

ANALYSIS OF THE MUNICIPALITY'S BALANCE SHEET

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 September 2015 compared to the position as at 30 June 2015.

Debtors' Age Analysis (Inclusive of VAT) as at 30 June 2015

Detail	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-
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	R 59,122,904	R 30,031,623	R 22,450,986	R 13,550,648	R 12,794,554	R 11,646,457	R 52,566,687	R 230,123,936	R 432,287,796
Trade and Other Receivables from Exchange Transactions - Electricity	R 190,135,259	R 56,608,687	R 39,384,800	R 23,708,709	R 20,507,945	R 14,028,344	R 105,726,821	R 214,654,122	R 664,754,687
Receivables from Non-exchange Transactions - Property Rates	R 97,890,424	R 27,561,511	R 13,120,315	R 3,334,762	R 10,859,137	R 31,919,462	R 65,926,867	R 192,891,679	R 443,504,156
Receivables from Exchange Transactions - Waste Water Management	R 44,297,449	R 18,057,567	R 13,700,425	R 8,728,068	R 9,337,457	R 7,589,378	R 30,051,045	R 120,094,834	R 251,856,222
Receivables from Exchange Transactions - Waste Management	R 20,767,745	R 10,465,745	R 4,929,045	R 3,065,048	R 6,409,495	R 4,028,178	R 21,320,291	R 104,650,003	R 175,635,550
Receivables from Exchange Transactions - Property Rental Debtors	R 763,071	R 777,190	R 4,908,626	R 88,030	R 598,680	R 234,393	R 1,099,889	R 8,436,484	R 16,906,362
Interest on Arrear Debtor Accounts	R 12,521,974	R 14,038,488	R 9,226,293	R 4,946,481	R 12,592,512	R 8,482,085	R 50,912,081	R 352,174,722	R 464,894,637
Other	R 11,282,891	R 5,989,080	R 6,210,864	R 5,602,076	R 8,890,601	R 2,629,158	R 19,482,541	R 132,847,349	R 192,934,560
Total By Income Source	R 436,781,718	R 163,529,890	R 113,931,354	R 63,023,823	R 81,990,381	R 80,557,455	R 347,086,221	R 1,355,873,129	R 2,642,773,970
Debtors Age Analysis By Customer Group									
Organs of State	R 16,869,375	R 6,327,558	R 3,361,878	R 1,732,169	R 1,416,152	R 564,641	R 13,742,518	R 6,908,676	R 50,922,969
Commercial	R 229,705,881	R 73,841,568	R 54,930,094	R 27,971,438	R 37,403,385	R 33,247,055	R 152,324,526	R 431,171,866	R 1,040,595,812
Households	R 187,175,245	R 81,460,574	R 54,873,286	R 32,841,127	R 42,763,069	R 46,095,922	R 178,232,575	R 910,426,825	R 1,533,868,623
Other (NMBM)	R 3,031,217	R 1,900,190	R 766,096	R 479,088	R 407,774	R 649,837	R 2,786,603	R 7,365,761	R 17,386,566
Total By Customer Group	R 436,781,718	R 163,529,890	R 113,931,354	R 63,023,823	R 81,990,381	R 80,557,455	R 347,086,221	R 1,355,873,129	R 2,642,773,970

Debtors' Age Analysis (Inclusive of VAT) as at end of September 2015

Detail	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-
Debtors Age Analysis By Income Source									
Trade and Other Receivables from Exchange Transactions - Water	R 67,172,608	R 30,452,975	R 20,627,810	R 11,864,143	R 11,818,186	R 11,883,337	R 54,484,906	R 240,475,348	R 448,779,315
Trade and Other Receivables from Exchange Transactions - Electricity	R 303,654,010	R 60,948,860	R 21,906,161	R 7,967,381	R 5,118,233	R 6,255,181	R 19,643,195	R 211,080,678	R 636,573,700
Receivables from Non-exchange Transactions - Property Rates	R 1,293,396,433	R 30,002,133	R 9,504,695	R 2,345,549	R 8,900,811	R 9,578,225	R 68,403,896	R 204,191,782	R 1,626,323,524
Receivables from Exchange Transactions - Waste Water Management	R 46,775,341	R 20,070,375	R 11,545,943	R 7,811,708	R 6,409,533	R 7,786,114	R 35,289,582	R 124,960,371	R 260,648,968
Receivables from Exchange Transactions - Waste Management	R 26,267,608	R 8,337,812	R 5,164,694	R 3,215,911	R 6,214,056	R 3,787,858	R 22,673,958	R 109,435,940	R 185,097,836
Receivables from Exchange Transactions - Property Rental Debtors	R 1,873,458	R 447,597	R 405,088	R 121,886	R 613,068	R 3,795,984	R 1,041,029	R 8,699,608	R 16,997,719
Interest on Arrear Debtor Accounts	R 16,843,914	R 9,815,632	R 9,412,799	R 5,099,067	R 12,867,152	R 8,578,411	R 45,888,836	R 365,848,717	R 474,354,528
Other	R 15,406,047	R 14,548,791	R 5,214,156	R 5,004,366	R 4,255,608	R 5,025,197	R 24,069,474	R 135,735,881	R 209,259,520
Total By Income Source	R 1,771,389,420	R 174,624,176	R 83,781,348	R 43,430,011	R 56,196,648	R 56,690,307	R 271,494,875	R 1,400,428,325	R 3,858,035,110
Debtors Age Analysis By Customer Group									
Organs of State	R 96,353,077	R 7,460,627	R 3,109,021	R 2,242,396	R 626,234	R 315,604	R 827,694	R 5,657,375	R 116,592,027
Commercial	R 797,264,353	R 82,450,748	R 27,316,910	R 10,389,973	R 17,923,684	R 23,396,750	R 80,591,195	R 440,701,476	R 1,480,035,090
Households	R 867,921,338	R 84,187,006	R 52,302,807	R 30,680,545	R 37,442,996	R 32,831,421	R 188,420,718	R 944,515,994	R 2,238,302,826
Other (NMBM)	R 9,850,651	R 525,795	R 1,052,611	R 117,096	R 203,734	R 146,533	R 1,655,268	R 9,553,480	R 23,105,167
Total By Customer Group	R 1,771,389,420	R 174,624,176	R 83,781,348	R 43,430,011	R 56,196,648	R 56,690,307	R 271,494,875	R 1,400,428,325	R 3,858,035,110

The aforementioned analysis indicates that from 30 June 2015 to 30 September 2015 the overdue debts have decreased by R119.3 million as follows:

Debtors Age Analysis By Income Source	OVERDUE AMOUNTS AS AT		
	30 June 2015	At the End of September 2015	Difference
Trade and Other Receivables from Exchange Transactions - Water	R 373,164,892	R 381,606,706	R 8,441,814
Trade and Other Receivables from Exchange Transactions - Electricity	R 474,619,428	R 332,919,690	-R 141,699,738
Receivables from Non-exchange Transactions - Property Rates	R 345,613,732	R 332,927,091	-R 12,686,641
Receivables from Exchange Transactions - Waste Water Management	R 207,558,773	R 213,873,627	R 6,314,854
Receivables from Exchange Transactions - Waste Management	R 154,867,805	R 158,830,228	R 3,962,423
Receivables from Exchange Transactions - Property Rental Debtors	R 16,143,291	R 15,124,261	-R 1,019,030
Interest on Arrear Debtor Accounts	R 452,372,662	R 457,510,614	R 5,137,952
Other	R 181,651,669	R 193,853,474	R 12,201,804
Total By Income Source	R 2,205,992,252	R 2,086,645,690	R -119,346,562

	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	30 June 2015	At the End of September 2015	Difference
Debtors Age Analysis By Customer Group			
Organs of State	R 34,053,593	R 20,238,950	-R 13,814,643
Commercial	R 810,889,932	R 682,770,736	-R 128,119,195
Households	R 1,346,693,378	R 1,370,381,488	R 23,688,110
Other NMBM	R 14,355,349	R 13,254,516	-R 1,100,833
Total By Customer Group	R 2,205,992,252	R 2,086,645,690	R -119,346,562

The credit control policy is being implemented to its fullest extent except for the component dealing with the sale in execution of both movable and immovable assets.

Interest is being raised at 9% per month on overdue amounts.

2. Overview of Creditors position

Below is an analysis of the status of the major creditors:

Detail	0 – 30 Days	31-60 days	61 – 90 days	Above 91 days	Total	%
	R '000	R '000	R '000	R '000	R '000	
Bulk Electricity	0	0	0	0	0	0.00
Bulk Water	0	0	0	0	0	0.00
PAYE deductions	31,148	0	0	0	31,148	27.44
VAT (output less input)	0	0	0	0	0	0.00
Pensions / Retirement deductions	113	0	0	0	113	0.10
Loan Repayments	0	0	0	0	0	0.00
Trade Creditors	47,401	28,837	1,012	2,545	79,796	70.30
Auditor-General	1,867	(40)	0	0	1,827	1.61
Other	622	0	0	0	622	0.55
Total	81,151	28,797	1,012	2,545	113,505	100

The above amounts represent invoices still to be paid. Creditors' payments approximate 45 days, based on the date of invoice. The target for payment days is recorded at 30 days from receiving the relevant invoice from the service provider to the payment date. The 45 days excludes delayed payments as a result of irregular expenditure.

A monthly report is submitted to the Executive Committee on the outcome of the creditors' payment process. Executive Directors are held responsible for outcomes in the following two areas: -

- Adhering to the 19 days allocated to Directorates for processing of payments – this currently forms part of the Executive Directors' scorecards; and
- Reporting on and being held accountable for irregular expenditure – this is dealt with through the MPAC sub-committee for irregular, fruitless & wasteful and unauthorised expenditure.

Payment of Service Providers

Section 65(2)(e) of the MFMA states that “all monies owing by the Municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure”.

To ensure efficient administration all reporting in relation to payment is based on using the invoice date as the baseline and not the date of receipt of the invoice. An average number of days to make payment from the date of invoice have been calculated at 35 days, by allowing 5 days for postal travel of the invoice from the supplier to the municipality.

For performance measuring purposes the 35 days has been split as follows:

- Phase 1 – The Directorate has 19 days to process from date of invoice; and
- Phase 2 – Creditors, Accountants & Cash Management have 16 days to finalise the payment process.

It must be noted that the date of receipt is inserted in the payments program by the directorate who is capturing the invoice. This date is subjective as it relies on the directorate to be honest when capturing the date the invoice document was physically received by the municipality.

This reporting standard is being applied due to the fact that:

- Service Providers give discount based on the invoice date, irrespective of the invoice receipt date.
- Performance of the NMBM in relation to payment is determined by the Service Provider from the date of the invoice.
- Recording of the invoice receipt date may be subjective, impractical to manage and difficult to prove.

Table 1: Reflecting number of Days taken by Directorates to process documentation for payment by Creditors Section from Date of Invoice

DIRECTORATE	July	Total No of Invoices	August	Total No of Invoices	September	Total No of Invoices
Budget & Treasury	9	1052	10	975	29	975
Chief Operating Officer	79	98	112	140	75	140
Corporate Services	20	2831	41	553	33	553
Economic Development, Tourism & Agriculture	19	47	34	28	25	28
Electricity & Energy	34	307	28	264	36	264
Human Settlements	37	230	44	173	50	173
Infrastructure & Engineering: Rate & General	22	1298	18	1397	18	1397
Water Services	36	159	30	158	25	158
Municipal Manager	25	13	25	18	12	18
Office of the Executive Mayor	69	9	155	79	199	79
Public Health	26	298	37	260	30	260
Recreational & Cultural Services	23	208	26	149	19	149
Safety & Security	26	384	30	480	28	480
Sanitation	22	220	18	201	19	201

DIRECTORATE	July	Total No of Invoices	August	Total No of Invoices	September	Total No of Invoices
Special Projects & Programmes	20	16	43	5	29	5
Average for all Directorates	23		28		31	

Table 1 above illustrates by Directorate the number of days taken to process documentation from the date of the invoice. The Directorates are still lagging in efforts to meet the 19 days turnaround time assigned to them in Phase 1.

Only four (4) Directorates have met the 19 days turnaround time for the latest month (**September**):

Directorate	No. of Days (September)
Municipal Manager	12
Infrastructure and Engineering: Rate & General	18
Sanitation	19
Recreational and Cultural Services	19

During September the number of days to process documentation has increased significantly from August for the following Directorates:

Directorate	No. of Days (September)
Office of the Executive Mayor	199
Human Settlements	50
Electricity and Energy	36
Budget and Treasury	29
Economic Development, Tourism & Agriculture	34

The September 2015 payment days' result of 199 days for the Office of the Executive Mayor is attributed to various payments made to DEES CATERERS SERVICES AND SUPPLIES & KELLY GROUP LTD, which were in excess of 200 days.

The number of days taken to process documentation for payment will still impact negatively on the NMBM's compliance with Section 65(2) (e) of the MFMA. Compliance with Section 65 (2) (e) of the MFMA is dependent on all role-players within the payment value chain adhering to their respective timeframe

Table 2: Reflecting Average number of Days taken by the NMBM to pay Service Providers from the date that the EFT is available for release

	Number of Days taken by Accountant to sign off documentation	Number of Days taken by Creditors to process & final Sign Off of EFT	Delay in release of EFT's	Total No. of days from date Directorate approves invoice
July	3	9	5	17
August	4	15	2	21
September	4	8	2	14

Table 2 above reflects the Phase 2 process payment cycle where the target has been set at **16 days**. The target for this phase of processing has by and large been met for the months of July 2015 to September 2015. If we combine Phase 1 and Phase 2 in the payment

process then the number of days taken to pay creditors from date of invoice is as follows against the target of 35 days.

July 2015 - 40days
 August 2015 - 49 days
 September 2015 - 45 days

The National Treasury target has been set at 30 days from the date when the invoice has been received. By using the receipt date of the invoice, as recorded by the Directorate, the number of days taken to pay creditors during the quarter is as follows:

July 2015 - 29 days
 August 2015 - 33 days
 September 2015 - 34 days

The above results indicate that during the period July to September 2015, Creditors' payment days were not within the National Treasury target for the months of August and September 2015. It remains the responsibility of each Directorate to ensure that Invoices are received and processed relating to service delivery within their Directorate.

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 30 September 2015

Financial Institution	ABSA	FNB	Investec	Nedbank	Nedbank	Standard Bank	MBDA Invest & Cash	ABSA	Total
Type of Investment	Term Deposit R'000	Term Deposit R'000	Call Deposit R'000	Term Deposit R'000	Call Deposit R'000	Term Deposit R'000	R'000	Current Account R'000	R'000
Value of Investment 30 June 2015	275,000	275,000	108,520	175,000	125,500	261,152	53,657	171,708	1,445,536
Add: Investments Made (Jul 2015 to Sep 2015)	438,000	438,000	1,564	308,000	100,000	413,000	0	0	1,698,564
Less: Investments Matured (Jul 2015 to Sep 2015)	-458,000	-458,000	0	-343,000	-100,000	-413,000	0	0	-1,772,000
Net movement in current account	0	0	0	0	0	0	-22,732	123,457	100,725
Value of Investments: 30 Sep 2015	255,000	255,000	110,084	140,000	125,500	261,152	30,925	295,165	1,472,826
% Exposure Of Institution	17.31%	17.31%	7.47%	9.51%	8.52%	17.73%	2.10%	20.05%	100%
Actual Interest Earned (Jul 2015 to Sep 2015)	3,485	3,478	-2,913	2,489	1,174	2,216	663	2,238	12,830

The increase in the investment portfolio since 30 June 2015 amounts to R27.3 million. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves
 Bank Balances and Cash
 Short-term Investment Deposits

R'000
 295,167
 1,177,659
1,472,826

Application of Cash

Unspent Conditional Grants	403,776
Statutory Funds – COID	21,152
Self Insurance Fund	32,500
Outstanding Creditors Liability	113,505
Internally Generated Funding	553,067
Current Provisions	<u>180,740</u>
	<u>1,304,740</u>

Reserves in excess of commitments

168,086

The cash backed reserves exceed the commitments at this stage by an amount of R168.1 million. It should be noted that the excess of reserves over commitments as at 30 September, is mainly due to the Equitable Share and Fuel levy being received, but not yet fully spent. These funds are already committed towards spending in the 2015/16 Operating and Capital budgets. The sustainability of the Municipality will remain under pressure until sufficient working capital levels have been established. The following financial strategies are being implemented to address this situation:

- Operating and Capital expenditure funded from the Municipality's own revenue sources have been reduced to the financial affordability levels established in terms of the 2015/16 Budget.
- Optimisation of all revenue streams.
- Increasing collection rates above the targeted percentage utilising the credit control policy of Council and the Debt Relief Programme, integrated with the Masakhane Programme.
- Disposal of serviced land in order to boost the depleted Capital Replacement Reserve.
- No capital projects will be funded from the Municipality's own revenue sources until such time as sufficient funds are available to cover the commitments not yet funded.

4. Allocation and Grant receipts and expenditure for the 2015/16 financial year

Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts – M03 September 2015

Description	Budget Year 2015/16							
	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:	1,024,702	-	880	428,545	428,545	(0)	0.0%	1,024,702
Local Government Equitable Share	774,616			322,757	322,757	-		774,616
Energy Efficiency and Demand Management	10,000			-				10,000
EPWP Incentive	8,664			3,466	3,466			8,664
Public Transport Network Operations	150,000			93,064	93,064			150,000
Finance Management	1,050			1,050	1,050			1,050
Infrastructure Skills Development	9,000			3,300	3,300	-		9,000
Integrated City Development	5,708			2,854	2,854	-		5,708
Urban Settlements Development	51,317			-		-		51,317
Municipal Human Settlements Capacity	9,847			-		-		9,847
LGSETA	4,500		880	2,054	2,054	(0)	0.0%	4,500
Provincial Government:	323,144	-	7,774	30,232	30,232	-		323,144

Description	Budget Year 2015/16							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Sport and Recreation	9,752			–		–		9,752
Health subsidy	1,957			–				1,957
Human Settlements Development	310,905		7,774	30,102	30,102	–		310,905
Marine Coastal	530			130	130			530
District Municipality:	–	–	–	–	–	–		–
						–		
Other grant providers:	7,872	–	–	2	–	2		7,872
<i>Groen Sebenza(SANBI)</i>	842			–				842
<i>IDC(MBDA)</i>	2,500			–				2,500
<i>KFW (MBDA)</i>	4,530			2				4,530
						–		
Total Operating Transfers and Grants	1,355,719	–	8,654	458,779	458,777	2	0.0%	1,355,719
Capital Transfers and Grants								
National Government:	1,072,919	–	9,090	282,233	282,233	–		1,072,919
Public Transport and Systems	222,256			–		–		222,256
Neighbourhood Development Partnership	20,000			–		–		20,000
Urban Settlements Development	795,163			267,070	267,070	–		795,163
Intergrated National Electrification	35,500		9,090	15,163	15,163	–		35,500
Smart Grids						–		
						–		
						–		
Provincial Government:	–	–	–	–	–	–		–
						–		
District Municipality:	–	–	–	–	–	–		–
						–		
Other grant providers:	20,903	–	–	–	–	–		20,903
<i>KFW (MBDA)</i>	20,903			–		–		20,903
Total Capital Transfers and Grants	1,093,821	–	9,090	282,233	282,233	–		1,093,821
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,449,540	–	17,744	741,012	741,010	2	0.0%	2,449,540

Below is an analysis of the spending associated with the grants as at 30 September 2015:

Supporting Table SC7(1) Monthly Budget Statement - transfers and grants expenditure – M03 September 2015

Description R thousands	Budget Year 2015/16							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	% YTD variance	Full Year Forecast
EXPENDITURE								
Operating expenditure of Transfers and Grants								
National Government:	1,024,702	–	71,311	205,447	204,243	670	0.3%	1,024,702
Local Government Equitable Share	774,616		64,551	193,654	193,654	(0)	0.0%	774,616
Energy Efficiency and Demand Management	10,000		4,019	4,312	4,312	0	0.0%	10,000

Description R thousands	Budget Year 2015/16							
	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	% YTD variance	Full Year Forecast
EPWP Incentive	8,664		96	223	223	0	0.1%	8,664
Public Transport Network Operations	150,000		306	1,603	1,603	0	0.0%	150,000
Finance Management	1,050		35	134	99	35	35.1%	1,050
Infrastructure Skills Development	9,000		634	1,905	1,270	635	50.0%	9,000
Intergrated City Development	5,708			-		-		5,708
Urban Settlements Development	51,317			-				51,317
Municipal Human Settlements Capacity	9,847		1,134	1,854	1,854			9,847
LGSETA	4,500		535	1,762	1,228			4,500
Provincial Government:	328,144	-	22,056	45,311	45,311	(0)	0.0%	328,144
Sport and Recreation	9,752			-		-		9,752
Health subsidy	1,957			-		-		1,957
Human Settlements Development	310,905		22,056	45,311	45,311	(0)	0.0%	310,905
DRPW(Maintenance of Roads)	5,000			-				5,000
Marine Coastal	530			-				530
Other grant providers:	3,342	-	-	699	697	2	0.3%	3,342
Other	842			-				842
IDC(MBDA)	2,500			697	697			2,500
KFW (MBDA)				2				
Total operating expenditure of Transfers and Grants:	1,356,189	-	93,367	251,456	250,251	671	0.3%	1,356,189
Capital expenditure of Transfers and Grants								
National Government:	1,072,919	-	89,479	145,741	145,740	1	0.0%	1,072,919
Public Transport and Systems	222,256		(520)	697	697	0	0.1%	222,256
Neighbourhood Development Partnership	20,000		1,016	2,369	2,369	0	0.0%	20,000
Urban Settlements Development	795,163		85,977	138,319	138,319	0	0.0%	795,163
Integrated National Electrification	35,500		3,006	4,356	4,356	0	0.0%	35,500
Provincial Government:	-	-	-	-	-	-		-
Other grant providers:	20,903	-	-	-	-	-		20,903
<i>KFW (MBDA)</i>	20,903			-		-		20,903
Total capital expenditure of Transfers and Grants	1,093,821	-	89,479	145,741	145,740	1	0.0%	1,093,821
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	2,450,010	-	182,846	397,197	395,991	672	0.2%	2,450,010

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

Grants received from National Government

DORA Operating Grants:

Expanded Public Works Programme (EPWP)

This grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery.

DORA Allocation: R 8 664 000
Amount of Grant Received: R 3 466 000
Expenditure to date: R 233 000

Unspent as at 30 September 2015: R 8 441 000

As at 30 September 2015, only 2.6% of the DORA allocation was spent.

Public Transport Networks Operations

This grant is to provide supplementary operational funding to municipalities.

DORA Allocation: R150 000 000

Amount of Grant Received: R 93 064 000

Expenditure to date: R 1 603 000

Unspent as at 30 September 2015: R148 397 000

As at 30 September 2015, only 1.1% of the DORA allocation was spent.

Energy Efficiency and Demand Side Management (EEDSM)

This grant is to provide funding to municipalities to implement EEDSM initiatives in order to reduce electricity consumption and improve energy efficiency.

DORA Allocation: R10 000 000

Amount of Grant Received: R0

Expenditure to date: R 4 312 000

Unspent as at 30 September 2015: R 5 688 000

As at 30 September 2015, 43.1% of the DORA allocation was spent.

Infrastructure Skills Development

This grant is to strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills.

DORA Allocation: R9 000 000

Amount of Grant Received: R3 300 000

Expenditure to date: R1 905 000

Unspent as at 30 September 2015: R7 095 000

As at 30 September 2015, 21.2% of the DORA allocation was spent.

A roll-over request of R248 644 for the 2014/15 unspent conditional grant was submitted to National Treasury.

Integrated City Development Grant

This grant is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

DORA Allocation: R5 708 000

Amount of Grant Received: R2 854 000

Expenditure to date: R0

Unspent as at 30 September 2015: R5 708 000

As at 30 September 2015, no spending has been incurred against the DORA allocation.

Finance Management Grant

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 1 050 000
Amount of Grant Received: R 1 050 000
Expenditure to date: R 134 000
Unspent as at 30 September 2015: R 916 000

As at 30 September 2015, 12.8% of the DORA allocation was spent.

Human Settlements Development Grant

This grant is to provide funding to create sustainable human settlements that enable an improved quality of household life, improved access, integration and settlements

DORA Allocation: R310 905 000
Amount of Grant Received: R 30 102 000
Expenditure to date: R 45 311 000
Unspent as at 30 September 2015: R265 594 000

As at 30 September 2015, 14.6% of the DORA allocation was spent.

Municipality Human Settlements Capacity Grant

This grant is to provide funding to ensure effective management of human settlements programmes at the local government level in line with the accreditation framework.

DORA Allocation: R9 847 000
Amount of Grant Received: R0
Expenditure to date: R 762 000
Unspent as at 30 September 2015: R8 085 000

As at 30 September 2015, 17.9% of the DORA allocation was spent.

A roll-over request of R23 235 274 for the 2014/15 unspent conditional grant was submitted to National Treasury.

Urban Settlements Development Grant

This grant is to assist metropolitan municipalities to improve urban land production to the benefit of poor households, to improve spatial integration and densities by supplementing the budgets of metropolitan municipalities.

DORA Allocation: R51 317 000
Amount of Grant Received: R0
Expenditure to date: R0
Unspent as at 30 September 2015: R51 317 000

As at 30 September 2015, no spending has been incurred against the DORA allocation.

Capital Grants (DORA)

Urban Settlements Development Grant

This grant is to assist metropolitan municipalities to improve urban land production to the benefit of poor households, to improve spatial integration and densities by supplementing the budgets of metropolitan municipalities.

DORA Allocation: R795 163 000
Amount of Grant Received: R267 070 000
Expenditure to date: R138 319 000
Unspent as at 30 September 2015: R656 844 000

As at 30 September 2015, 17.4% of the DORA allocation was spent.

Integrated National Electrification Programme

This grant is to provide funding to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

DORA Allocation: R 35 500 000
Amount of Grant Received: R 15 163 000
Expenditure to date: R 4 356 000
Unspent as at 30 September 2015: R 31 144 000

As at 30 September 2015, 12.3% of the DORA allocation was spent.

Neighbourhood Development Partnership

This grant is to support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage third party public and private sector development towards improving the quality of life of residents in targeted underserved neighbourhoods.

DORA Allocation: R20 000 000
Amount of Grant Received: R0
Expenditure to date: R 2 369 000
Unspent as at 30 September 2015: R17 631 000

As at 30 September 2015, 11.8% of the DORA allocation was spent.
A roll-over request of R980 950 for the 2014/15 unspent conditional grant was submitted to National Treasury.

Public Transport Infrastructure Grant

This grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

DORA Allocation: R222 256 000
Amount of Grant Received: R0
Expenditure to date: R 697 000
Unspent as at 30 September 2015: R221 559 000

As at 30 September 2015, only 0.3% of the DORA allocation was spent.

5. Councillor and Board members' allowances and employee benefits

Below is an analysis of Councillor, Board members' allowances and employee benefits:

**Supporting Table SC8 Monthly Budget Statement - Councillor and staff benefits – M03
September 2015**

Summary of Employee and Councillor remuneration	Budget Year 2015/16							
	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	61,205		4,724	14,204	14,435	(231)	-2%	61,205
Cellphone Allowance	2,760		217	652	651	1	0%	2,760
Other benefits and allowances	464		43	46	110	(63)	-58%	464
Sub Total - Councillors	64,429	-	4,984	14,902	15,195	(293)	-2%	64,429
<u>Senior Managers of the Municipality</u>								
Basic Salaries and Wages	19,780		1,505	4,515	4,660	(145)	-3%	19,780
Performance Bonus	2,769		-	-	652	(652)	-100%	2,769
Sub Total - Senior Managers of Municipality	22,549	-	1,505	4,515	5,313	(798)	-15%	22,549
<u>Other Municipal Staff</u>								
Basic Salaries and Wages	1,484,206		127,410	326,454	349,703	(23,249)	-7%	1,484,206
Pension and UIF Contributions	249,662		24,365	61,599	58,824	2,774	5%	249,662
Medical Aid Contributions	130,517		11,139	32,615	30,752	1,863	6%	130,517
Overtime	105,334		12,756	21,863	24,818	(2,955)	-12%	105,334
Performance Bonus	31,820		2,863	6,228	7,497	(1,270)	-17%	31,820
Motor Vehicle Allowance	67,622		5,612	16,674	15,933	741	5%	67,622
Cellphone Allowance	56		2	5	13	(9)	-65%	56
Housing Allowances	8,351		602	1,795	1,968	(173)	-9%	8,351
Other benefits and allowances	69,300		6,924	18,336	16,328	2,008	12%	69,300
Payments in lieu of leave	12,841		-	-	3,026	(3,026)	-100%	12,841
Long service awards	40,423		4,364	10,111	9,524	587	6%	40,423
Post-retirement benefit obligations	52,102		-	-	12,276	(12,276)	-100%	52,102
Sub Total - Other Municipal Staff	2,252,234	-	196,038	495,679	530,663	(34,984)	-7%	2,252,234
Total Parent Municipality	2,339,212	-	202,527	515,096	551,171	(36,075)	-7%	2,339,212
Unpaid salary, allowances & benefits in arrears:								
<u>Board Members of Entities</u>								
Sub Total - Board Members of Entities	-	-	-	-	-	-		-
<u>Senior Managers of Entities</u>								
Basic Salaries and Wages	6,445		405	1,214	1,611	(397)	-25%	6,445
Pension and UIF Contributions	640		52	210	160	50	31%	640
Medical Aid Contributions	157		28	84	39	45	114%	157
Performance Bonus	607		54	652	152	500	330%	607
Motor Vehicle Allowance	124		9	27	31	(4)	-13%	124
Sub Total - Senior Managers of Entities	7,972	-	548	2,187	1,993	194	10%	7,972
<u>Other Staff of Entities</u>								
Basic Salaries and Wages	5,467		164	799	1,367	(568)	-42%	5,467
Pension and UIF Contributions	571		49	164	143	21	15%	571
Medical Aid Contributions	376		37	123	94	29	30%	376
Other benefits and allowances	347		10	184	87	97	112%	347
Sub Total - Other Staff of Entities	6,761	-	259	1,269	1,690	(421)	-25%	6,761
Total Municipal Entities	14,733	-	808	3,456	3,683	(227)	-6%	14,733
TOTAL SALARY, ALLOWANCES & BENEFITS	2,353,945	-	203,335	518,552	554,854	(36,302)	-7%	2,353,945
TOTAL MANAGERS AND STAFF	2,289,517	-	198,351	503,650	539,659	(36,009)	-7%	2,289,517

6. Key performance indicators

The table below reflects the key performance indicators as per the 2015/16 Budget and the associated performance to date.

Supporting Table SC2 Monthly Budget Statement - performance indicators – M03 September 2015

Description of financial indicator	Basis of calculation	Original	YearTD	Full Year
		Budget	actual	Forecast
Borrowing Management				
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure	3.09%	3.15%	3.09%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants	0.00%	0.00%	0.00%
Safety of Capital				
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves	29.47%	26.60%	29.47%
Gearing	Long Term Borrowing/ Funds & Reserves	11.07%	10.92%	11.07%
Liquidity				
Current Ratio	Current assets/current liabilities	116.49%	132.59%	116.49%
Liquidity Ratio	Monetary Assets/Current Liabilities	48.33%	67.71%	48.33%
Revenue Management				
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	94.0%	116.10%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.80%	14.79%	17.80%
Creditors Management				
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	75.00%	50.00%	75.00%
Other Indicators				
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	10.00%	13.56%	10.00%
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	41.30%	49.35%	41.30%
Employee costs	Employee costs/Total Revenue - capital revenue	25.77%	23.78%	19.98%
Repairs & Maintenance	R&M/Total Revenue - capital revenue	5.91%	3.50%	5.91%
Interest & Depreciation	I&D/Total Revenue - capital revenue	11.73%	3.36%	11.73%
IDP regulation financial viability indicators				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	27.74	24.74	27.74
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	18.76%	10.32%	18.76%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.55	1.79	1.55

The above table is discussed in detail below.

6.1 Borrowing Management

6.1.1 Borrowing to Asset Ratio

This ratio assesses to what extent there are adequate assets to cover the amount of outstanding long-term borrowing (refer figure 1).

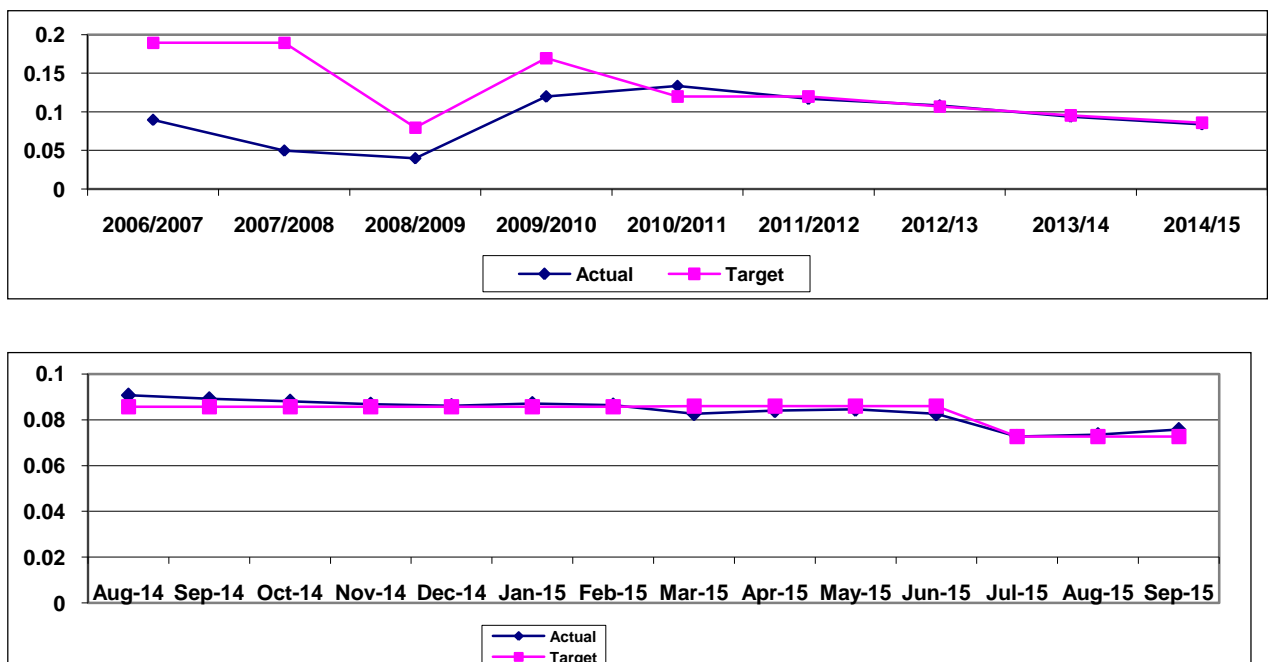
The ratio is determined as follows:

Long-Term Borrowing / Total Assets

The risk that the Municipality might not be able to settle its long term borrowing becomes greater if this ratio is high. The Municipality must therefore exercise due caution, so that its assets are not overburdened by raising excessive borrowing. The careful and judicious management of borrowing is considered very critical, in order to ensure the Municipality's continued financial viability.

As at the end of September 2015, the borrowing to asset ratio was at **0.0758:1**, compared to the operating budget target of 0.0753:1. The NMBM pre-audited ratio as at 30 June 2015 was 0.0841:1. A ratio of 0.0753:1 as reflected in the 2015/16 Approved Operating Budget appears to be appropriate for the Municipality from a financial affordability and sustainability perspective. External borrowing should only be utilised for the creation of economic assets that will generate future revenue streams for the Municipality.

Figure 1: Borrowing to Asset Ratio



6.1.2 Capital Charges to Operating Expenditure

This ratio indicates the proportion of capital charges (interest and principal paid on borrowing) to actual operating expenditure to date. The ratio also provides an assurance that the proportion of capital charges to total annual operating expenditure is financially prudent. (Refer figure 2).

The ratio is determined as follows:

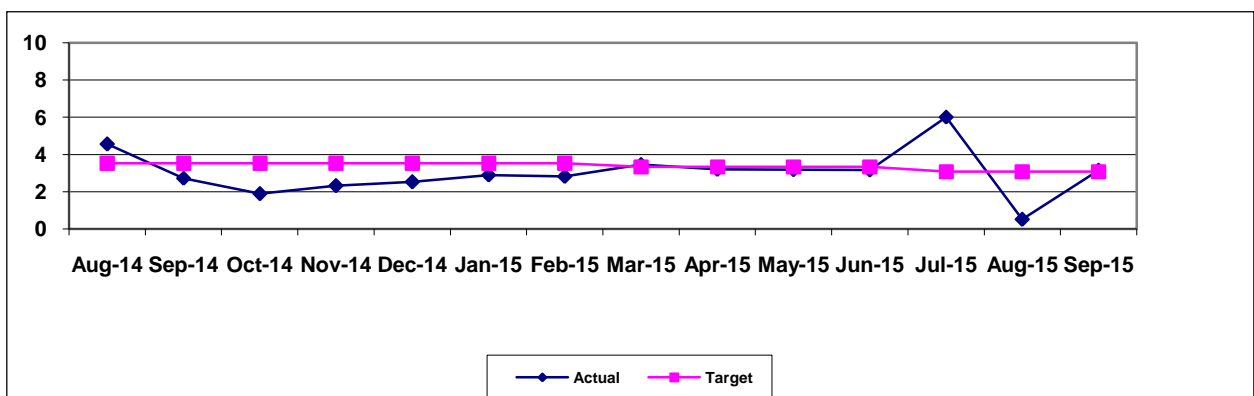
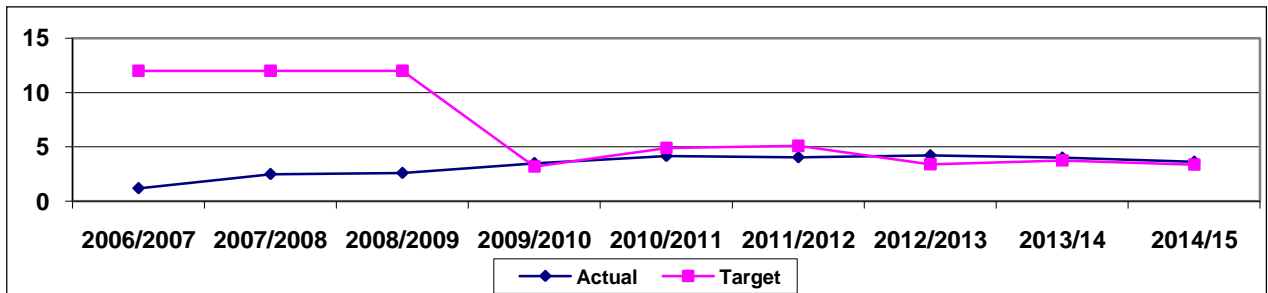
Capital Charges / Total Operating Expenditure to date

The ratio indicates that **3.15%** of the Operating Budget was utilised for capital charges, compared to the operating budget target of 3.09%. The pre-audited ratio as at 30 June 2015

was 3.63%. The ratio will normalise over the period to December 2015 as further interest payments on external loans are being made in accordance with the loan repayment schedules.

Capital charges (Debt servicing costs) are paid at specific intervals. However, the ability of the Municipality to service new borrowing is under pressure, and it is clear from an overall cash flow position that the Municipality cannot afford to take up external loans for the 2015/16 MTREF period up to 30 June 2018.

Figure 2: Capital Charges to Annual Operating Expenditure



6.1.3 Borrowed funding of capital expenditure

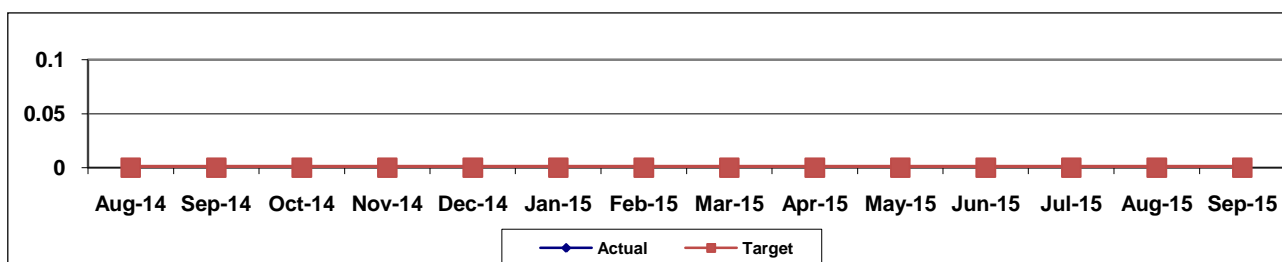
This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded expenditure (refer figure 3).

The ratio is determined as follows:

$$\text{Capital expenditure funded from Borrowings} / \text{Total Capital Expenditure to date (excluding transfers and grants)}$$

The ratio was 0% (or **0.0:1**) as no capital expenditure was funded from borrowings, which is in line with the budget target as per the 2015/16 Operating Budget as no borrowing is planned for the 2015/16 to 2017/18 financial years. As indicated elsewhere in the report, the Municipality has exhausted its borrowing capacity and will therefore not take up any further loans over at least the next two financial years.

Figure 3: Borrowed funding of Capital Expenditure



6.1.4 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. (refer figure 4).

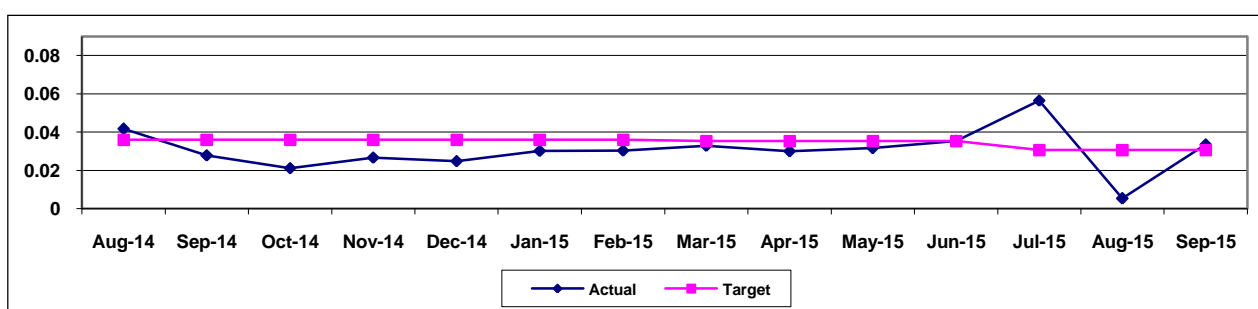
The ratio is determined as follows:

$$\text{Debt Servicing Costs / Operating Revenue}$$

The risk that the Municipality might not be able to settle its annual long term borrowing commitments becomes greater if this ratio is high. The Municipality must therefore exercise due caution, so that its operating revenues are not overburdened by the level of borrowing. The careful and judicious management of borrowing is considered very critical, in order to ensure the Municipality's continued financial viability.

As at the end of September 2015, the debt servicing costs to operating revenue ratio was at **0.0336:1**, compared to an operating budget target of 0.0307:1. The NMBM pre-audited ratio as at 30 June 2015 was 0.0359:1. A ratio of 0.0307:1 appears to be the maximum borrowing level for the Municipality from a financial affordability and sustainability perspective. The ratio will normalise over the period to December 2015 as further interest payments on external loans are being made in accordance with the loan repayment schedules.

Figure 4: Debt Servicing Costs to Operating Revenue Ratio



6.2 Safety of Capital

6.2.1 Gearing Ratio

The gearing ratio assesses the percentage of capital employed that is financed by long term borrowing (refer figure 5).

The ratio is determined as follows:

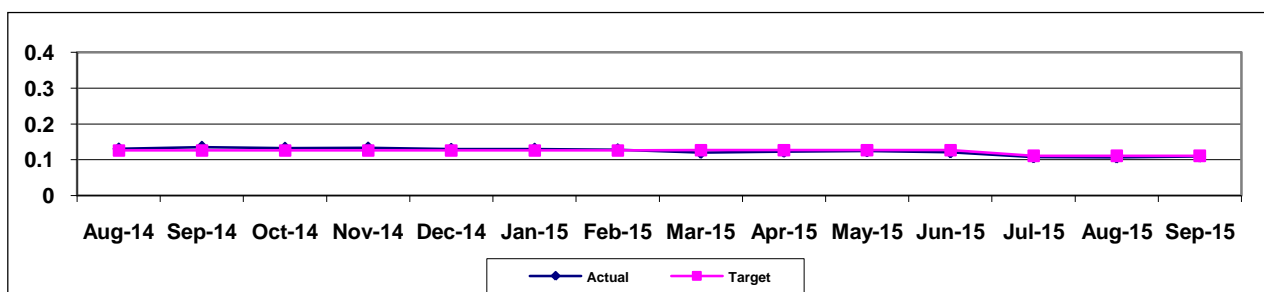
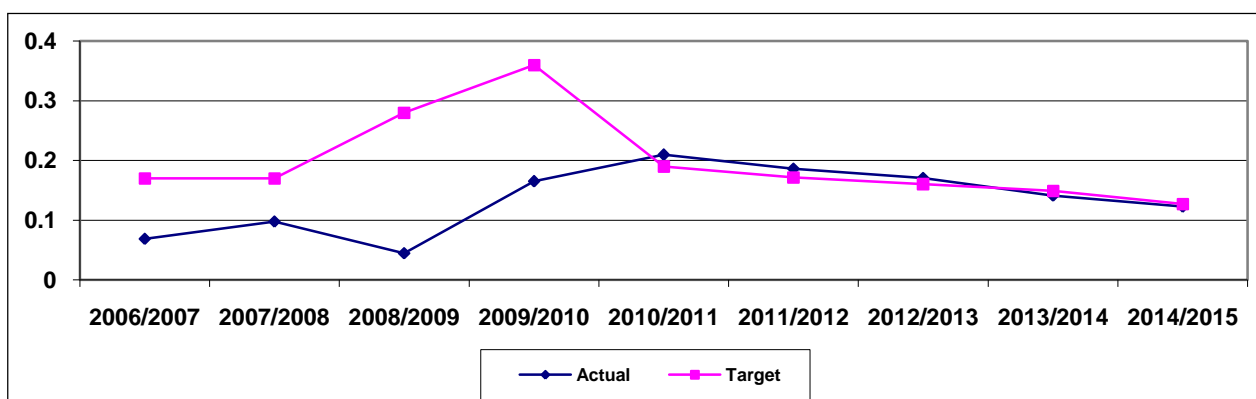
Long Term Borrowing / Funds & Reserves (Equity)

The higher the gearing ratio, the higher the dependence will be on borrowings. The lower the gearing ratio, the higher will be the dependence on the Municipality's funds and reserves.

The gearing ratio as at the end of September 2015 was **0.1092:1**, compared to the 2014/15 operating budget target of 0.1107:1. The NMBM pre-audited ratio as at 30 June 2015 is 0.1225:1.

As no further borrowing is anticipated for the 2015/16 to 2017/18 financial years, the ratio will reduce as outstanding borrowings decrease and equity improves over the next three financial years.

Figure 5: Gearing Ratio



6.3 Liquidity

6.3.1 Current Ratio

The current ratio assesses a Municipality's ability to meet its short-term commitments (refer figure 6).

The ratio is determined as follows:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The different components of current assets and current liabilities are reflected below.

Current assets	R	%
Cash and Investments	1,472,826	51.06
Consumer Debtors	904,697	31.37
Other Debtors	397,658	13.79
Current portion of long term Receivables	0	0.00
Inventory	109,165	3.78
Total	2,884,346	100

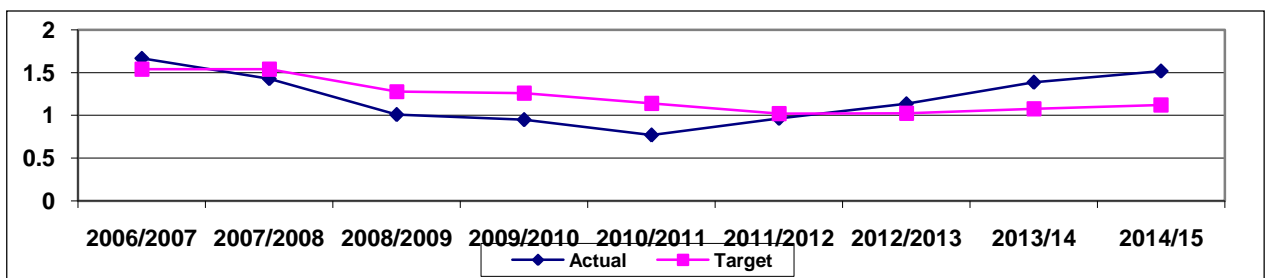
Current liabilities	R	%
Borrowing	93,920	4.32
Consumer Deposits	100,348	4.61
Trade and Other Payables	1,800,309	82.76
Provisions	180,740	8.31
Total	2,175,317	100

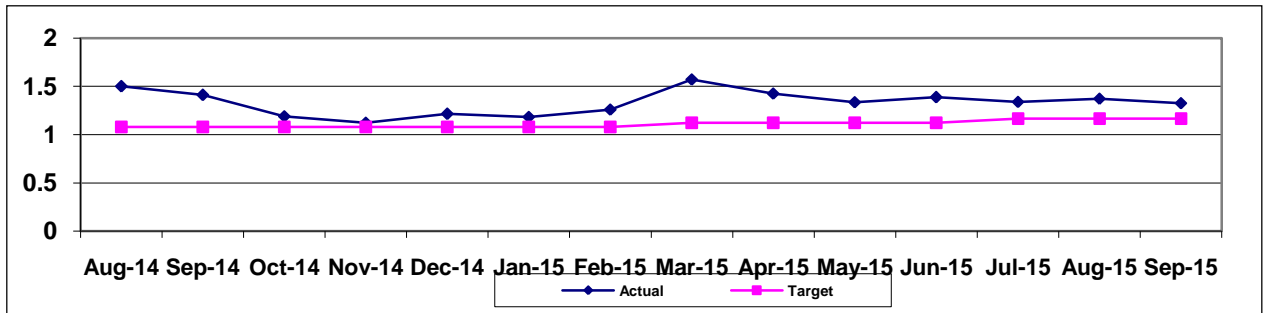
It is to be noted that cash and investments, consumer debtors and inventory comprise 51.06%, 31.37% and 3.78% respectively of total current assets. Trade and other payables constitute 82.76% of total current liabilities (refer to Sections 1.8.3, 1.8.1 and 1.8.2 of this report for a further discussion on investments, debtors and creditors).

A favourable ratio would ensure that the Municipality is able to settle its short-term commitments to its creditors. In this regard, it is important that the Municipality ensures the relative liquidity of its current assets. Non-liquid assets, such as long outstanding debtors, could negatively impact on liquidity, possibly resulting in a situation where current assets are not liquid enough to cover current liabilities. The ratio as at 30 September 2015 was **1.33:1**. The NMBM pre-audited ratio as at 30 June 2015 is 1.52:1.

The current ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. Although the 2015/16 budgeted target is 1.16:1, it does not imply that it is a satisfactory target. In this regard a financial recovery plan has been drafted and is being implemented to ensure the ongoing financial sustainability of the Municipality.

Figure 6: Current Ratio





6.3.2 Liquidity Ratio

The liquidity ratio assesses a Municipality's ability to meet its short-term commitments from Monetary Assets (refer figure 7).

The ratio is determined as follows:

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

The different components of monetary assets and current liabilities are reflected below.

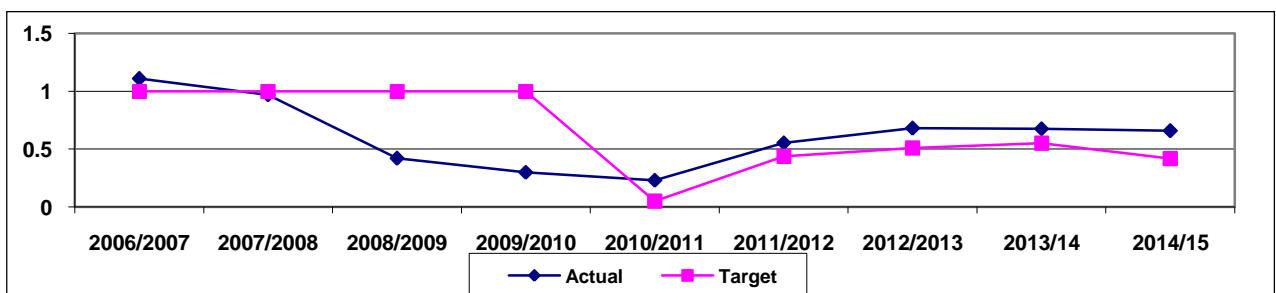
Monetary assets	R	%
Cash and Investments	1,472,826	100
	1,472,826	100

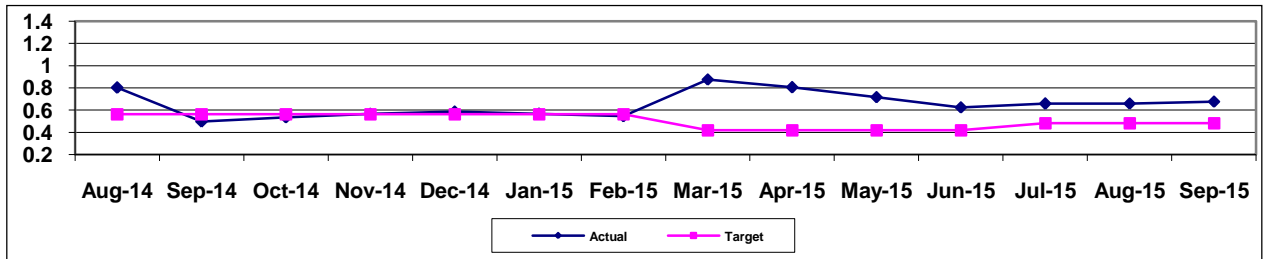
Current liabilities	R	%
Borrowing	93,920	4.32
Consumer Deposits	100,348	4.61
Trade and Other Payables	1,800,309	82.76
Provisions	180,740	8.31
Total	2,175,317	100

A favourable ratio would ensure that the Municipality is able to settle its short-term commitments from monetary assets. The liquidity ratio as at 30 September 2015 was **0.68:1**. The NMBM pre-audited ratio as at 30 June 2015 is 0.66:1.

The liquidity ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. The 2015/16 Original budget target of 0.66:1 is not a satisfactory target. The liquidity ratio of 0.68:1, as at September 2015, indicates a risky cash flow position.

Figure 7: Liquidity Ratio





6.4 Revenue Management

6.4.1 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 is 94% as per the 2015/16 IDP and Budget. However a collection rate of 100% or more is required to decrease the provision for doubtful debts so that more funds are released for service delivery.

The ratio to determine the percentage collection rate is as follows:

$$\frac{\text{Total Payments Received in Current month}}{\text{Total Value of Accounts Rendered in the Previous month}} \times 100 = \text{Percentage Collection Rate}$$

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).

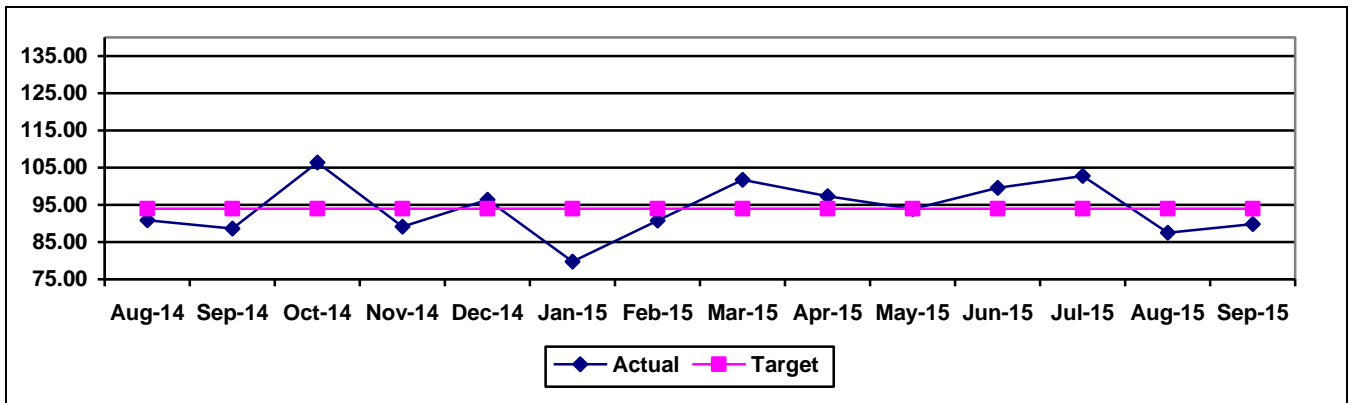
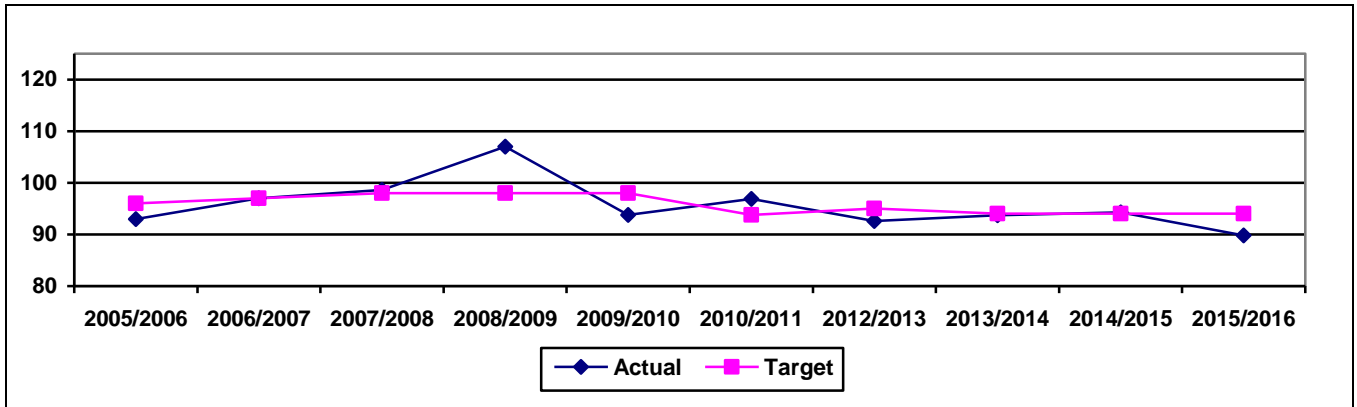
A collection rate of 116.1% was reported at the Standing Committee meeting held on 29 September 2015. The calculation of this collection rate took into account arrear debt write-offs in the amount of R216.6 million due to an agreement concluded with the High Energy Users.

The Budget and Treasury Directorate has however, recognised that this calculation method does not ensure consistent financial reporting. As such, the amount of R216.6 million has been excluded from the calculation and the revised collection rates are as follows:

Month	Collection Rate
August 2015	87.54%
Average (July to Aug 2015)	94.16%
September 2015	83.81%
Average (Jul to Sept 2015)	89.81%

The collection rate for September 2015 was 83.81%, whilst the average collection rate amounted to 89.81% for the period 1 July 2015 to 30 September 2015.

Figure 8: Annual Debtors Collection Rate



6.4.2 Outstanding Debtors to Annual Operating Revenue

This ratio focuses on the amount owed by outstanding debtors as a percentage of the annualised operating revenue.

The ratio is determined as follows:

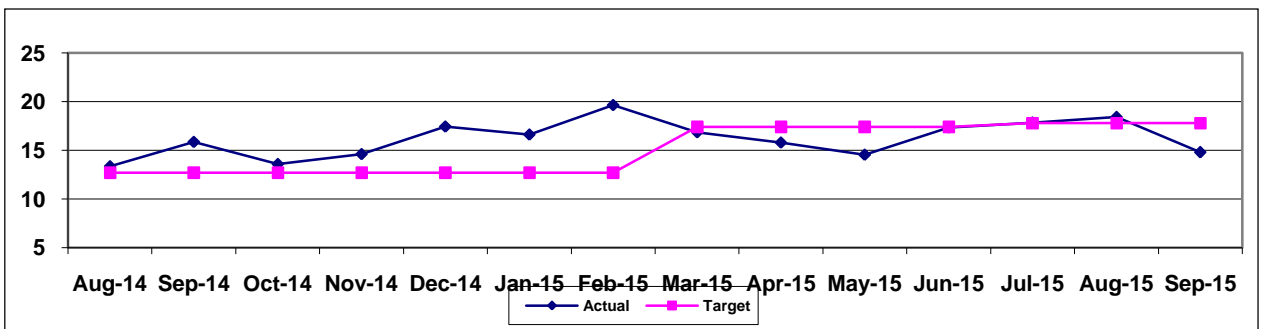
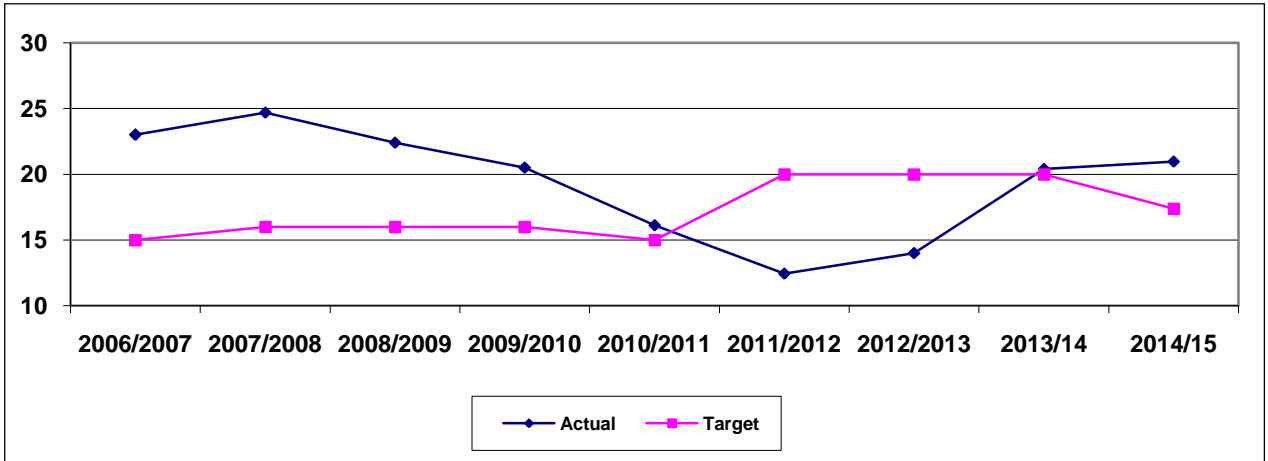
Outstanding Debtors / Annualised Operating Revenue

The ratio at the end of September 2015 was **14.79%** compared to the target of 17.80%. The NMBM pre-audited ratio as at 30 June 2015 was 20.97%. The ratio is lower than anticipated due to the arrear debt write-offs relating to high energy users during July 2015.

It is considered of the utmost importance that strict financial management is maintained, in order to decrease the outstanding debt owed to Council. A Revenue Enhancement Strategy to improve revenue collection has been drafted and is being reviewed. This strategy is monitored by the CFO on a monthly basis and reported to the Budget and Treasury Standing Committee on a quarterly basis. Amongst others, the decline in the current economic climate has had a negative impact on this ratio.

The implementation of the Debt Relief Programme has been undertaken in order to recover outstanding debtors to stabilise the cash flow situation and to ensure that the targeted collection rate of 94% is achieved.

Figure 9: Outstanding Debtors to Annual Operating Revenue



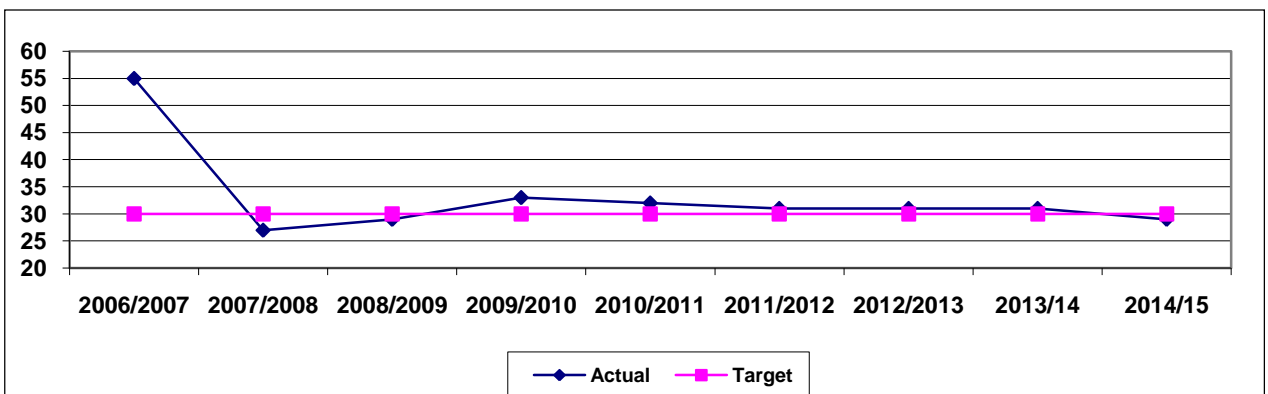
6.5 Creditor Management

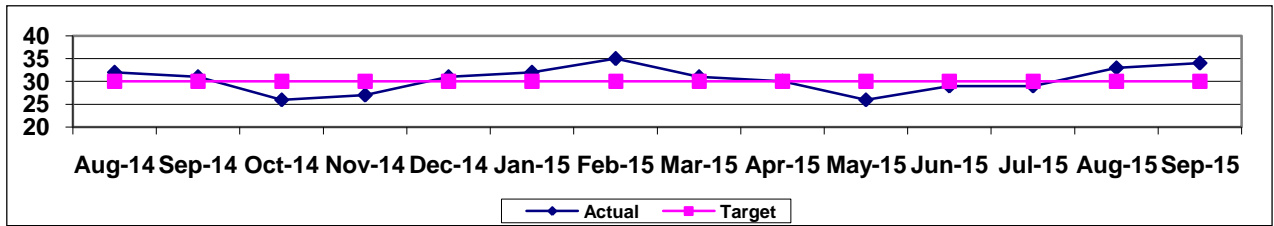
6.5.1 Creditors Turnover (days)

This ratio reflects the number of days that it takes on average to pay the Municipality's suppliers. Section 65 (2) (e) of the MFMA states that all money owing by the Municipality must be paid within 30 days of receiving the relevant invoice or statement (refer figure 10).

The ratio is determined from the date of receipt of the invoice until the date of payment. The ratio as at 31 August 2015 amounted to **34 days** (also refer to Section 1.8.2 of this report). The pre-audited ratio as at 30 June 2015 is 29 days.

Figure 10: Creditors Turnover (days)





6.6 Other indicators

6.6.1 Cost coverage

The ratio indicates the extent to which the available cash and investments are adequate to cover monthly payments (refer figure 11).

The ratio is determined as follows:

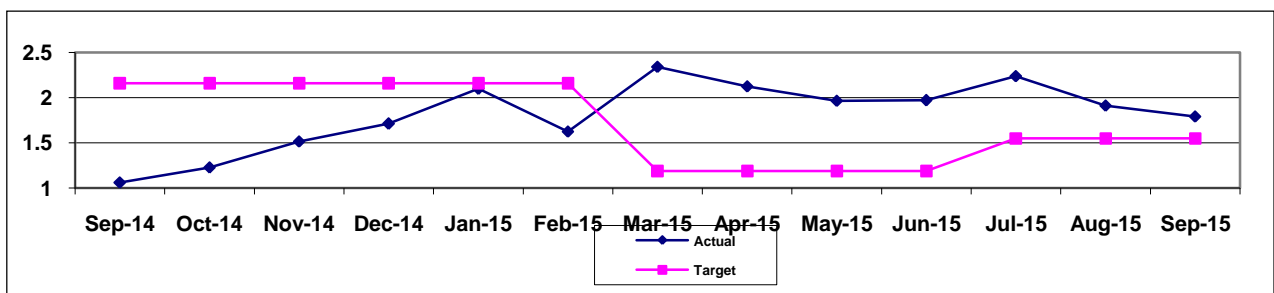
Cash and Cash Equivalents – Unspent Conditional Grants – Overdraft + Short Term Investments / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provisions for Bad Debts, Impairment and Loss on the disposal of Assets:

$$\frac{\text{R } 1,472,826,000 - \text{R } 403,776,000}{\text{R } 597,016,000} = 1.79 \text{ months (53.7 days)}$$

The cost coverage ratio of 1.79 months is above the IDP target of 1.5 months. The monthly average projected operating payments for the period July 2015 to June 2016 was used as a basis for the calculation. The NMBM pre-audited ratio as at 30 June 2014 was 2.03 months.

The cost coverage ratio of 1.79 months still indicates that the Municipality is facing pressures on its cash flows in the short-term, but it has improved over the period since the NMBM has implemented strategies to address the cash flow situation.

Figure 11: Cost Coverage (months)



6.6.2 Employee costs as a % of Total Operating Income

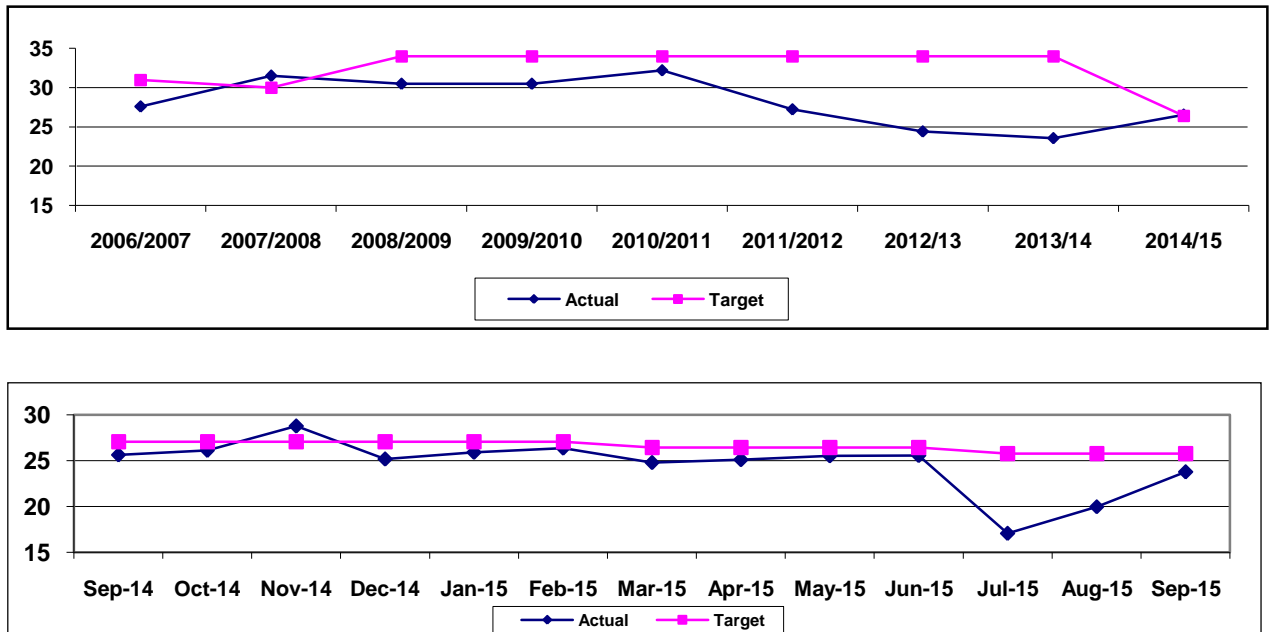
This ratio assesses the extent to which the Municipality's Operating Revenue is consumed by costs associated with the employment of human resources (refer figure 12).

The ratio is determined as follows:

$$\text{Employee Costs to Date / Total Operating Revenue to Date}$$

The target has been set at 25.77% for the financial year. As at 30 September 2015, the actual personnel costs constituted **23.78%** of the total operating income. The NMBM pre-audited ratio as at 30 June 2014 is 26.53%. The rate at which vacant positions are filled influences this ratio. The annual salary increases will be payable in September back-dated to July 2015 which will materially impact on the ratio.

Figure 12: Personnel Cost as a % of Total Revenue



6.6.3 Repairs and Maintenance as a % of Total Operating Revenue

This ratio assesses the extent to which the Municipality’s Operating Revenue is consumed by costs associated with the repairs and maintenance of its assets (refer figure 13).

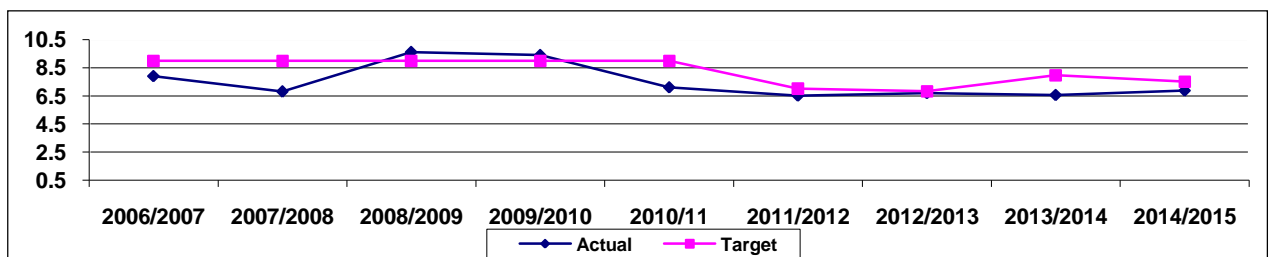
The ratio is determined as follows:

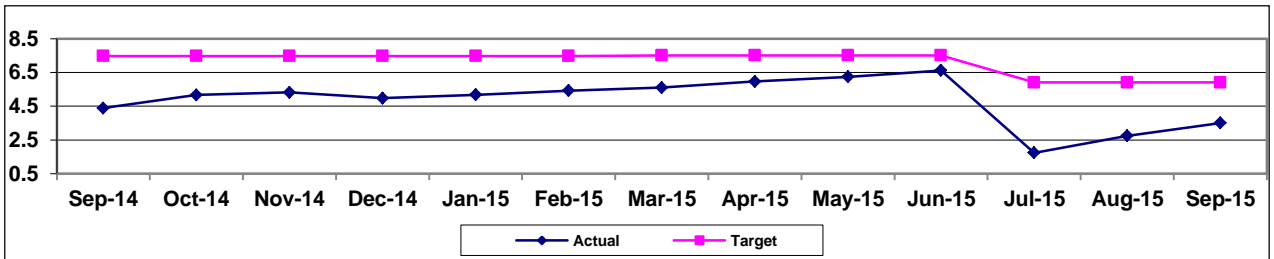
$$\text{Repairs and Maintenance expenditure to date} / \text{Total Operating Income to date}$$

The actual expenditure of **3.50%** is below the original budget target of 5.91%. The NMBM pre-audited ratio as at 30 June 2015 was 6.87%.

Repairs and Maintenance of assets are undertaken on an ongoing basis.

Figure 13: Repairs and Maintenance as a % of Total Operating Income





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

This ratio assesses the level of repairs and maintenance expenditure incurred, compared to the book value of PPE (refer figure 14).

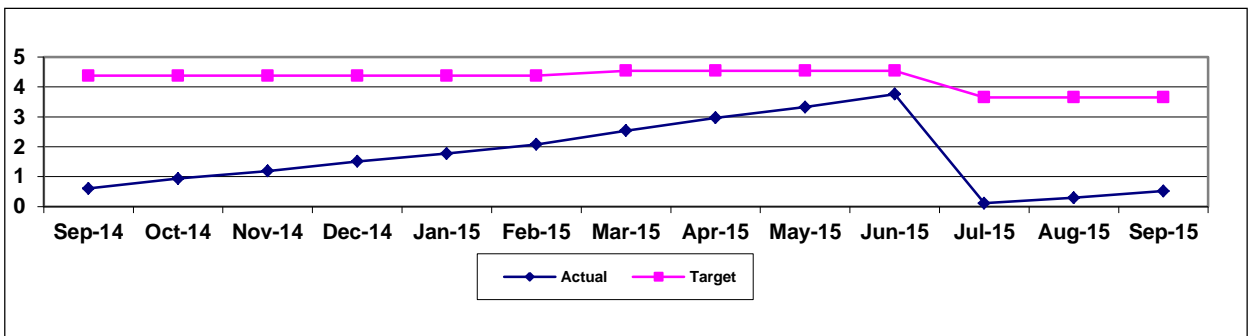
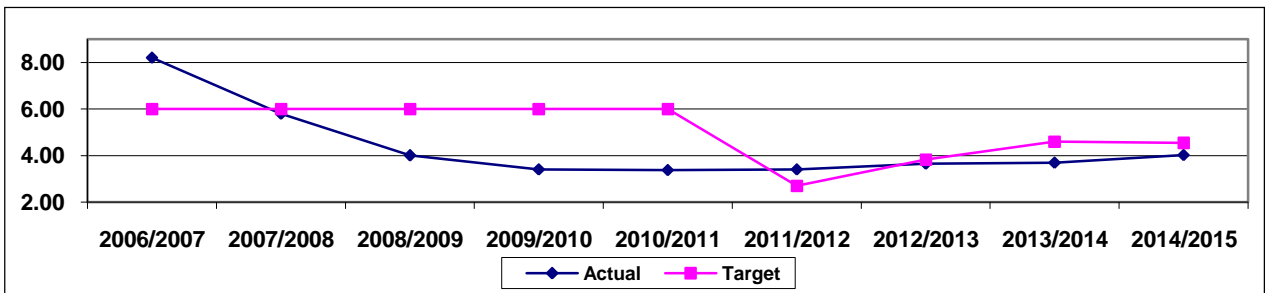
The ratio is determined as follows:

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

The repairs and maintenance expenditure incurred to date constitutes **0.52 %** of the book value of PPE, as at the end of September 2015, compared to an original budget target of 3.654%. The NMBM pre-audited ratio as at 30 June 2015 is 4.02%. This indicates a relatively low level of repairs and maintenance expenditure, taking into account that significant backlogs currently exist. The expenditure levels are anticipated to increase in future as the maintenance backlogs have now been determined.

It should be noted that new assets will not have an immediate effect on the repairs and maintenance component as they do not generally deteriorate within the first few years.

Figure 14: Repairs and Maintenance as a % of the book value of (PPE)



6.6.5 Capital Budget Spending

This ratio assesses the level of actual capital spending compared to the budgeted capital expenditure (refer figure 15).

The ratio is determined as follows:

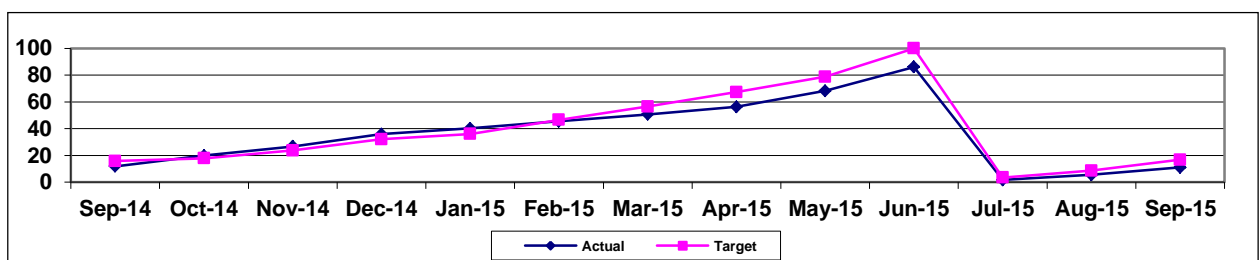
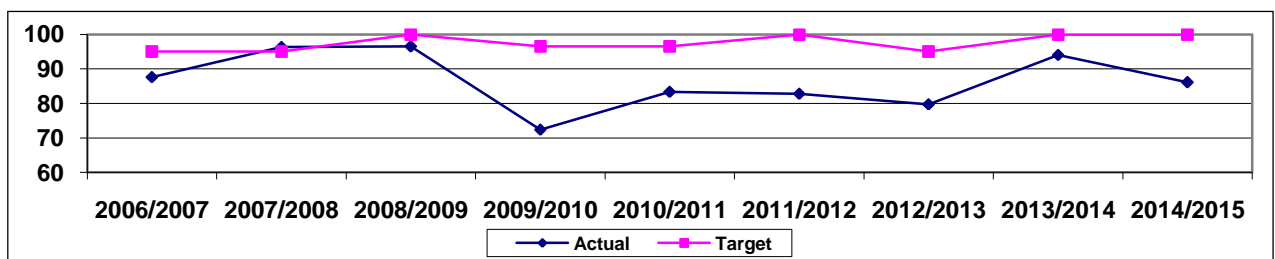
$$\text{Actual Capital spending to date / Approved Capital Budget}$$

The actual spending as at the end of September 2015 amounted to **11.06%**, compared to the 2015/16 Original Budget. The NMBM pre-audited ratio as at 30 June 2015 was 91.4%.

The Budget Performance Monitoring Forum meets every two months, as opposed to previously meeting on a quarterly basis. The Executive Directors present their capital budgets at the Forum meetings by project, with detailed explanations in the event of under/over spending.

Monthly one-on-one sessions are held with Directorates, in order to identify problem areas early on in the process. These meetings are attended by the Chairperson of the Budget and Treasury Committee, the Portfolio Councillor and the Executive Director of the Directorate concerned and representatives from the Budget and Treasury Directorate.

Figure 15: Capital Budget Spending



6.6.6 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 (refer figure 16).

The ratio is determined as follows:

$$\text{Own Revenue Sources / Total Operating Income (includes operating grants)}$$

As at the end of September 2015, the Municipality's own revenue sources constituted **83.02%** of its total Operating Income compared to the 2015/16 Original Budget target of 85.06%. The NMBM pre-audited ratio as at 30 June 2015 is 81.83%. The Municipality is thus not fully reliant on the finances received from Provincial and National Government to support its day to day operations. The equitable share, for example greatly assists the Municipality to cover the ATTP subsidies. Although the Municipality would like to become sufficient by not having to rely on Government support via Grants and Subsidies it has become very clear that without increased Government funding the Municipality will not be able to meet its service delivery mandate from its limited revenue base.

Figure 16: Own Revenue Generation

