9 077 626	42 140 536	12 206 700	28.97%	
Transfers recognised - capital	34 681 913	849 322	35 531 235	15 130 629	42.58%	
Total	67 744 823	9 926 948	77 671 772	27 337 330	35.20%	

It is to be noted that capital expenditure as at 31 December 2018 amounted to 35,20%, compared to the adjusted capital budget of R 77,671,772.



PROJECTED CASH FLOW STATEMENT FOR THE 2018/19 FINANCIAL YEAR

Projected Cash Flow Statement as at 31 December 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 – M06 December 2018

Description	Ref	2017/18	Budget Year 2018/19							
		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		-	164 393	-	12 254	108 301	82 196	26 105	32%	164 393
Service charges		-	372 090	-	33 434	213 695	186 045	27 650	15%	372 090
Other revenue		-	30 689	-	4 019	27 770	15 345	12 425	81%	30 689
Government - operating		-	123 618	-	74 717	126 562	61 809	64 752	105%	123 618
Government - capital		-	39 827	-	10 906	28 470	19 913	8 557	43%	39 827
Interest		-	21 498	-	1 630	8 027	10 749	(2 722)	-25%	21 498
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		-	(674 270)	-	(68 106)	(380 823)	(337 135)	43 688	-13%	(674 270)
Finance charges		-	(3 021)	-	(260)	(1 479)	(1 510)	(31)	2%	(3 021)
Transfers and Grants		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	74 823	-	68 595	130 522	37 412	(93 110)	-249%	74 823
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		-	(67 745)	-	(5 864)	(31 438)	(33 872)	(2 434)	7%	(67 745)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(67 745)	-	(5 864)	(31 438)	(33 872)	(2 434)	7%	(67 745)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		-	(13 247)	-	(590)	(3 621)	(6 623)	(3 002)	45%	(13 247)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(13 247)	-	(590)	(3 621)	(6 623)	(3 002)	45%	(13 247)
NET INCREASE/ (DECREASE) IN CASH HELD		-	(6 169)	-	62 141	95 463	(3 084)			(6 169)
Cash/cash equivalents at beginning:		-	59 729	-		94 315	59 729			94 315
Cash/cash equivalents at month/year end:		-	53 561	-		189 778	56 645			88 146

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 2018/19 budget performance for the period July 2018 to December 2018 and are to be noted. Each table is accompanied by explanatory notes.

Table C1 Monthly Budget Statement Summary – M06 December 2018

Description	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	-	176 766	-	10 419	122 019	88 383	33 636	38%	176 766
Service charges	-	400 096	-	33 838	211 973	200 048	11 925	6%	400 096
Investment revenue	-	7 561	-	706	4 277	3 781	497	13%	7 561
Transfers and subsidies	-	123 618	-	37 921	88 649	61 809	26 840	43%	123 618
Other own revenue	-	45 675	-	4 834	22 558	22 837	(279)	-1%	45 675
Total Revenue (excluding capital transfers and contributions)	-	753 717	-	87 719	449 477	376 858	72 618	19%	753 717
Employee costs	-	272 802	-	22 055	136 967	136 401	566	0%	272 802
Remuneration of Councillors	-	12 784	-	990	5 874	6 392	(518)	-8%	12 784
Depreciation & asset impairment	-	75 357	-	6 127	36 782	37 679	(897)	-2%	75 357
Finance charges	-	3 021	-	-	2 076	1 510	566	37%	3 021
Materials and bulk purchases	-	269 933	-	34 412	137 985	134 967	3 018	2%	269 933
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Other expenditure	-	162 887	-	12 416	57 133	81 444	(24 311)	-30%	162 887
Total Expenditure	-	796 785	-	76 001	376 817	398 392	(21 576)	-5%	796 785
Surplus/(Deficit)	-	(43 068)	-	11 717	72 660	(21 534)	94 194	-437%	(43 068)
Transfers and subsidies - capital (monetary alloc	-	39 827	-	3 114	13 061	19 913	(6 852)	-34%	39 827
Contributions & Contributed assets	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(3 241)	-	14 831	85 721	(1 621)	87 341	-5390%	(3 241)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	(3 241)	-	14 831	85 721	(1 621)	87 341	-5390%	(3 241)
Capital expenditure & funds sources									
Capital expenditure	-	67 745	-	5 099	27 337	33 872	(6 535)	-19%	67 745
Capital transfers recognised	-	34 682	-	2 497	15 131	17 341	(2 210)	-13%	34 682
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-
Internally generated funds	-	33 063	-	2 602	12 207	16 531	(4 325)	-26%	33 063
Total sources of capital funds	-	67 745	-	5 099	27 337	33 872	(6 535)	-19%	67 745
Financial position									
Total current assets	-	131 820	-	-	290 802	-	-	-	131 820
Total non current assets	-	2 442 954	-	-	2 266 533	-	-	-	2 442 954
Total current liabilities	-	133 877	-	-	174 748	-	-	-	133 877
Total non current liabilities	-	183 244	-	-	185 581	-	-	-	183 244
Community wealth/Equity	-	2 257 653	-	-	2 197 005	-	-	-	2 257 653
Cash flows									
Net cash from (used) operating	-	74 823	-	68 595	130 522	37 412	(93 110)	-249%	74 823
Net cash from (used) investing	-	(67 745)	-	(5 864)	(31 438)	(33 872)	(2 434)	7%	(67 745)
Net cash from (used) financing	-	(13 247)	-	(590)	(3 621)	(6 623)	(3 002)	45%	(13 247)
Cash/cash equivalents at the month/year end	-	53 561	-	-	189 778	56 645	(133 133)	-235%	88 146
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	31 526	6 987	6 051	4 911	18 526	3 638	14 141	93 640	179 420
Creditors Age Analysis									
Total Creditors	19 895	621	435	891	444	432	2 577	52 628	77 923

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) – M06 December 2018

Description	Budget Year 2018/19							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands							%	
Revenue - Functional								
Governance and administration	314,268	-	50,070	217,354	157,134	60,220	38%	314,268
Executive and council	26	-	2	3	13	(10)	-79%	26
Finance and administration	314,242	-	50,067	217,351	157,121	60,230	38%	314,242
Internal audit	-	-	-	-	-	-	-	-
Community and public safety	15,404	-	898	5,824	7,702	(1,878)	-24%	15,404
Community and social services	2,458	-	21	160	1,229	(1,069)	-87%	2,458
Sport and recreation	9,151	-	795	3,450	4,575	(1,126)	-25%	9,151
Public safety	1,869	-	-	860	934	(75)	-8%	1,869
Housing	-	-	-	-	-	-	-	-
Health	1,927	-	81	1,355	964	392	41%	1,927
Economic and environmental services	17,367	-	2,850	11,317	8,683	2,633	30%	17,367
Planning and development	6,312	-	372	2,674	3,156	(482)	-15%	6,312
Road transport	10,005	-	2,286	8,944	5,002	3,942	79%	10,005
Environmental protection	1,050	-	192	(302)	525	(827)	-157%	1,050
Trading services	446,060	-	37,014	228,036	223,030	5,006	2%	446,060
Energy sources	258,381	-	19,776	125,188	129,190	(4,003)	-3%	258,381
Water management	70,200	-	6,338	37,521	35,100	2,421	7%	70,200
Waste water management	72,456	-	6,661	36,289	36,228	61	0%	72,456
Waste management	45,023	-	4,240	29,037	22,512	6,526	29%	45,023
Other	445	-	-	7	223	(215)	-97%	445
Total Revenue - Functional	793,544	-	90,832	462,537	396,772	65,765	17%	793,544
Expenditure - Functional								
Governance and administration	189,348	-	13,792	82,927	94,674	(11,747)	-12%	189,348
Executive and council	52,250	-	3,974	18,521	26,125	(7,604)	-29%	52,250
Finance and administration	137,097	-	9,818	64,406	68,549	(4,142)	-6%	137,097
Internal audit	-	-	-	-	-	-	-	-
Community and public safety	86,538	-	7,765	38,792	43,269	(4,477)	-10%	86,538
Community and social services	9,483	-	673	4,596	4,741	(145)	-3%	9,483
Sport and recreation	46,668	-	4,780	20,780	23,334	(2,554)	-11%	46,668
Public safety	21,090	-	1,797	10,086	10,545	(459)	-4%	21,090
Housing	3,531	-	209	1,338	1,765	(427)	-24%	3,531
Health	5,767	-	306	1,992	2,883	(892)	-31%	5,767
Economic and environmental services	101,757	-	8,628	47,423	50,878	(3,455)	-7%	101,757
Planning and development	33,954	-	2,688	14,578	16,977	(2,399)	-14%	33,954
Road transport	67,770	-	5,834	32,441	33,885	(1,445)	-4%	67,770
Environmental protection	33	-	106	404	16	388	2383%	33
Trading services	415,110	-	45,800	207,479	207,555	(76)	0%	415,110
Energy sources	248,404	-	32,743	126,102	124,202	1,900	2%	248,404
Water management	80,154	-	5,247	36,217	40,077	(3,860)	-10%	80,154
Waste water management	41,745	-	4,225	23,936	20,872	3,064	15%	41,745
Waste management	44,808	-	3,585	21,224	22,404	(1,180)	-5%	44,808
Other	4,032	-	16	196	2,016	(1,820)	-90%	4,032
Total Expenditure - Functional	796,785	-	76,001	376,817	398,392	(21,576)	-5%	796,785
Surplus/ (Deficit) for the year	(3,241)	-	14,831	85,720	(1,621)	87,341	-5390%	(3,241)

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 – M06 December 2018)

Vote Description	Budget Year 2018/19							
	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	310,697	-	49,605	213,444	155,349	58,096	37,4%	310,697
Vote 3 - CORPORATE SERVICES	26	-	2	405	13	392	3049,9%	26
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	3,316	-	126	1,693	1,658	35	2,1%	3,316
Vote 5 - INFRASTRUCTURE AND ENGINEERING	405,491	-	33,021	201,287	202,746	(1,458)	-0,7%	405,491
Vote 6 - COMMUNITY SERVICES	17,634	-	2,738	11,785	8,817	2,968	33,7%	17,634
Vote 7 - COMMUNITY SERVICES (CONTINUED)	56,380	-	5,341	33,923	28,190	5,733	20,3%	56,380
Total Revenue by Vote	793,544	-	90,832	462,538	396,772	65,766	16,6%	793,544
Expenditure by Vote								
Vote 1 - EXECUTIVE COUNCIL	33,404	-	3,297	14,963	16,702	(1,739)	-10,4%	33,404
Vote 2 - FINANCIAL SERVICES	79,397	-	4,218	31,041	39,699	(8,658)	-21,8%	79,397
Vote 3 - CORPORATE SERVICES	49,336	-	3,631	20,912	24,668	(3,756)	-15,2%	49,336
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	22,307	-	1,532	7,892	11,154	(3,262)	-29,2%	22,307
Vote 5 - INFRASTRUCTURE AND ENGINEERING	455,521	-	49,265	225,684	227,760	(2,076)	-0,9%	455,521
Vote 6 - COMMUNITY SERVICES	51,470	-	4,482	23,953	25,735	(1,782)	-6,9%	51,470
Vote 7 - COMMUNITY SERVICES (CONTINUED)	105,349	-	9,576	52,372	52,674	(302)	-0,6%	105,349
Total Expenditure by Vote	796,785	-	76,001	376,817	398,392	(21,576)	-5,4%	796,785
Surplus/ (Deficit) for the year	(3,241)	-	14,831	85,721	(1,621)	87,341	-5389,6%	(3,241)

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) – M06 December 2018

Description	2017/18	Budget Year 2018/19							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Revenue By Source									
Property rates	-	176,766	-	10,419	122,019	88,383	33,636	38%	176,766
Service charges - electricity revenue	-	247,165	-	19,805	124,316	123,582	734	1%	247,165
Service charges - water revenue	-	67,702	-	6,162	37,478	33,851	3,627	11%	67,702
Service charges - sanitation revenue	-	41,658	-	3,708	23,018	20,829	2,189	11%	41,658
Service charges - refuse revenue	-	43,571	-	4,163	27,161	21,786	5,375	25%	43,571
Service charges - other	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	1,881	-	42	268	940	(672)	-71%	1,881
Interest earned - external investments	-	7,561	-	706	4,277	3,781	497	13%	7,561
Interest earned - outstanding debtors	-	14,986	-	185	3,375	7,493	(4,118)	-55%	14,986
Dividends received	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	-	4,230	-	493	3,136	2,115	1,021	48%	4,230
Licences and permits	-	16,661	-	3,001	11,220	8,331	2,889	35%	16,661
Agency services	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	123,618	-	37,921	88,649	61,809	26,840	43%	123,618
Other revenue	-	7,917	-	1,113	4,560	3,959	601	15%	7,917
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	-	753,717	-	87,719	449,477	376,858	72,618	19%	753,717
Expenditure By Type									
Employee related costs	-	272,802	-	22,055	136,967	136,401	566	0%	272,802
Remuneration of councillors	-	12,784	-	990	5,874	6,392	(518)	-8%	12,784
Debt impairment	-	41,429	-	-	1	20,715	(20,714)	-100%	41,429
Depreciation & asset impairment	-	75,357	-	6,127	36,782	37,679	(897)	-2%	75,357
Finance charges	-	3,021	-	-	2,076	1,510	566	37%	3,021
Bulk purchases	-	241,476	-	32,102	124,519	120,738	3,782	3%	241,476
Other materials	-	28,458	-	2,310	13,466	14,229	(763)	-5%	28,458
Contracted services	-	45,111	-	4,885	19,674	22,556	(2,882)	-13%	45,111
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Other expenditure	-	76,346	-	7,531	37,458	38,173	(715)	-2%	76,346
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
Total Expenditure	-	796,785	-	76,001	376,817	398,392	(21,576)	-5%	796,785
Surplus/(Deficit)	-	(43,068)	-	11,717	72,660	(21,534)	94,194	(0)	(43,068)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	-	39,827	-	3,114	13,061	19,913	(6,852)	(0)	39,827
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	-	(3,241)	-	14,831	85,721	(1,621)			(3,241)
Taxation	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	-	(3,241)	-	14,831	85,721	(1,621)			(3,241)
Attributable to minorities	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	-	(3,241)	-	14,831	85,721	(1,621)			(3,241)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
Surplus/ (Deficit) for the year	-	(3,241)	-	14,831	85,721	(1,621)			(3,241)

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) – M06 December 2018

Vote Description	Budget Year 2018/19							
	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	860	–	(1)	316	430	(114)	-27%	860
Vote 2 - FINANCIAL SERVICES	1,507	–	34	887	753	134	18%	1,507
Vote 3 - CORPORATE SERVICES	2,309	–	30	134	1,155	(1,020)	-88%	2,309
Vote 4 - PLANNING, DEVELOPMENT & TOURISM	4,211	–	214	264	2,105	(1,842)	-87%	4,211
Vote 5 - INFRASTRUCTURE AND ENGINEERING	46,545	–	2,661	21,712	23,272	(1,561)	-7%	46,545
Vote 6 - COMMUNITY SERVICES	1,644	–	26	1,739	822	917	112%	1,644
Vote 7 - COMMUNITY SERVICES (CONTINUED)	10,669	–	2,134	2,286	5,335	(3,049)	-57%	10,669
Total Capital single-year expenditure	67,745	–	5,099	27,337	33,872	(6,535)	-19%	67,745
Total Capital Expenditure	67,745	–	5,099	27,337	33,872	(6,535)	-19%	67,745
Capital Expenditure - Functional Classification								
Governance and administration	5,346	–	72	1,417	2,673	(1,256)	-47%	5,346
Executive and council	985		8	377	493	(115)	-23%	985
Finance and administration	4,361		64	1,040	2,180	(1,141)	-52%	4,361
Internal audit	–		–	–	–	–		–
Community and public safety	7,368	–	91	1,867	3,684	(1,817)	-49%	7,368
Community and social services	679			102	340	(238)	-70%	679
Sport and recreation	5,489		30	80	2,745	(2,665)	-97%	5,489
Public safety	200		61	1,686	100	1,586	1586%	200
Housing	1,000		–	–	500	(500)	-100%	1,000
Health	–		–	–	–	–		–
Economic and environmental services	6,159	–	360	488	3,079	(2,591)	-84%	6,159
Planning and development	3,509		267	342	1,754	(1,412)	-80%	3,509
Road transport	2,650		93	117	1,325	(1,208)	-91%	2,650
Environmental protection	–		–	28	–	28	#DIV/0!	–
Trading services	48,872	–	4,576	23,565	24,436	(871)	-4%	48,872
Energy sources	12,905		18	2,451	6,452	(4,002)	-62%	12,905
Water management	1,715		2,059	5,348	858	4,491	524%	1,715
Waste water management	28,977		2,497	15,607	14,489	1,119	8%	28,977
Waste management	5,275		2	159	2,638	(2,479)	-94%	5,275
Other	–	–	–	–	–	–	–	–
Total Capital Expenditure - Functional Classification	67,745	–	5,099	27,337	33,872	(6,535)	-19%	67,745
Funded by:								
National Government	34,682		2,497	15,131	17,341	(2,210)	-13%	34,682
Provincial Government	–		–	–	–	–		–
District Municipality	–		–	–	–	–		–
Other transfers and grants	–		–	–	–	–		–
Transfers recognised - capital	34,682	–	2,497	15,131	17,341	(2,210)	-13%	34,682
Public contributions & donations	–	–	–	–	–	–	–	–
Borrowing	–	–	–	–	–	–	–	–
Internally generated funds	33,063	–	2,602	12,207	16,531	(4,325)	-26%	33,063
Total Capital Funding	67,745	–	5,099	27,337	33,872	(6,535)	-19%	67,745

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 – M06 December 2018

Description	Ref	2017/18	Budget Year 2018/19			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		–	5 356	–	60 745	5 356
Call investment deposits		–	48 205	–	129 032	48 205
Consumer debtors		–	42 559	–	44 855	42 559
Other debtors		–	31 184	–	49 500	31 184
Current portion of long-term receivables		–	3	–	3	3
Inventory		–	4 513	–	6 666	4 513
Total current assets		–	131 820	–	290 802	131 820
Non current assets						
Long-term receivables		–	65	–		65
Investments		–		–		–
Investment property		–	285 199	–	283 612	285 199
Investments in Associate		–		–		–
Property, plant and equipment		–	2 157 628	–	1 982 603	2 157 628
Agricultural		–		–		–
Biological assets		–		–		–
Intangible assets		–	62	–	302	62
Other non-current assets		–		–	16	–
Total non current assets		–	2 442 954	–	2 266 533	2 442 954
TOTAL ASSETS		–	2 574 775	–	2 557 335	2 574 775
LIABILITIES						
Current liabilities						
Bank overdraft		–		–	–	–
Borrowing		–	13 247	–	8 944	13 247
Consumer deposits		–	10 479	–	15 241	10 479
Trade and other payables		–	87 054	–	126 059	87 054
Provisions		–	23 097	–	24 505	23 097
Total current liabilities		–	133 877	–	174 748	133 877
Non current liabilities						
Borrowing		–	23 112	–	23 600	23 112
Provisions		–	160 132	–	161 981	160 132
Total non current liabilities		–	183 244	–	185 581	183 244
TOTAL LIABILITIES		–	317 122	–	360 329	317 122
NET ASSETS	2	–	2 257 653	–	2 197 005	2 257 653
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		–	2 257 653	–	2 197 005	2 257 653
Reserv es		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	–	2 257 653	–	2 197 005	2 257 653

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 – M06 December 2018

Description	Ref	2017/18	Budget Year 2018/19							
		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		-	164 393	-	12 254	108 301	82 196	26 105	32%	164 393
Service charges		-	372 090	-	33 434	213 695	186 045	27 650	15%	372 090
Other revenue		-	30 689	-	4 019	27 770	15 345	12 425	81%	30 689
Government - operating		-	123 618	-	74 717	126 562	61 809	64 752	105%	123 618
Government - capital		-	39 827	-	10 906	28 470	19 913	8 557	43%	39 827
Interest		-	21 498	-	1 630	8 027	10 749	(2 722)	-25%	21 498
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		-	(674 270)	-	(68 106)	(380 823)	(337 135)	43 688	-13%	(674 270)
Finance charges		-	(3 021)	-	(260)	(1 479)	(1 510)	(31)	2%	(3 021)
Transfers and Grants		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	74 823	-	68 595	130 522	37 412	(93 110)	-249%	74 823
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		-	(67 745)	-	(5 864)	(31 438)	(33 872)	(2 434)	7%	(67 745)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	(67 745)	-	(5 864)	(31 438)	(33 872)	(2 434)	7%	(67 745)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		-	-	-	-	-	-	-		-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		-	(13 247)	-	(590)	(3 621)	(6 623)	(3 002)	45%	(13 247)
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	(13 247)	-	(590)	(3 621)	(6 623)	(3 002)	45%	(13 247)
NET INCREASE/ (DECREASE) IN CASH HELD		-	(6 169)	-	62 141	95 463	(3 084)			(6 169)
Cash/cash equivalents at beginning:		-	59 729	-		94 315	59 729			94 315
Cash/cash equivalents at month/year end:		-	53 561	-		189 778	56 645			88 146

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.

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 2018, compared to the position as at 31 December 2018.

Debtors' Age Analysis (Inclusive of VAT) as at 30 June 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	7 819	2 073	1 457	1 222	824	594	3 847	19 415	37 251	
Trade and Other Receivables from Exchange Transactions - Electricity	14 563	1 349	602	402	331	226	1 908	6 001	25 382	
Receivables from Non-exchange Transactions - Property Rates	8 069	700	494	394	318	297	6 758	16 539	33 569	
Receivables from Exchange Transactions - Waste Water Management	4 267	897	631	483	380	258	1 714	8 652	17 282	
Receivables from Exchange Transactions - Waste Management	4 202	1 023	842	600	356	335	1 778	11 769	20 905	
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1	
Interest on Arrear Debtor Accounts	68	87	97	101	88	84	915	17 487	18 928	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	
Other	(12 022)	608	306	257	267	159	2 034	7 106	(1 286)	
Total By Income Source	26 966	6 737	4 429	3 459	2 565	1 953	18 953	86 967	152 031	
									-	
Debtors Age Analysis By Customer Group										
Organs of State	567	230	31	31	28	27	1 204	1 578	3 696	
Commercial	6 132	385	256	238	282	115	983	2 878	11 269	
Households	20 268	6 122	4 142	3 190	2 256	1 812	16 766	82 512	137 067	
Other	-	-	-	-	-	-	-	-	-	
Total By Customer Group	26 966	6 737	4 429	3 459	2 565	1 953	18 953	86 967	152 031	

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

Description	Budget Year 2018/19									
	R thousands	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	9 249	2 050	2 072	1 422	2 672	1 354	4 924	20 855	44 599	
Trade and Other Receivables from Exchange Transactions - Electricity	17 188	1 526	813	596	1 957	230	1 020	5 894	29 223	
Receivables from Non-exchange Transactions - Property Rates	8 150	689	510	703	9 307	264	1 134	18 947	39 704	
Receivables from Exchange Transactions - Waste Water Management	5 089	997	931	700	1 231	572	1 984	9 085	20 588	
Receivables from Exchange Transactions - Waste Management	4 518	1 160	1 067	982	939	811	2 953	12 432	24 861	
Receivables from Exchange Transactions - Property Rental Debtors	-	-	-	-	-	-	-	1	1	
Interest on Arrear Debtor Accounts	72	96	121	130	439	136	789	18 304	20 087	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	
Other	(12 739)	469	538	379	1 981	271	1 337	8 121	358	
Total By Income Source	31 526	6 987	6 051	4 911	18 526	3 638	14 141	93 640	179 420	
Debtors Age Analysis By Customer Group										
Organs of State	638	372	441	332	2 731	33	103	2 313	6 962	
Commercial	4 730	389	183	123	338	93	465	2 788	9 108	
Households	26 158	6 226	5 428	4 455	15 458	3 513	13 573	88 538	163 349	
Other	-	-	-	-	-	-	-	-	-	
Total By Customer Group	31 526	6 987	6 051	4 911	18 526	3 638	14 141	93 640	179 420	

The aforementioned analysis indicates that from 30 June 2018 to 31 December 2018, the overdue debts have increased from R 125,064 million to R 147,894 million, as follows:

R thousands	OVERDUE AMOUNTS AS AT		
	30-Jun-18	31-Dec-18	Difference
Debtors Age Analysis By Income Source			
Trade and Other Receivables from Exchange Transactions - Water	29 432	35 350	5 919
Trade and Other Receivables from Exchange Transactions - Electricity	10 819	12 035	1 217
Receivables from Non-exchange Transactions - Property Rates	25 500	31 554	6 054
Receivables from Exchange Transactions - Waste Water Management	13 015	15 499	2 484
Receivables from Exchange Transactions - Waste Management	16 704	20 343	3 639
Receivables from Exchange Transactions - Property Rental Debtors	1	1	-
Interest on Arrear Debtor Accounts	18 860	20 016	1 156
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-
Other	10 736	13 097	2 361
Total By Income Source	125 064	147 894	22 830
Debtors Age Analysis By Customer Group			
Organs of State	3 128	6 324	3 196
Commercial	5 137	4 379	(758)
Households	116 799	137 191	20 392
Other	-	-	-
Total By Customer Group	125 064	147 894	22 830

2. Overview of Creditors position

Below is an analysis of the status of the major creditors

Description	Budget Year 2018/19								
	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
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity	17,450	(9)	0	0	0	0	(1)	-	17,441
Bulk Water	1	410	429	852	429	431	2,578	52,628	57,757
PAYE deductions									-
VAT (output less input)									-
Pensions / Retirement deductions									-
Loan repayments									-
Trade Creditors	2,444	221	5	39	14	1	-	-	2,725
Auditor General									-
Other									-
Total By Customer Type	19,895	621	435	891	444	432	2,577	52,628	77,923

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

Eskom	R 17,441 million
NMBM (Bulk water)	R 57,757 million
Other Creditors	<u>R 2,725 million</u>
TOTAL	<u>R 77,923 million</u>

It is to be noted that the Eskom amount of R 17,450 million, represents the current account for December 2018, which will be fully paid on 23 January 2019.

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.

3. Investment Portfolio

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

	Balance as at 30 June 2018	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 December 2018
Standard Bank	18 653 721	-	598 507	-	-	19 252 228
ABSA	25 806 825	-	827 329	-	141	26 634 013
Nedbank	19 520 160	-	631 485	-	-	20 151 646
RMB	5 885 309	55 139 102	415 254	19 297 471	-	42 142 194
INVESTEC	20 188 841	-	663 493	-	-	20 852 334
Total	90 054 856	55 139 102	3 136 068	-19 297 471	-141	129 032 414
INVESTMENT	Balance as at 30 June 2018	Invested	Interest	Withdrawals	Adjustments	Balance as at 31 December 2018
General Account	85 725 571	24 694 619	2 790 850	-	141	113 210 899
Conditional Grants	1 359 363	30 444 483	252 191	16 250 026	-	15 806 011
Housing Funds	2 969 923	-	93 027	3 047 445	-	15 505
Total	90 054 856	55 139 102	3 136 068	-19 297 471	-141	129 032 414
Bank	4 259 847	56 485 479				60 745 327
Total	94 314 704	111 624 582	3 136 068	-19 297 471	-141	189 777 741

The increase in the investment portfolio since 30 June 2018 amounts to R 95,463,037. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	R 60,745,327
Short-term Investment Deposits	R 129,032,414
	<u>R 189,777,741</u>

Application of Cash

Unspent Conditional Grants	48,135,637
Internally Generated Funds	29,933,836
Outstanding Creditors Liability	<u>77,922,871</u>
	<u>155,992,344</u>

Reserves in excess of Commitments

R 33,785,397

The cash backed reserves exceed the commitments at this stage by an amount of R 33,220,905. It should be noted that the excess of reserves over commitments as at 31 December 2018, is mainly due to an amount of R 37,717 million in respect of the Equitable Share allocation being received on 3 December 2018, but not yet fully spent.

These funds are already committed towards spending in the 2018/19 Operating budget.

4. Allocation and Grants receipts and expenditure for the 2018/2019 financial year

Supporting Table SC6 Monthly Budget Statement – transfers and grant receipts – M06 December 2018

Description	Budget Year 2018/19						
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands						%	
RECEIPTS:							
Operating Transfers and Grants							
National Government:	117 493	38 262	88 457	88 457	-		117 493
Local Government Equitable Share	113 151	37 717	84 863	84 863	-		113 151
Finance Management	1 770	-	1 770	1 770	-		1 770
MIG - Administration Fees	1 559	545	1 114	1 114	-		1 559
EPWP Incentive	1 013	-	710	710	-		1 013
Provincial Government:	2 050	-	-	-	-		2 050
Sport and Recreation	2 050	-	-	-	-		2 050
District Municipality:	2 210	-	1 681	1 681	-		2 210
Local Economic Development	445	-	445	445	-		445
Environmental Health Subsidy	1 765	-	1 236	1 236	-		1 765
Other grant providers:	1 865	-	983	983	-		1 865
Fire Subsidy	1 865	-	983	983	-		1 865
Total Operating Transfers and Grants	123 618	38 262	91 120	91 120	-		123 618
Capital Transfers and Grants							
National Government:	39 827	47 361	64 357	27 357	37 000	135.3%	39 827
Municipal Infrastructure Grant (MIG)	29 627	10 361	21 157	21 157	-		29 627
Water Services Infrastructure Grant	-	37 000	37 000	-	37 000		-
Intergrated National Electrification Programme	10 200	-	6 200	6 200	-		10 200
Total Capital Transfers and Grants	39 827	47 361	64 357	27 357	37 000	135.3%	39 827
TOTAL RECEIPTS OF TRANSFERS & GRANTS	163 445	85 623	155 476	118 476	37 000	31.2%	163 445

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

Supporting Table SC7 Monthly Budget Statement – transfers and grants expenditure – M06 December 2018

Description	Budget Year 2018/19						
	Original 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:	117 493	38 220	87 079	87 034	45	0.1%	117 493
Local Government Equitable Share	113 151	37 717	84 863	84 863	-		113 151
Finance Management	1 770	37	480	885	(405)	-45.8%	1 770
MIG - Administration Fees	1 559	125	844	780	64	8.2%	1 559
EPWP Incentive	1 013	341	893	507	386	76.2%	1 013
Provincial Government:	2 050	-	-	1 025	(1 025)	-100.0%	2 050
Sport and Recreation	2 050	-	-	1 025	(1 025)	-100.0%	2 050
District Municipality:	2 210	-	-	1 105	(1 105)	-100.0%	2 210
Local Economic Development	445	-	-	223	(223)	-100.0%	445
Environmental Health Subsidy	1 765	-	-	882	(882)	-100.0%	1 765
Other grant providers:	1 865	-	-	933	(933)	-100.0%	1 865
Fire Subsidy	1 865	-	-	933	(933)		1 865
Total operating expenditure of Transfers and Grants:	123 618	38 220	87 079	90 097	(3 017)	-3.3%	123 618
Capital expenditure of Transfers and Grants							
National Government:	39 827	2 872	17 216	19 913	(2 697)	-13.5%	39 827
Municipal Infrastructure Grant (MIG)	29 627	2 872	16 891	14 813	2 077	14.0%	29 627
Intergrated National Electrification Programme	10 200	-	326	5 100	(4 774)	-93.6%	10 200
Total capital expenditure of Transfers and Grants	39 827	2 872	17 216	19 913	(2 697)	-13.5%	39 827
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	163 445	41 091	104 296	110 010	(5 714)	-5.2%	163 445

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 1,770,000
Amount of Grant Received:	R 1,770,000
Expenditure to date:	R 479,694
Unspent as at 31 December 2018:	R 1,290,306

The spending of the grant amounted to 27,10% as at 31 December 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 1,013,000
Amount of Grant Received:	R 710,000
Expenditure to date:	R 892,661
Overspent as at 31 December 2018:	R -182,661

The spending of the grant amounted to 125,73% as at 31 December 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 31,186,000
Amount of Grant Received:	R 22,270,000
Expenditure to date:	R 17,734,644
Unspent as at 31 December 2018:	R 4,535,356

The spending of the grant amounted to 79,63% as at 31 December 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 10,200,000
Amount of Grant Received:	R 6,200,000
Expenditure to date:	R 325,533
Unspent as at 31 December 2018:	R 5,874,467

The spending of the grant amounted to 5,25% as at 31 December 2018, compared to the amount of the grant received.

Water Services Infrastructure Grant

The purpose of this grant is to implement the meter and internal leak audit, repairs of leaks and water meters, reticulation pipe replacement and reservoir level control.

DORA Allocation:	R 92,500,000
Amount of Grant Received:	R 37,000,000
Expenditure to date:	R 564,492
Unspent as at 31 December 2018:	R 36,435,508

The spending of the grant amounted to 1.53% as at 31 December 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 – M06 December 2018

Summary of Employee and Councillor remuneration	Budget Year 2018/19							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							%	
<u>Councillors (Political Office Bearers plus Other)</u>								
Basic Salaries and Wages	9 232		661	3 921	4 616	(695)	-15%	9 232
Motor Vehicle Allowance	2 747		220	1 307	1 374	(67)	-5%	2 747
Cellphone Allowance	805		110	646	402	244	61%	805
Sub Total - Councillors	12 784	-	990	5 874	6 392	(518)	-8%	12 784
<u>Senior Managers of the Municipality</u>								
Basic Salaries and Wages	4 434	-	450	2 587	2 217	370	17%	4 434
Pension and UIF Contributions		-	1	4	-	4		
Motor Vehicle Allowance		-	55	324	-	324		
Cellphone Allowance		-	1	4	-	4		
Other benefits and allowances	2 956	-	3	21	1 478	(1 457)	-99%	2 956
Sub Total - Senior Managers of Municipality	7 389	-	509	2 941	3 695	(754)	-20%	7 389
<u>Other Municipal Staff</u>								
Basic Salaries and Wages	161 389		13 945	79 295	80 695	(1 399)	-2%	161 389
Pension and UIF Contributions	27 035		2 292	13 757	13 518	239	2%	27 035
Medical Aid Contributions	16 559		1 179	7 032	8 279	(1 247)	-15%	16 559
Overtime	11 345		2 431	12 142	5 673	6 469	114%	11 345
Performance Bonus	16 117		-	-	8 058	(8 058)	-100%	16 117
Motor Vehicle Allowance	8 701		564	3 699	4 350	(651)	-15%	8 701
Cellphone Allowance			-	1	-	1		
Housing Allowances	2 516		56	597	1 258	(661)	-53%	2 516
Other benefits and allowances	20 864		749	16 328	10 432	5 896	57%	20 864
Payments in lieu of leave			191	609	-	609		
Long service awards	888		140	567	444	123	28%	888
Sub Total - Other Municipal Staff	265 413	-	21 546	134 026	132 707	1 320	1%	265 413
Total Parent Municipality	285 586	-	23 046	142 841	142 793	47	0%	285 586
TOTAL SALARY, ALLOWANCES & BENEFITS	285 586	-	23 046	142 841	142 793	47	0%	285 586
TOTAL MANAGERS AND STAFF	272 802	-	22 055	136 967	136 401	566	0%	272 802

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.

		Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Actuals as at 30 June 2018	Approved Budget 2018/19	Actuals as at 31 December 2018
Borrowing Management							
Capital Charges to Operating Expenditure	Interest & principal paid/Total Operating Expenditure	4.50%	3.67%	2.51%	1.77%	2.04%	1.35%
Borrowed funding of "own" capital expenditure	Borrowings/Capital expenditure excl. transfers & grants	0%	0%	0%	0%	0%	0%
Debt Servicing Costs to Operating Revenue	Debt Servicing Costs / Total Operating Revenue - Conditional Grants	0.05	0.04	0.03	0.02	0.02	0.01
Liquidity							
Current Ratio	Current assets / current liabilities	0.72	0.85	0.97	1.11	0.98	1.66
Liquidity Ratio	Monetary assets / current liabilities	0.22	0.40	0.47	0.52	0.40	1.09
Revenue Management							
Annual Debtors Collection Rate	Billed Revenue / Receipted Revenue	98.91%	97.60%	95.81%	90.73%	94%	93,24%

Other indicators		Actuals as at 30 June 2015	Actuals as at 30 June 2016	Actuals as at 30 June 2017	Actuals as at 30 June 2018	Approved Budget 2018/19	Actuals as at 31 December 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)	0.82	1.60	1.62	1.72	0.95	2.49
Employee Costs	Employee Costs / Total Operating Expenditure	35.70%	35.62%	33.39%	32.99%	34.24%	36.35%
Capital Expenditure	Capital Expenditure / Capital Budget	241.30%	81.97%	72.92%	72.98%	95%	35,20%
Repairs and Maintenance as % of Total Operating Expenditure	Repairs and Maintenance / Total Operating Expenditure	4.46%	4.61%	4.94%	3.79%	4.65%	4.22%
Repairs and Maintenance as % of PPE (Book Value)	Repairs and Maintenance / Net PPE	1.06%	1.17%	1.65%	1.42%	1.72%	0,80%
Own Revenue Sources / Total Operating Revenue (Including operating grants)	Own Revenue Sources / Total Operating Revenue (Including Conditional Grants)	69.55%	74.74%	78.69%	80.57%	83.60%	80,28%

The above table is discussed in details below.

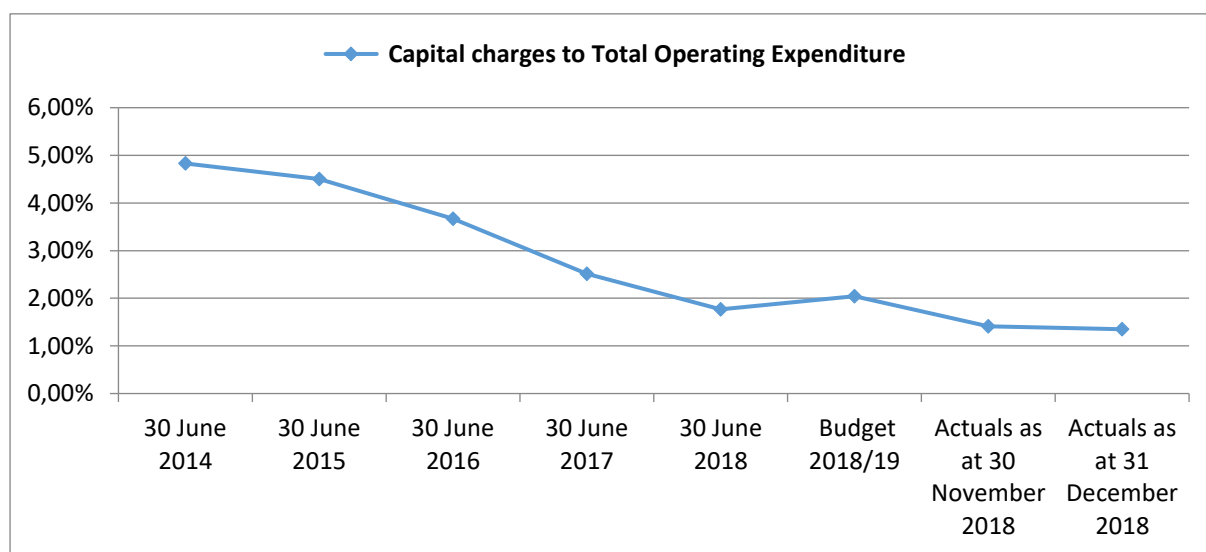
5.1. Borrowing Management

5.1.1. 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 1.35% of the Total Operating Expenditure was utilised for capital charges as at 31 December 2018, compared to the budgeted ratio of 2.04%.



5.1.2. 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 2018/19 Operating Budget as no borrowing is planned for the 2018/19 to 2020/21 financial years.

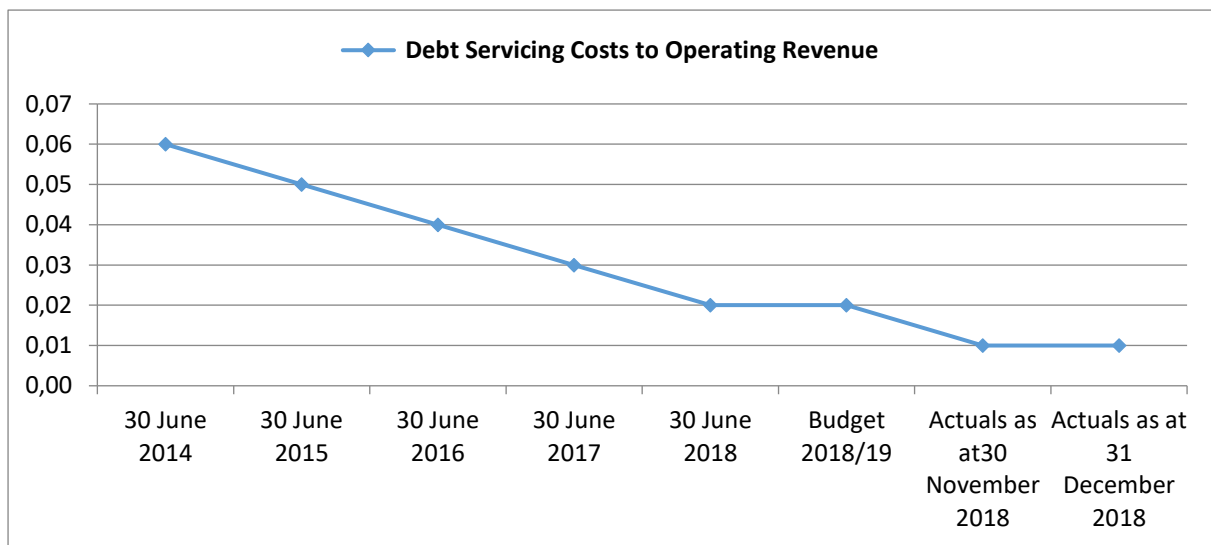
5.1.3. Debt Servicing Costs to Operating Revenue Ratio

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 December 2018, the ratio was 0.01:1, compared to the budgeted ratio of 0.02:1.



5.2. Liquidity

5.2.1. 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:

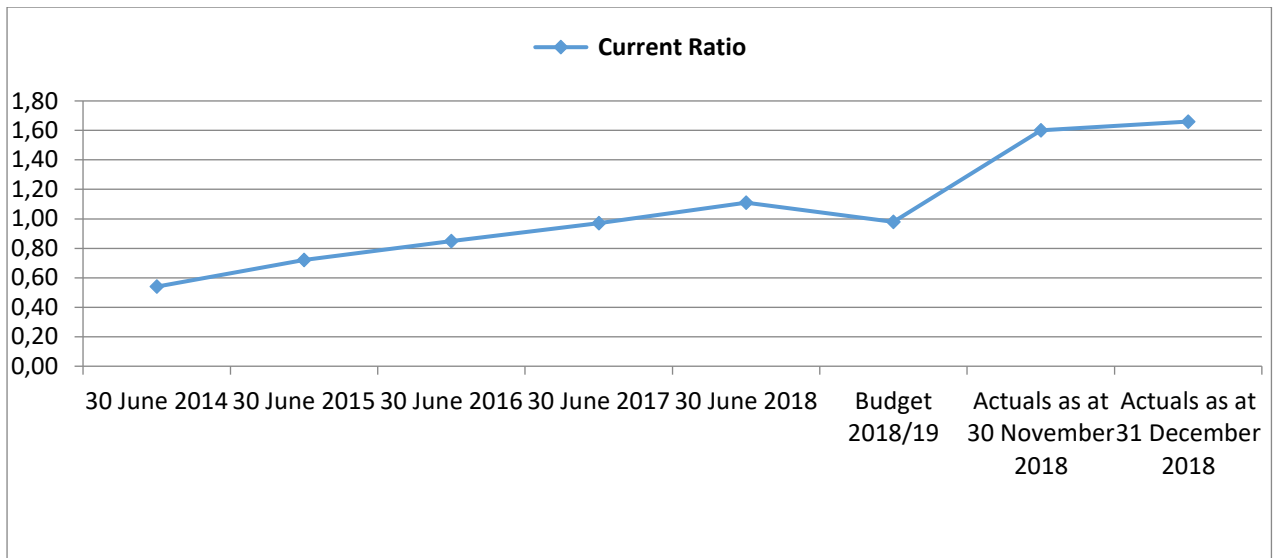
Current assets/Current liabilities

The ratio as at 31 December 2018 was 1.66:1, compared to the budgeted ratio of 0.98:1.

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.



5.2.2. Liquidity Ratio

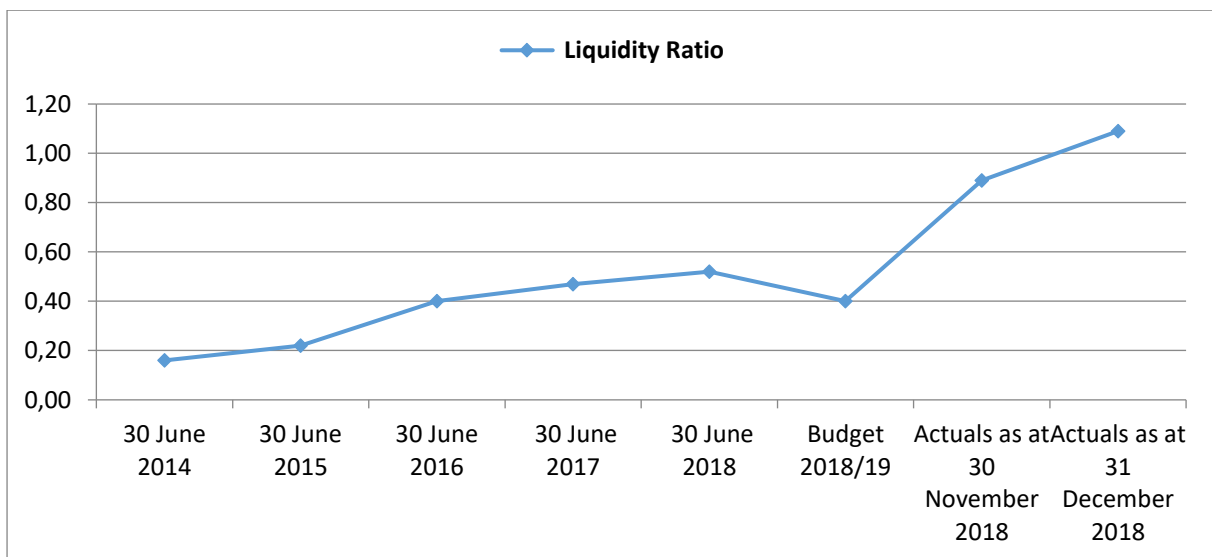
The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets.

The ratio is determined as follows:

$$\text{Monetary assets/Current liabilities}$$

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 December 2018 was 1.08:1, compared to the budgeted ratio of 0.40:1.

The liquidity ratio is of the utmost importance to measure the financial liquidity and sustainability of the municipality.



5.3. Revenue Management

5.3.1. Annual Debtors Collection Rate

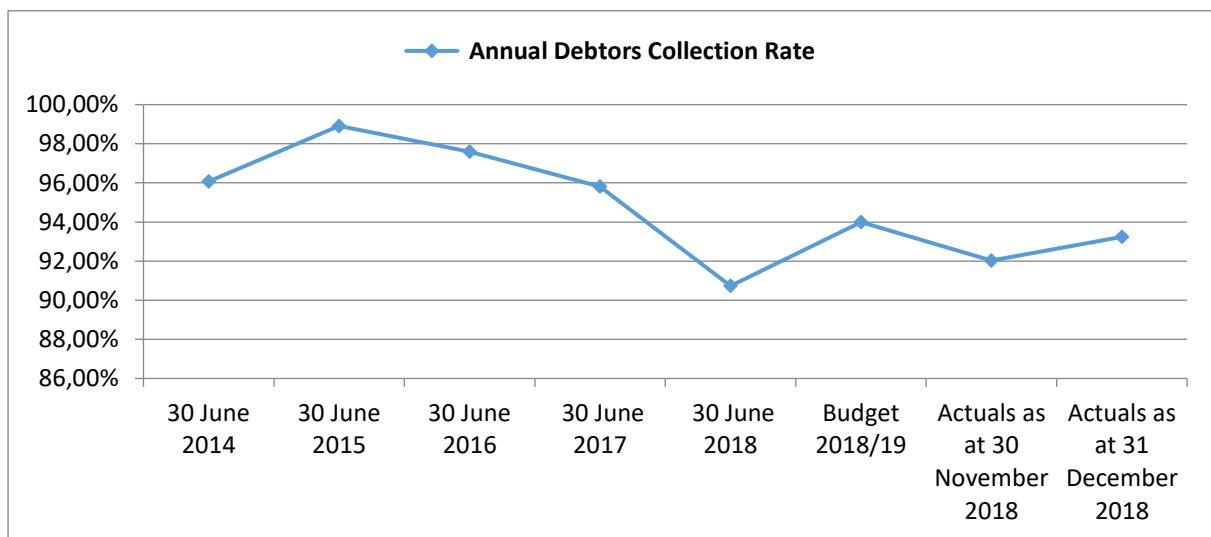
This ratio assesses the actual cash collected, compared to the monetary value of the municipal accounts rendered for municipal rates and services.

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 December 2018 was 93.24%, compared to the budgeted collection rate of 94%. The collection rate of 93.24% as at 31 December 2018 is influenced by the annual property rates raised in July 2018, 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.



5.4. Other indicators

5.4.1. 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.

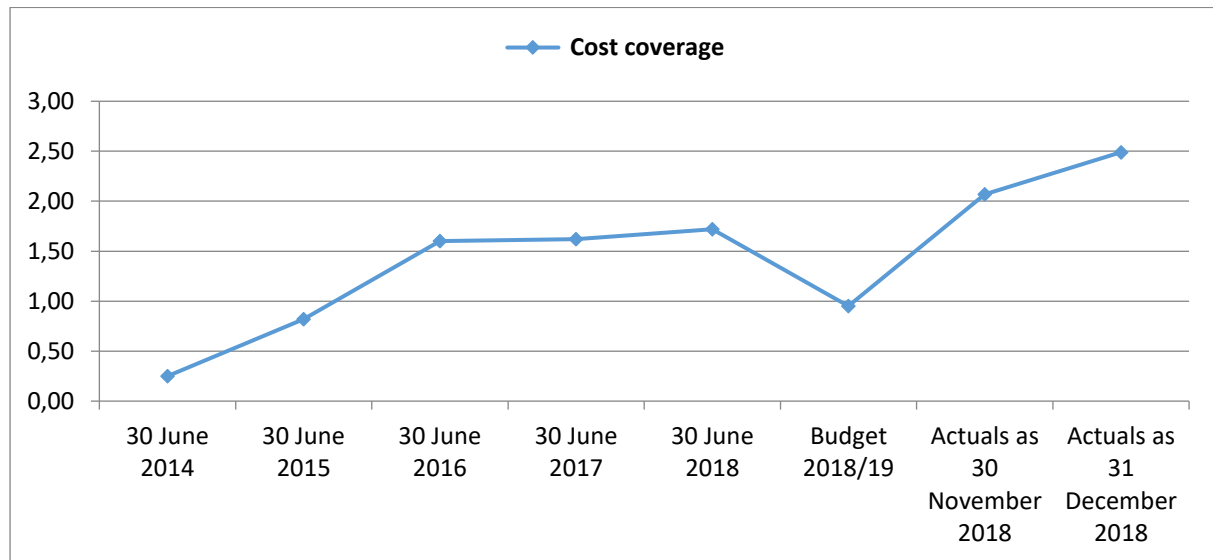
The Ratio is adjusted for Unspent Conditional Grants as the cash is not available for normal day-to-day operational expenditure, but rather reserved for Grant related expenditure.

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 December 2018, the Ratio was 2.49 months, compared to the budgeted ratio of 0.95 months.

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



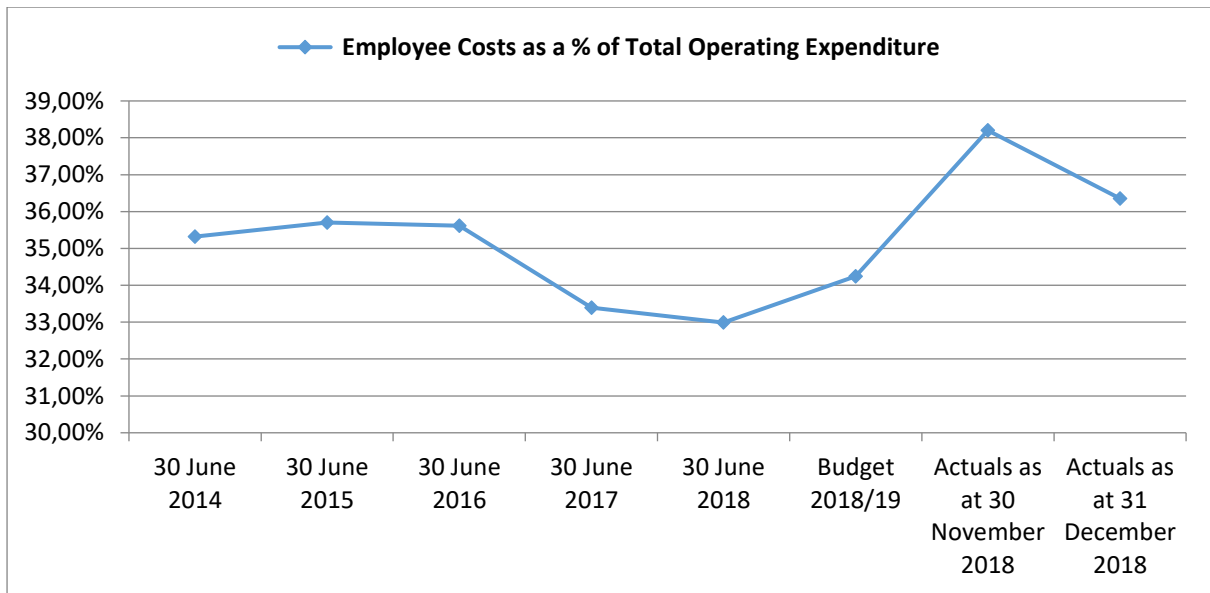
5.4.2. Employee costs as a % of Total Operating Expenditure

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 December 2018, Employee Related Costs constituted 36.35% of the Total Operating Expenditure, compared to the budgeted ratio of 34.24%.



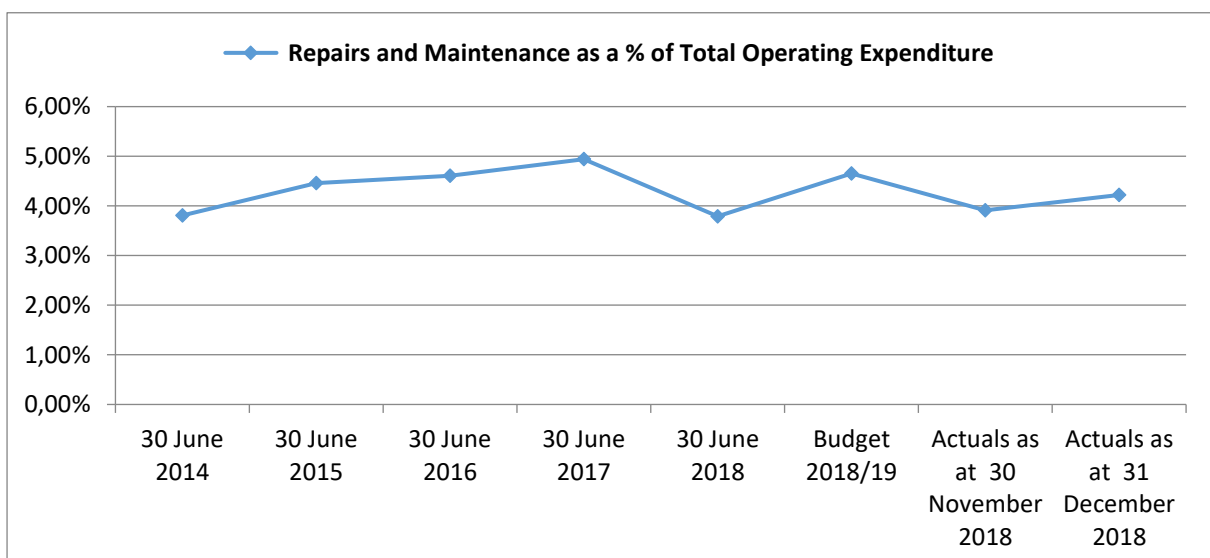
5.4.3. Repairs and Maintenance as a % of Total Operating Expenditure

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 December 2018, the ratio was 4.22%, compared to the budgeted ratio of 4.65%.



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

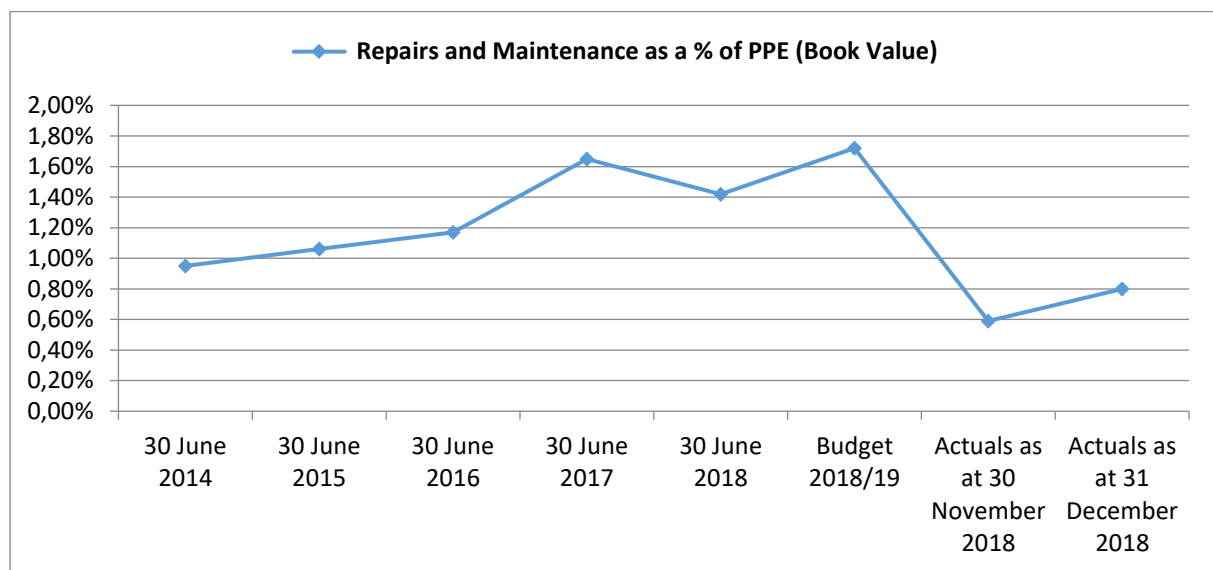
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to minimise breakdowns and interruptions in service delivery.

The ratio is determined as follows:

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

As at 31 December 2018, repairs and maintenance expenditure constituted 0.80% of the book value of PPE, compared to the budgeted ratio of 1.72%.

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



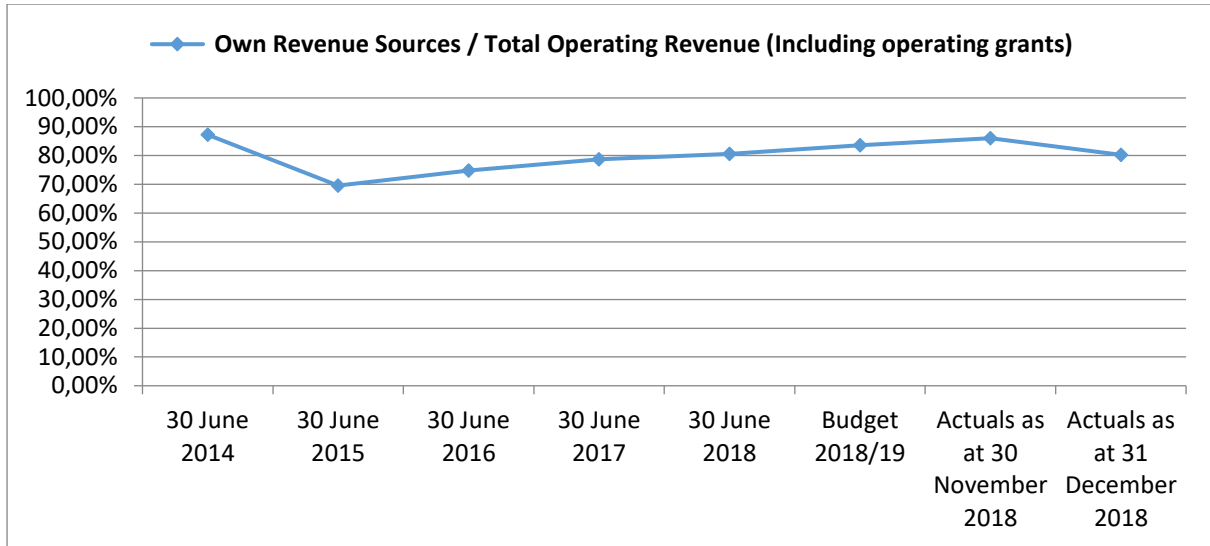
5.4.5. Own Revenue Generation

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 December 2018, the Municipality's own revenue sources constituted 80.28% of its total Operating Income, compared to the budgeted ratio of 83.60%.



5.4.6. Capital Budget Spending

This ratio assesses the level of actual capital spending, compared to the budgeted capital expenditure.

The ratio is determined as follows:

$$\text{Actual Capital spending} / \text{Approved Capital Budget}$$

The actual spending as at the end of December 2018 amounted to 35.20%, compared to the budgeted ratio of 95%.

