

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 June 2015** compared to the position as at 30 June 2014.

Debtors' Age Analysis (Inclusive of VAT) as at 30 June 2014

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 65,555,484	R 37,745,326	R 20,644,190	R 14,523,678	R 14,616,797	R 11,503,047	R 49,937,727	R 200,410,014	R 414,936,262
Trade and Other Receivables from Exchange Transactions - Electricity	R 190,399,035	R 43,451,374	R 26,874,307	R 21,571,608	R 24,128,417	R 26,167,671	R 99,685,248	R 169,091,240	R 601,368,901
Receivables from Non-exchange Transactions - Property Rates	R 79,670,853	R 19,834,249	R 7,345,027	R 2,768,690	R 15,809,416	R 26,426,635	R 56,306,240	R 172,948,512	R 381,109,622
Receivables from Exchange Transactions - Waste Water Management	R 36,145,584	R 20,391,261	R 11,776,155	R 7,999,029	R 7,211,821	R 6,307,029	R 29,151,495	R 99,355,393	R 218,337,767
Receivables from Exchange Transactions - Waste Management	R 17,692,944	R 8,812,007	R 4,612,598	R 2,622,867	R 5,846,690	R 3,685,129	R 18,982,407	R 88,292,258	R 150,546,900
Receivables from Exchange Transactions - Property Rental Debtors	R 674,409	R 688,423	R 367,877	R 85,859	R 582,766	R 306,236	R 1,924,097	R 12,261,915	R 16,891,584
Interest on Arrear Debtor Accounts	R 19,133,032	R 21,770,608	R 14,370,467	R 7,547,938	R 20,154,513	R 12,998,538	R 62,027,726	R 275,335,553	R 433,338,376
Other	R 9,673,344	R 4,048,639	R 6,840,840	R 3,942,488	R 4,959,965	R 2,169,434	R 24,078,220	R 118,927,459	R 174,640,389
Total By Income Source	R 418,944,684	R 156,741,887	R 92,831,462	R 61,062,159	R 93,310,386	R 89,563,720	R 342,093,160	R 1,136,622,344	R 2,391,169,801
Debtors Age Analysis By Customer Group									
Organs of State	R 26,789,514	R 15,035,878	R 3,150,833	R 2,307,118	R 2,366,084	R 1,020,854	R 8,971,961	R 8,105,094	R 67,747,336
Commercial	R 216,669,395	R 63,330,431	R 37,168,262	R 25,248,734	R 39,274,461	R 35,090,679	R 150,505,158	R 367,137,701	R 934,424,821
Households	R 167,894,413	R 76,157,919	R 51,523,757	R 32,918,370	R 51,035,183	R 52,937,676	R 181,779,624	R 760,121,907	R 1,374,368,849
Other NMBM)	R 7,591,363	R 2,217,659	R 988,609	R 587,935	R 634,658	R 514,510	R 836,416	R 1,257,643	R 14,628,794
Total By Customer Group	R 418,944,684	R 156,741,887	R 92,831,462	R 61,062,159	R 93,310,386	R 89,563,720	R 342,093,160	R 1,136,622,344	R 2,391,169,801

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

The aforementioned analysis indicates that from 30 June 2014 to 30 June 2015 the overdue debts have increased by R 233,8 million as follows:

Debtors Age Analysis By Income Source	OVERDUE AMOUNTS AS AT		
	30 June 2014	30 June 2015	Difference
Trade and Other Receivables from Exchange Transactions – Water	R 349,380,778	R 373,164,892	R 23,784,114
Trade and Other Receivables from Exchange Transactions – Electricity	R 410,969,866	R 474,619,428	R 63,649,562
Receivables from Non-exchange Transactions - Property Rates	R 301,438,769	R 345,613,732	R 44,174,963
Receivables from Exchange Transactions - Waste Water Management	R 182,192,183	R 207,558,773	R 25,366,590
Receivables from Exchange Transactions - Waste Management	R 132,853,957	R 154,867,805	R 22,013,848
Receivables from Exchange Transactions - Property Rental Debtors	R 16,217,174	R 16,143,291	-R 73,883
Interest on Arrear Debtor Accounts	R 414,205,344	R 452,372,662	R 38,167,318
Other	R 164,967,046	R 181,651,669	R 16,684,623
Total By Income Source	R 1,972,225,117	R 2,205,992,252	R 233,767,135

Debtors Age Analysis By Customer Group	30 June 2014	30 June 2015	Difference
Organs of State	R 40,957,823	R 34,053,593	-R 6,904,230
Commercial	R 717,755,426	R 810,889,932	R 93,134,506
Households	R 1,206,474,436	R 1,346,693,378	R 140,218,942
Other NMBM	R 7,037,432	R 14,355,349	R 7,317,917
Total By Customer Group	R 1,972,225,117	R 2,205,992,252	R 233,767,135

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. The Municipality was implementing the Debt Relief Programme, as previously approved by Council. This program ended on 30 June 2015

The increase in:

- **Electricity:** Mainly due to the 14 large electricity consumers only paying 76.5% of their consumption since 1 July 2013. These are the companies disputing the electricity tariffs approved by the NMBM Council for the 2012/13 and 2013/14 financial years. Originally there were five (5) companies that disputed the electricity tariffs approved for the 2012/13 financial year. Their dispute was under consideration by the High Court as a matter between a Group of Five (5) companies and the NMBM. In the 2013/2014 financial year, a further group of nine (9) new companies joined the original five (5) companies.
- These fourteen (14) companies are having their matter as *sub judice*. The combined total debt that these companies owed the NMBM as at 30 June 2015 was R215,629,903.
- On the advice of their attorneys they have elected to pay only a portion of their electricity accounts which amounts to 76.5% of their monthly electricity bills.
- An agreement has been reached with these companies and was approved by Council in May 2015. Individual agreements are now being concluded with each user regarding payment of arrears.
- **Interest:** This is due to the fact that 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	0.0
Bulk Water	0	0	0	0	0	0.0
PAYE deductions	22,847	0	0	0	22,847	14.5
VAT (output less input)	0	0	0	0	0	0.0
Pensions / Retirement deductions	104	0	0	0	104	0.1
Loan Repayments	0	0	0	0		
Trade Creditors	100,964	26,308	1,503	3,286	132,062	83.8
Auditor-General	749	419	3	341	1,511	1.0
Other	0	0	0	0	0	0
Total	125,694	26,728	1,506	3,627	157,554	100

The above amounts represent invoices still to be paid. Creditors' payments approximate **41** days, based on the date of invoice. The target for payment days is recorded at 30 days from receiving the relevant invoice from service provider to the payment date. The **41** days excludes delayed payments as a result of irregular expenditure.

A monthly report is submitted to Management Team 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 supplier to the municipality.

For performance measuring purpose 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	April	Total No of Invoices	May	Total No of Invoices	June	Total No of Invoices
Budget & Treasury	8	1117	11	1053	15	1150
Chief Operating Officer	35	87	101	94	142	113
Corporate Services	32	3434	33	2830	31	2330

DIRECTORATE	April	Total No of Invoices	May	Total No of Invoices	June	Total No of Invoices
Economic Development, Tourism & Agriculture	62	46	109	47	39	36
Electricity & Energy	35	356	34	309	34	421
Human Settlements	45	328	81	230	47	311
Infrastructure & Engineering: Rate & General	20	1451	21	1294	22	1530
Water Services	24	166	31	159	29	180
Municipal Manager	41	16	35	13	37	12
Office of the Executive Mayor	71	111	106	9	70	51
Public Health	22	231	48	298	23	388
Recreational & Cultural Services	36	261	31	208	29	239
Safety & Security	20	239	29	385	20	346
Sanitation	23	265	25	220	28	190
Special Projects & Programmes	22	17	28	18	30	10
Average for all Directorates	27		31		28	

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 one (1) Directorate has met the 19 days turnaround time for the latest month (**June**):
Budget & Treasury 15 days

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

Directorate	No. of Days (June)
Chief Operating Officer	142

The June 2015 payment days' result of the Chief Operating Officer is attributed to payments made to various Suppliers which were in excess of 100 days each. The June 2015 payment days' result of the Office of the Executive Mayor is attributed to a payment made to EZAMANTLANE HIRING SERVICES and Xerox which were in excess of 100 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
April	3	8	3	14
May	4	8	1	13
June	3	8	2	13

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 been consistently met for the months of April 2015 to June 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.

April 2015 - 41 days
 May 2015 - 44 days
 June 2015 - 41 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:

April 2015 - 30 days
 May 2015 - 26 days
 June 2015 - 29 days

The results above indicate that during the period April to June 2015, Creditors' payment days were within the National Treasury target. 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 June 2015

Financial Institution	ABSA	FNB	Investec	Nedbank	Nedbank	Standard Bank	Stanlib	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	Call Deposit R'000	R'000	Current Account R'000	R'000
Value of Investment 30 June 2014	245,000	290,000	255,607	185,000	145,500	265,302	35,071	58,062	131,082	1,610,624
Add: Investments Made (June 2015)	1,330,000	1,330,000	232,913	1,055,000	80,000	1,261,152	0	0	0	5,289,065
Less: Investments Matured (June 2015)	1,300,000	1,345,000	-380,000	1,065,000	-100,000	1,230,302	-35,071	0	0	5,455,373

Financial Institution	ABSA	FNB	Investec	Nedbank	Nedbank	Standard Bank	Stanlib	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	Call Deposit R'000	R'000	Current Account R'000	R'000
Net movement in current account	0	0	0	0	0	0	0	-4,405	-17,015	-21,420
Value of Investments: 30 June 2015	275,000	275,000	108,520	175,000	125,500	296,152	0	53,657	114,067	1,422,896
% Exposure Of Institution	19%	19%	8%	12%	9%	21%	0%	4%	8%	100%
Actual Interest Earned (April 2015)	13,733	13,733	5,419	8,739	6,267	14,789	0	3,572	5,696	71,948

The increase in the investment portfolio since 30 June 2014 amounts to R167.1 million. The following analysis indicates the extent to which the investments are committed:

Cash backed Reserves

Bank Balances and Cash	114,067
Short-term Investment Deposits	<u>1,308,829</u>
	<u>1,422,896</u>

Application of Cash

Unspent Conditional Grants	236,259
Statutory Funds – COID	18,100
Self Insurance Fund	31,500
Outstanding Creditors Liability	157,554
Internally Generated Funding	136,126
Current Provisions	<u>248,227</u>
	<u>827,766</u>

Reserves in excess of commitments **595,130**

The cash backed reserves exceed the commitments at this stage by an amount of R595.1 million. 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 2014/15 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 2014/15 financial year

**Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts – M12
June 2015**

Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
RECEIPTS:									
Operating Transfers and Grants									
National Government:	1,010,160	969,135	927,598	1,701	1920,529	927,598	(6,806)	-0.7%	927,598
Local Government Equitable Share	742,909	761,606	761,606		751,000	751,000	-		761,606
Energy Efficiency and Demand Management	12,000	10,000	10,000		10,000	10,000	-		10,000
EPWP Incentive	20,885	13,439	13,439		13,439	13,439	-		13,439
Public Transport Network Operations	100,000	130,000	62,500		62,500	62,500	-		62,500
Finance Management	1,250	1,250	1,250		1,250	1,250	-		1,250
Infrastructure Skills Development	8,200	8,000	8,000		8,000	8,000	-		8,000
Intergrated City Development Grant	3,193	4,133	4,133		4,133	4,133	-		4,133
Municipal Human Settlements Capacity Grant		37,707	37,707		37,707	37,707	-		37,707
Other Grants including Training, Disaster Management, etc	99,723						-		
Urban Settlements Development Grant			25,700		25,700	25,700	-		25,700
LGSETA		3,000	3,000	1,701	6,800	3,000	3,800	126.7%	3,000
Department of Arts & Culture (MBDA)			263			263			263
DOE: Off Grid Electrification	22,000								
Provincial Government:	516,277	356,752	409,389	15,753	247,721	409,389	(168,593)	-41.2%	409,389
Human Settlements Development Grant	480,142	348,000	396,865	15,753	228,273	396,865	(168,593)	-42.5	396,865
Housing accreditation	19,997				8,660				
Health subsidy			3,772			3,772			3,772
DWA (Swartkops Monitoring)									
DRPW (Maintenance of Road)		5,000	5,000		3,398	5,000			5,000
Vuna Awards	60								
Libraries	3,752	3,752	3,752		7,390	3,752			3,752
Housing Subsidy	6,627								
Other Grants	5,699						-		
Other grant providers:	1,925	14,352	13,494	2,020	9,089	13,494	(4,405)	-32.6%	13,494
<i>National Lotteries</i>	1,000						-		
<i>Marine and Coastal Management</i>	420	420	420		650	420	230	54.8%	420
SALA/IDA		110	110			110	(110)	-100.0%	110
<i>Groen Sebenza (SANBI)</i>	71	842	842		440	842	(402)	-47.7%	842
<i>IDC (MBDA)</i>	434	5,000	3,500		105	3,500	(3,395)	-97.0%	3,500
<i>ECDC (MBDA)</i>		3,480	3,622		473	3,622	(3,149)	-86.9%	3,622
<i>KFW (MBDA)</i>		4,500	5,000	2,020	7,420	5,000	2,420	48.4%	5,000

Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Total Operating Transfers and Grants	1,528,361	1,340,239	1,350,481	19,474	1,177,339	1,350,481	(179,803)	13.3%	1,350,481
Capital Transfers and Grants									
National Government:	897,997	970,324	1,012,663	-	999,637	999,637	-	-	1,012,663
Urban Settlement Development Grant	721,816	828,863	803,163		803,163	803,163	-		803,163
Public Transport Infrastructure Grant	53,585	100,000	167,500		167,500	167,500	-		167,500
Neighbourhood Development Partnership	32,121	18,461	9,000		9,000	9,000	-		9,000
Intergrated National Electrification Grant	85,000	18,000	18,000		18,000	18,000	-		18,000
DME							-		
KFW (MBDA)	5,475	5,000					-		
Smart Grid Programmes			15,000		1,974	1,974			15,000
Total Capital Transfers and Grants	897,997	970,324	1,012,663	-	999,637	999,637	-		1,012,663
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,426,358	2,310,563	2,363,144	19,474	2,176,975	2,363,144	(179,803)	-7.6%	2,363,144

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

Supporting Table SC7(1) Monthly Budget Statement - transfers and grants expenditure – M12 June 2015

Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
EXPENDITURE									
Operating expenditure of Transfers and Grants									
National Government:	942,179	1,317,135	1,528,128	71,301	880,449	1,001,268	(98,820)	-9.9%	1,001,268
Local Government Equitable Share	742,909	761,606	761,606	63,467	761,606	761,606	(0)	0.0%	761,606
Energy Efficiency and Demand Management	12,000	10,000	10,000		10,000	10,000	(0)	0.0%	10,000
EPWP Incentive	22,052	13,439	18,968	827	11,358	18,968	(7,610)	-40.1%	18,968
Public Transport Network Operations	96,932	130,000	71,968		62,500	71,968	(9,468)	-13.2%	71,968
Finance Management	1,250	1,250	1,250	13	969	1,250	(281)	-22.5%	1,250
Infrastructure Skills Development	11,140	8,000	8,560	744	7,751	8,560	(809)	-9.4%	8,560
Intergrated City Development Grant		4,133	4,133	3,694	4,133	4,133	(0)	0.0%	4,133
Municipal Disaster Recovery Grant	42,485		28,803		-	28,803	(28,803)	-100.0%	28,803
Municipal Human Settlements Capacity Grant		37,707	37,707	2,143	13,130	13,130	(0)	0.0%	37,707
Human settlements Development Grant		348,000	526,860	426	13,821	37,707	(23,886)	-63.3%	37,707
LGSETA	4,808	3,000	10,244	2,130	8,245	10,244	(1,999)	-19.5%	10,244
Urban Settlements Developments	6,170		25,700			25,700	(25,700)	-100.0%	25,700
Department of Art & Culture (MBDA)			328		65	328	(264)	-80.3%	328
Off-Grid Electrification			22,000			22,000			22,000
Other	2,434						-		
Provincial Government:	402,932	8,752	20,421	33,547	398,357	547,281	(145,152)	-26.5%	547,281
Housing	3,752						-		

Description	2013/14	Budget Year 2014/15							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
Housing accreditation	12,127		7,870		609	7,870	(7,261)	-92.3%	7,870
Housing	374,683			29,795	390,581	526,860	(136,279)	-25.9%	526,860
Health Subsidy			3,772			3,772			3,772
DRPW (Maintenance of Road)	5,699	5,000	5,000		3,398	5,000	(1,602)	-32.0%	5,000
Libraries		3,752	3,752	3,752	3,752	3,752	-		3,752
Other Grants	6,671		27		16	27	(11)	-39.7%	27
Other grant providers:	7,174	13,931	27,344	3,295	11,646	27,344	(15,697)	-57.4%	27,344
National Lotteries	901		4,990		111	4,990	(4,880)	-97.8%	4,990
Marine and Coastal Management	266	420	884	144	710	884	(174)	-19.7%	884
SALA/IDA	376	110	110		23	110	(87)	-79.5%	110
Groen Sebenza (SANBI)	244	421	842		382	842	(460)	-54.6%	842
IDC (MBDA)		5,000	3,500			3,500	(3,500)	-100.0%	3,500
ECDC (MBDA)		3,480	3,622		201	3,622	(3,421)	-94.4%	3,622
KFW (MBDA)		4,500	5,000	2,020	7,420	5,000	2,420	48.4%	5,000
EU Tranche	5,387		8,396	1,131	2,800	8,396	(5,595)	-66.6%	8,396
Total operating expenditure of Transfers and Grants:	1,352,284	1,339,818	1,575,893	8,143	1,290,452	1,575,893	(259,669)	-16.5%	1,575,893
Capital expenditure of Transfers and Grants									
National Government:	1,164,116	970,324	1,012,663	138,110	896,201	997,663	(103,889)	-10.4%	1,012,663
Urban Settlement Development Grant	721,816	828,863	803,163	136,355	747,941	803,163	(55,222)	-6.9%	803,163
Public Transport Infrastructure Grant	357,022	100,000	167,500		122,238	167,500	(45,262)	-27.0%	167,500
Neighbourhood Development Partnership	24,986	18,461	9,000	1,755	5,596	9,000	(3,404)	-37.8%	9,000
Integrated National Electrification Grant	53,585	18,000	18,000		18,000	18,000	0	0.0%	18,000
DME									
United Nations Development	5,475								
KFW (MBDA)	1,233	5,000					-		
Smart Grid Programmes			15,000		2,426	15,000			15,000
Other grant providers:	14,048	-	8,652	-	2,001	8,652	(6,650)	-76.9%	8,652
Mendi Bottle Store	999	-	1,563	-	2,001	1,563	438	28.0%	1,563
<i>EU 3rd tranche</i>	13,050		7,089			7,089	(7,089)	-100.0%	7,089
Total capital expenditure of Transfers and Grants	1,178,165	970,324	1,021,315	138,110	898,202	1,006,315	(110,539)	-11.0%	1,021,315
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	2,530,449	2,310,142	2,597,208	246,253	2,188,654	2,582,208	(370,208)	-14.3%	2,597,208

Supporting Table SC7(2) Monthly Budget Statement - Expenditure against approved rollovers – M12 June 2015

Description R thousands	Budget Year 2014/15				
	Approved Rollover 2013/14	Monthly actual	YearTD actual	YTD variance	% YTD variance
EXPENDITURE					
Operating expenditure of Approved Roll-overs					
National Government:	44,350	1,883	42,638	1,713	3.9%
EPWP Incentive	5,519	1,757	4,289	1,230	22.3%
Infrastructure Skills Development	560		560	(0)	-0.1%

Description R thousands	Budget Year 2014/15				
	Approved Rollover 2013/14	Monthly actual	YearTD actual	YTD variance	% YTD variance
Municipal Disaster Recovery Grant	28,803	127	28,320	483	1.7%
Public Transport Network Operations	9,468		9,468	-	
Total operating expenditure of Approved Roll-overs	44,350	1,883	42,638	1,713	3.9%
TOTAL EXPENDITURE OF APPROVED ROLL-OVERS	44,350	1,883	42,638	1,713	3.9%

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

The National Treasury approval for roll-over of unspent conditional grants for the 2013/14 financial year was received on 23 October 2014.

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: R13 439 000
Amount of Grant Received: R13 439 000
Expenditure to date: R11 357 632
Unspent as at 30 June 2015 R 2 081 368

As at 30 June 2015 only 84.5% of the DORA allocation was spent.

DORA roll-over approved: R 5 519 219
Expenditure to date: R 4 289 213
Unspent as at 30 June 2015: R 1 230 006

The spending of the approved rolled-over grant amounted to 77.7% as at 30 June 2015

National Treasury only approved R5 519 219 of the R5 528 975 which remained unspent as at 30 June 2014 as per the Audited Consolidated Annual Financial Statements.

Public Transport Networks Operations

This grant is to provide supplementary operational funding to municipalities.

DORA Adjusted Allocation: R62 500 000
Amount of Grant Received: R62 500 000
Expenditure to date: R62 500 000
Unspent as at 30 June 2015: R 0

As at 30 June 2015, 100% of the DORA allocation was spent.

DORA roll-over approved: R9 468 389
Expenditure to date: R9 468 389
Unspent as at 30 June 2015: R0

The spending of the approved rolled-over grant amounted to 100.0% as at 30 June 2015

Furthermore the actual operating expenditure for the IPTS project incurred to date amounts to R108 801 859, which exceeds the available grant funding by an amount of R36 833 470.

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:	R10 000 000
Expenditure to date:	R10 000 000
Unspent as at 30 June 2015:	R 0

As at 30 June 2015, 100% 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:	R8 000 000
Amount of Grant Received:	R8 000 000
Expenditure to date:	R7 751 354
Unspent as at 30 June 2015:	R 246 646

As at 30 June 2015, 96.9% of the DORA allocation was spent.

DORA roll-over approved:	R560 286
Expenditure to date:	R560 286
Unspent as at 30 June 2015:	R0

The spending of the approved rolled-over grant amounted to 100.0% as at 30 June 2015

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:	R4 133 000
Amount of Grant Received:	R4 133 000
Expenditure to date:	R4 133 000
Unspent as at 30 June 2015:	R0

As at 30 June 2015, 100% of the DORA allocation was spent..

Roll-over request of R3 193 000 for the 2013/14 unspent conditional grant was not approved by National Treasury.

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:	R1 250 000
Amount of Grant Received:	R1 250 000
Expenditure to date:	R 969 242
Unspent as at 30 June 2015:	R 280 758

As at 30 June 2015, 77.5% of the DORA allocation was spent.

Post Disaster Recovery Grant

This grant is to rehabilitate and reconstruct municipal infrastructure damaged during the severe flooding in October 2012.

DORA roll-over approved:	R28 803,272
Expenditure to date:	R28 320 183
Unspent as at 30 June 2015:	R 483 089

The spending of the approved rolled-over grant amounted to 98.3% as at 30 June 2015.

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:	R348 000 000
Adjusted Budget:	R526 860 240
Amount of Grant Received:	R359 284 372
Expenditure to date:	R390 580 246
Unspent as at 30 June 2015:	R136 279 994

As at 30 June 2015, 74.1% of the 2014/15 Adjustments Budget was spent, whilst spending represents 112.2% of the current and prior years' receipts.

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:	R37 707 000
Amount of Grant Received:	R37 707 000
Expenditure to date:	R13 821 446
Unspent as at 30 June 2015:	R24 311 129

As at 30 June 2015, 36.6% of the DORA allocation was spent.

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:	R25 700 000
Amount of Grant Received:	R25 700 000
Expenditure to date:	R 0
Unspent as at 30 June 2015:	R25 700 000

As at 30 June 2015, 0% of the DORA allocation was spent.

Other Operating Grants

Off-Grid Electrification

This grant is for a piloting project for Non-Grid Solar Home Systems for informal dwellings.

Unspent 2013/14:	R22 000 000
Expenditure to date:	R 0

Unspent as at 30 June 2015: R22 000 000

The spending of the unspent 2013/14 Off Grid Electrification Grant amounted to 0% as at 30 June 2015.

European Union Grant (3rd Tranche)

This grant is to contribute to the improvement of the quality of life of marginalized people in urban areas within the framework of the SA Government's Urban Renewal Programme.

Unspent 2013/14: R7 795 830
Expenditure to date: R2 800 356
Unspent as at 30 June 2015: R4 995 474

The spending of the unspent 2013/14 European Union Grant amounted to 35.9% as at 30 June 2015.

National Lotteries

This grant is used to fund Art and Culture Programmes

Unspent 2013/14: R 5 703 549
Expenditure to date: R 0
Unspent as at 30 June 2015: R 5 703 549

The spending of the unspent 2013/14 National Lotteries amounted to 0% as at 30 June 2015.

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: R803 163 000
Amount of Grant Received: R803 163 000
Expenditure to date: R747 940 952
Unspent as at 30 June 2015: R 55 222 048

As at 30 June 2015, 93.1% 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: R18 000 000
Amount of Grant Received: R18 000 000
Expenditure to date: R18 000 000
Unspent as at 30 June 2015: R 0

As at 30 June 2015, 100.0% 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:	R9 000 000
Amount of Grant Received:	R9 000 000
Expenditure to date:	R5 595 608
Unspent as at 30 June 2015:	R3 404 392

As at 30 June 2015, 62.2% of the DORA allocation was spent.

Public Transport Infrastructure Grant

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

DORA Allocation:	R167 500 000
Amount of Grant Received:	R167 500 000
Expenditure to date:	R122 237 874
Unspent as at 30 June 2015:	R 45 262 126

As at 30 June 2015, 73.0% of the DORA allocation was spent.

Other Capital Grants

European Union Grant (3rd Tranche)

This grant is to contribute to the improvement of the quality of life of marginalized people in urban areas within the framework of the SA Government's Urban Renewal Programme.

Unspent 2013/14:	R5 650 298
Expenditure to date:	R 0
Unspent as at 30 June 2015:	R5 650 298

The spending of the unspent 2013/14 European Union Grant amounted to 0% as at 30 June 2015.

National Lotteries

This grant is used to fund Art and Culture Programmes

Unspent 2013/14:	R1 000 000
Expenditure to date:	R 0
Unspent as at 30 June 2015:	R1 000 000

The spending of the unspent 2013/14 National Lotteries amounted to 0% as at 30 June 2015.

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 – M12
June 2015**

Summary of Employee and Councillor remuneration	Ref	2013/14	Budget Year 2014/15							
		Audited Outcome	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		52,955	57,752	57,752	4,356	55,219	57,752	(2,533)	-4%	57,752
Cellphone Allowance		2,534	2,760	2,760	205	2,517	2,760	(243)	-9%	2,760
Other benefits and allowances		83	464	464	2	(17)	464	(481)	104%	464
Sub Total - Councillors		55,572	60,976	60,976	4,563	57,719	60,976	(3,257)	-5%	60,976
% increase	4		9.7%	9.7%						9.7%
<u>Senior Managers of the Municipality</u>	3									
Basic Salaries and Wages		9,035	22,445	21,330	1,505	19,727	21,330	(1,603)	-8%	21,330
Performance Bonus		(2,428)	3,151	2,752	-	43	2,752	(2,709)	-98%	2,752
Sub Total - Senior Managers of Municipality		6,607	25,596	24,082	1,505	19,770	24,082	(4,312)	-18%	24,082
% increase	4		287.4%	264.5%						264.5%
<u>Other Municipal Staff</u>										
Basic Salaries and Wages		1,211,990	1,448,498	1,423,225	99,801	1,283,289	1,423,225	139,936	-10%	1,423,225
Pension and UIF Contributions		198,952	224,349	230,176	16,142	224,994	230,176	(5,183)	-2%	230,176
Medical Aid Contributions		114,914	120,108	120,368	10,746	124,667	120,368	4,300	4%	120,368
Overtime		106,681	94,108	97,194	7,991	112,662	97,194	15,468	16%	97,194
Performance Bonus		23,995	23,538	28,034	2,254	26,357	28,034	(1,677)	-6%	28,034
Motor Vehicle Allowance		60,972	64,396	65,236	5,411	63,280	65,236	(1,956)	-3%	65,236
Cellphone Allowance		26	34	52	2	29	52	(23)	-45%	52
Housing Allowances		6,542	6,619	7,597	622	7,188	7,597	(409)	-5%	7,597
Other benefits and allowances		94,345	83,675	84,843	9,202	87,936	84,843	3,093	4%	84,843
Payments in lieu of leave		-	11,885	11,945	-	-	11,945	(11,945)	100%	11,945
Long service awards		39,531	33,142	36,939	2,952	35,904	36,939	(1,035)	-3%	36,939
Post-retirement benefit obligations	2	(113,478)	48,467	48,467	-	-	48,467	(48,467)	100%	48,467
Sub Total - Other Municipal Staff		1,744,471	2,158,819	2,154,075	5,123	1,966,304	2,154,075	(187,771)	-9%	2,154,075
% increase	4		23.8%	23.5%						23.5%
Total Parent Municipality		1,806,650	2,245,390	2,239,133	161,191	2,043,794	2,239,133	(195,339)	-9%	2,239,133
			24.3%	23.9%						23.9%
<u>Senior Managers of Entities</u>										
Basic Salaries and Wages		4,151	5,089	5,089	310	4,975	5,089	(114)	-2%	5,089
Pension and UIF Contributions		559	598	598	60	608	598	10	2%	598
Medical Aid Contributions		137	146	146	24	158	146	12	8%	146
Performance Bonus			567	567	119	624	624	-		567
Motor Vehicle Allowance		108	116	116	10	116	116	-		116
Other benefits and allowances		530						-		
Sub Total - Senior Managers of Entities		5,485	6,516	6,516	522	6,481	6,573	(92)	-1%	6,516
% increase	4		18.8%	18.8%						18.8%
<u>Other Staff of Entities</u>										
Basic Salaries and Wages		3,651	4,554	4,554	277	4,590	4,554	37	1%	4,554
Pension and UIF Contributions		498	533	533	44	489	533	(44)	-8%	533
Medical Aid Contributions		329	352	352	58	339	352	(12)	-3%	352

Summary of Employee and Councillor remuneration	R ef	2013/14	Budget Year 2014/15							
		Audited Outcome	Original Budget	Adjusted Budget	Monthl y actual	YearTD actual	YearTD budget	YTD variance	YTD varia nce	Full Year Forecast
R thousands									%	
Other benefits and allowances		380	324	324	92	376	267	109	41%	324
Sub Total - Other Staff of Entities		4,858	5,763	5,763	471	5,795	5,706	89	2%	5,763
% increase	4		18.6%	18.6%						18.6%
Total Municipal Entities		10,343	12,279	12,279	994	12,276	12,279	(3)	0%	12,279
TOTAL SALARY, ALLOWANCES & BENEFITS		1,816,993	2,257,669	2,251,411	162,185	2,056,069	2,251,411	195,342)	-9%	2,251,411
% increase	4		24.3%	23.9%						23.9%
TOTAL MANAGERS AND STAFF		161,421	2,196,693	2,190,435	157,622	1,998,350	2,190,435	192,085)	-9%	2,190,435

6. Key performance indicators

The table below reflects the key performance indicators as per the 2014/15 Budget and the associated performance to date.

Supporting Table SC2 Monthly Budget Statement - performance indicators – M12 June 2015

Description of financial indicator	Basis of calculation	2013/14	Budget Year 2014/15			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
<u>Borrowing Management</u>						
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure	4.0	3.5%	3.3%	3.2%	3.3%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>						
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves	32.0%	29.0%	29.9%	29.1%	29.9%
Gearing	Long Term Borrowing/ Funds & Reserves	14.1%	12.7%	12.7%	12.1%	12.7%
<u>Liquidity</u>						
Current Ratio	Current assets/current liabilities	141.1%	107.8%	112.2%	138.8%	112.2%
Liquidity Ratio	Monetary Assets/Current Liabilities	71.0%	56.4%	41.8%	62.6%	41.8%
<u>Revenue Management</u>						
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	93.7%	94.0%	94.0%	94.27%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	20.0%	12.7%	17.4%	17.4%	17.4%
<u>Creditors Management</u>						
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	73.0%	75.0%	75.0%		75.0%
<u>Other Indicators</u>						
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	10%	10%	10%	13%	10%
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	28.2%	41.3%	41.3%	42.7%	41.3%
Employee costs	Employee costs/Total Revenue - capital revenue	23.6%	27.1%	26.4%	25.6%	26.4%
Repairs & Maintenance	R&M/Total Revenue - capital revenue	6.6%	7.48%	7.51%	6.6%	7.51%
Interest & Depreciation	I&D/Total Revenue - capital revenue	11.1%	10.6%	12.1%	12.3%	12.1%
IDP regulation financial viability indicators	-					

Description of financial indicator	Basis of calculation	2013/14	Budget Year 2014/15			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	29.64	23.16	22.94	26.17	22.94
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	20.9%	11.8%	19.64%	19.82%	19.64%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.35	2.16	1.18	1.97	1.18

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).

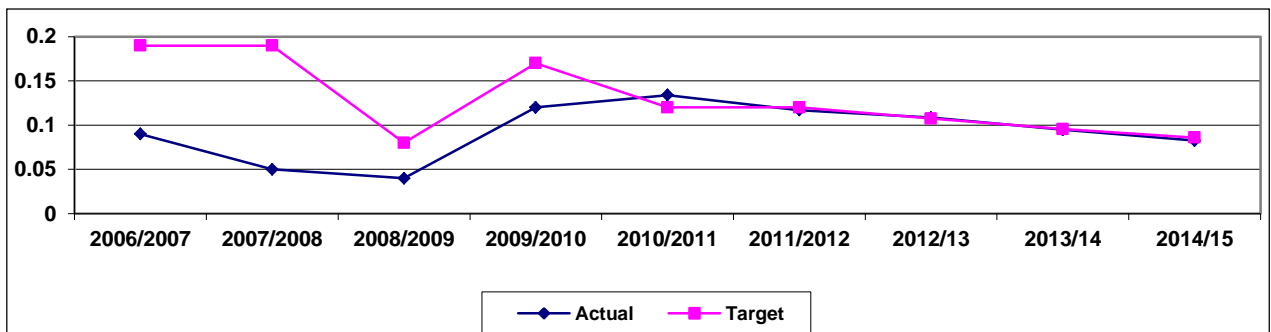
The ratio is determined as follows:

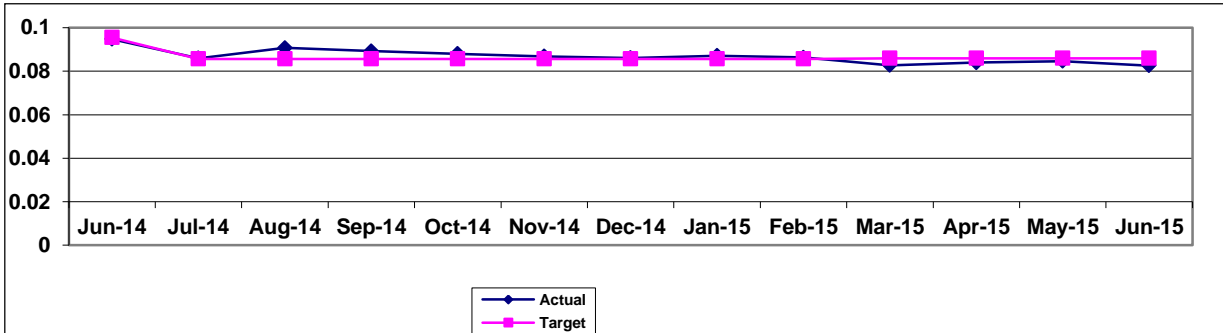
Long-Term Borrowing / Total Assets

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 June 2015, the borrowing to asset ratio was at **0.083:1**, compared to the adjustments budget target of 0.0860:1. The NMBM audited ratio as at 30 June 2014 was 0.0948. A ratio of 0.0856:1 as reflected in the 2014/15 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).

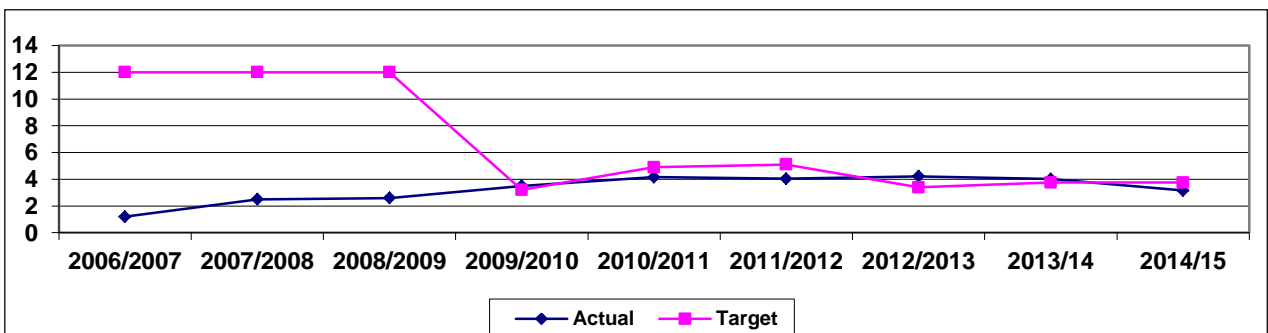
The ratio is determined as follows:

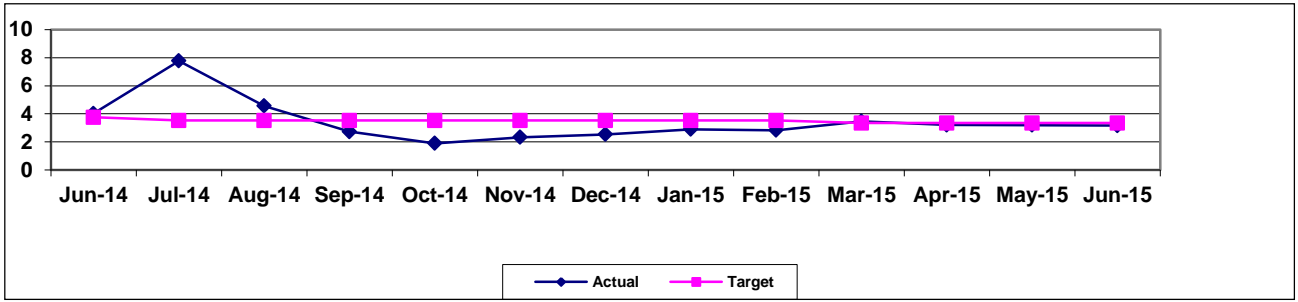
Capital Charges / Total Operating Expenditure to date

The ratio indicates that **3.16%** of the Operating Budget was utilised for capital charges, compared to the adjustments budget target of 3.34%. The audited ratio as at 30 June 2014 was 4.02%

Capital charges (Debt servicing costs) are paid at specific intervals. However, the ability of the Municipality to service new borrowing is increasingly becoming under pressure, and it is clear from an overall cash flow position that the Municipality cannot afford to take up external loans for the 2014/15 MTREF period up to 30 June 2017.

Figure 2: Capital Charges to Annual Operating Expenditure





6.1.3 Borrowed funding of capital expenditure

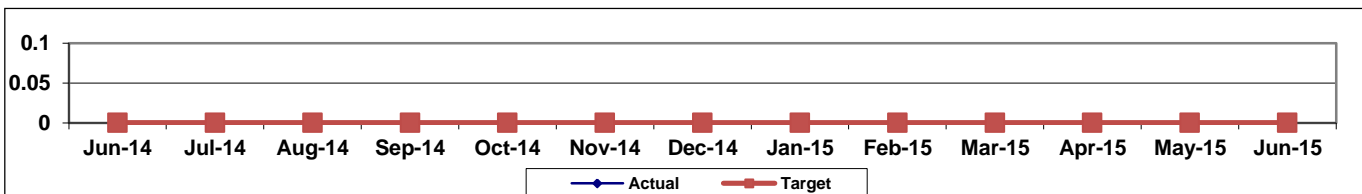
This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded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

The ratio is determined as follows:

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

The ratio was 0% (or **0.0:1**) as no capital expenditure was funded from borrowings, which is in line with the adjustments budget target as per the 2014/15 Operating Budget as no borrowing is planned for the 2014/15 to 2016/17 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).

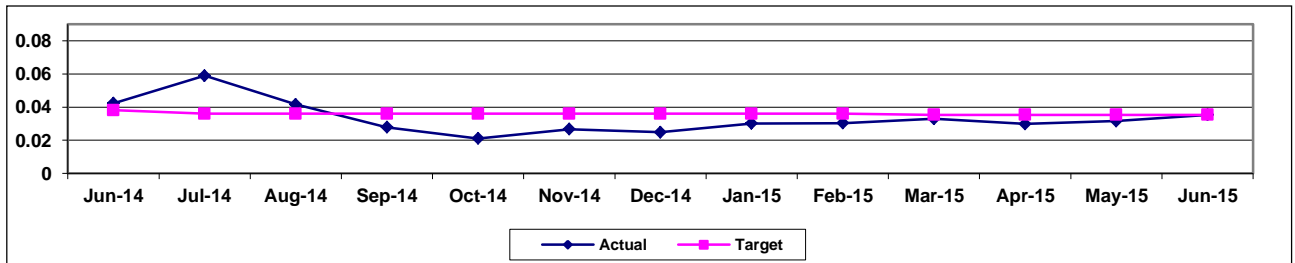
The ratio is determined as follows:

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

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 June 2015, the debt servicing costs to operating revenue ratio was at **0.0318:1**, compared to an adjustments budget target of 0.0353:1. The NMBM audited ratio as at 30 June 2014 was 0.0396. A ratio of 0.03:1 appears to be the maximum borrowing level for the Municipality from a financial affordability and sustainability perspective.

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:

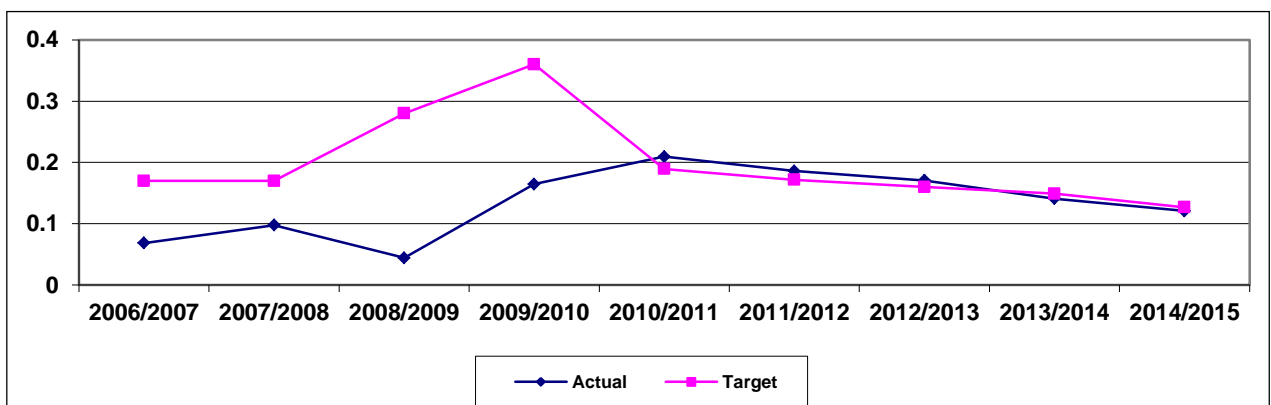
$$\text{Long Term Borrowing / Funds \& Reserves (Equity)}$$

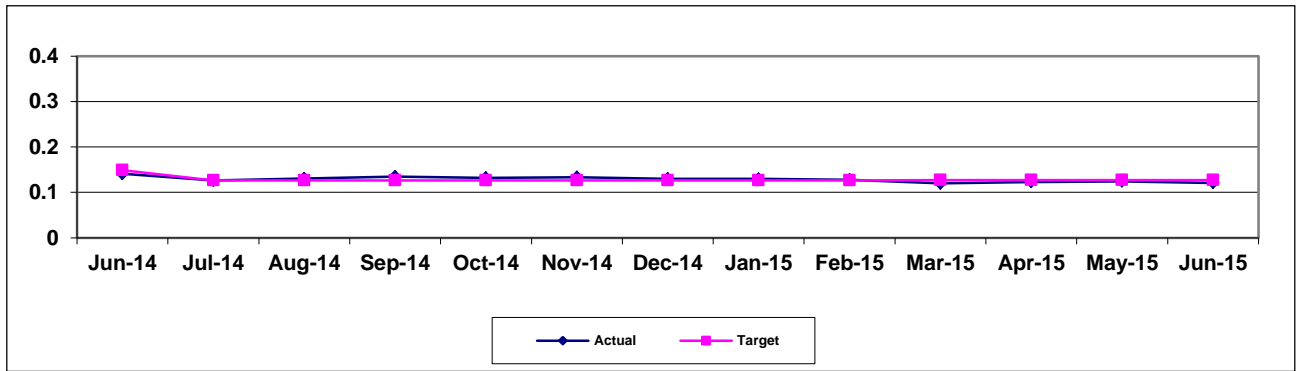
The higher the gearing ratio, the higher the dependence will be on borrowings. The lower the gearing ratio, the higher will be the dependence on the Municipality's funds and reserves.

The gearing ratio as at the end of June 2015 was **0.121:1**, compared to the 2014/15 adjustments budget target of 0.127:1. The NMBM audited ratio as at 30 June 2014 is 0.141:1.

As no further borrowing is anticipated for the 2014/15 to 2016/17 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:

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

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

Current assets	R	%
Cash and Investments	1,422,896	45.1
Consumer Debtors	1,281,312	40.6
Other Debtors	333,155	10.6
Current portion of long term Receivables	0	0
Inventory	117,604	3.7
Total	3,154,966	100

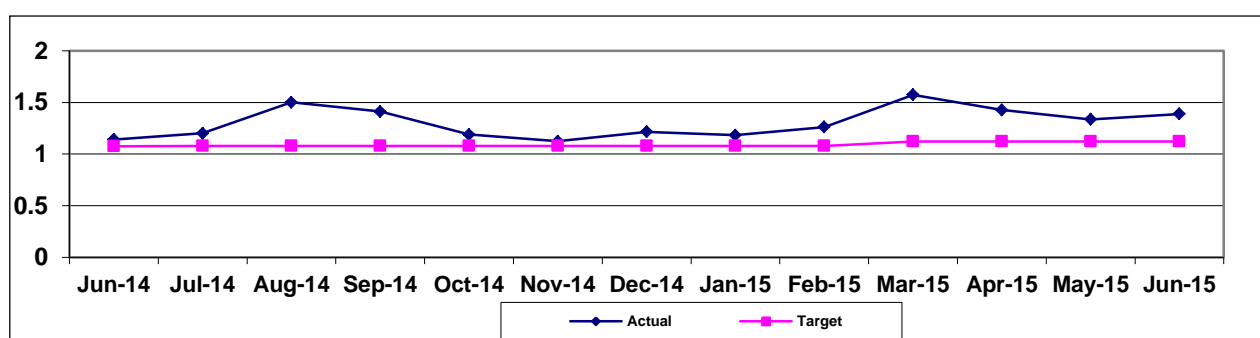
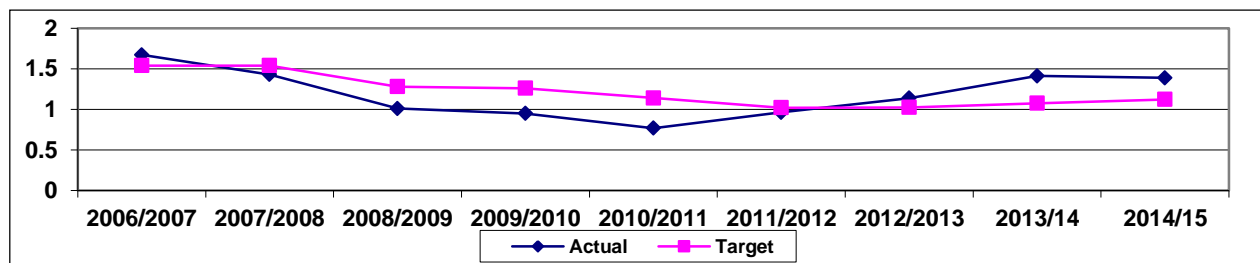
Current liabilities	R	%
Borrowing	104,093	4.6
Consumer Deposits	110,876	4.9
Trade and Other Payables	1,888,448	83.1
Provisions	170,314	7.4
Total	2,273,731	100

It is to be noted that cash and investments, consumer debtors and inventory comprise 45.1%, 40.6% and 3.7% respectively of total current assets. Trade and other payables constitute 83.1% 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 June 2015 was **1.39:1**. The NMBM audited ratio as at 30 June 2014 is 1.41:1.

The current ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. Although the 2014/15 budgeted target is 1.12:1, 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.

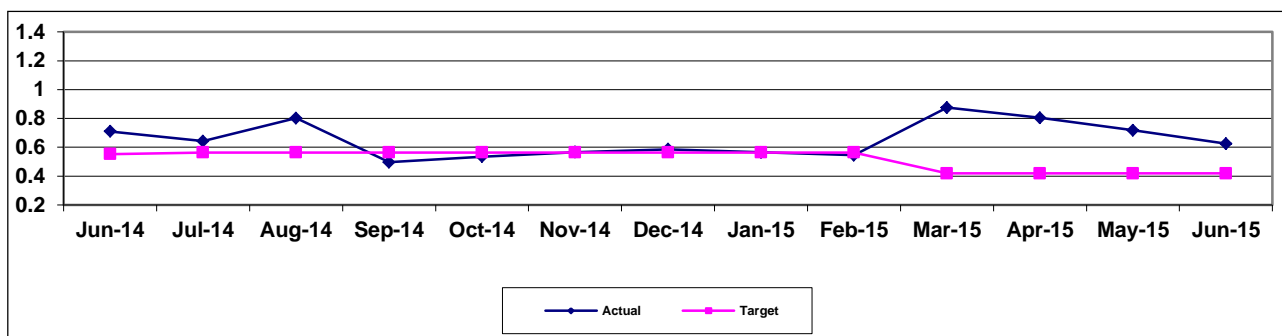
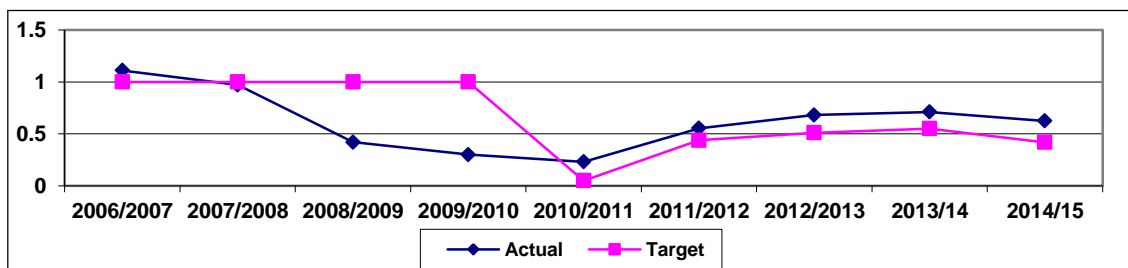
Monetary assets	R	%
Cash and Investments	1,422,896	100.0
	1,422,896	100%

Current liabilities	R	%
Borrowing	104,093	4.6
Consumer Deposits	110,876	4.9
Trade and Other Payables	1,888,448	83.1
Provisions	170,314	7.4
Total	2,273,731	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 June 2015 was **0.63:1**. The NMBM audited ratio as at 30 June 2014 is 0.71:1.

The liquidity ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. The 2014/15 adjustments budget target of 0.42:1 is not a satisfactory target. The liquidity ratio of 0.63:1 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 2014/15 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.

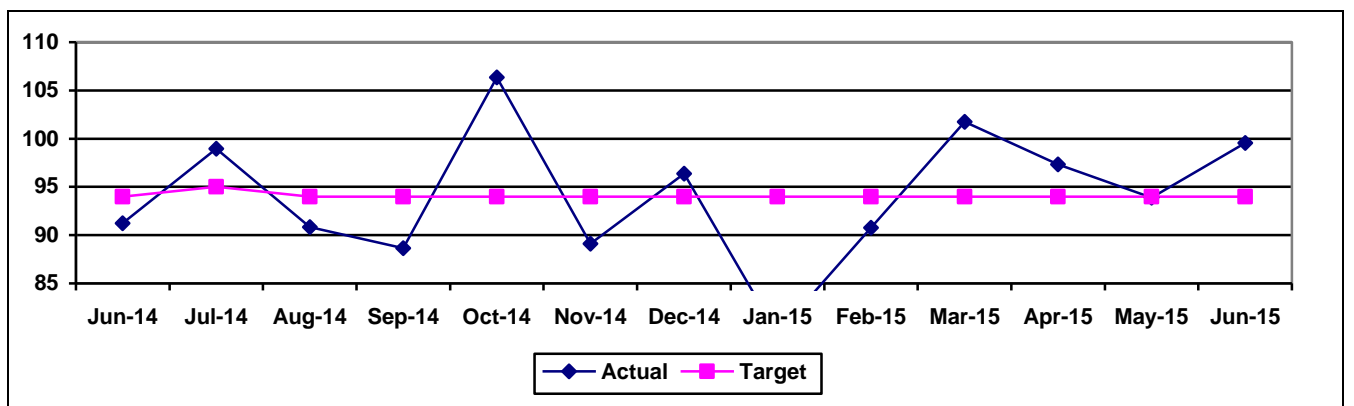
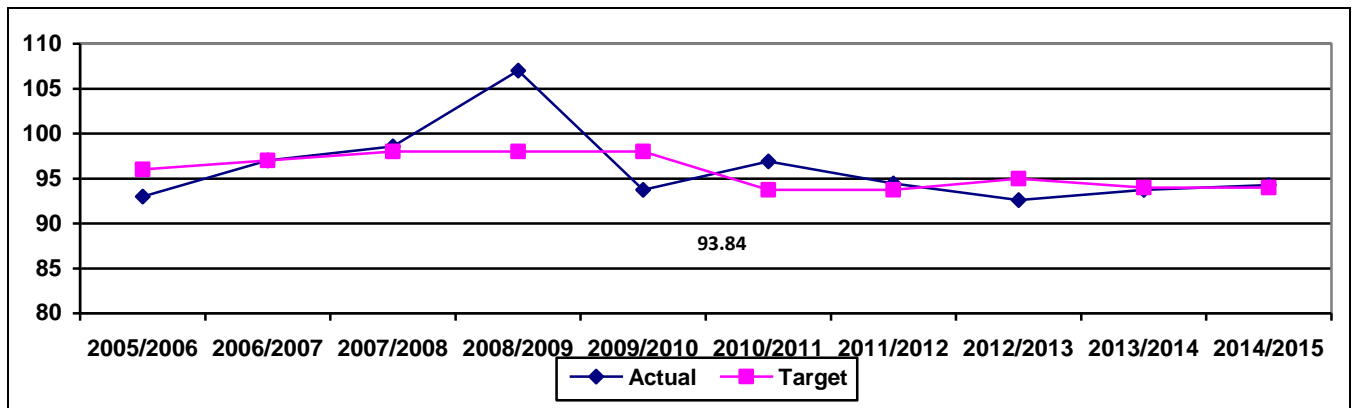
The ratio to determine the percentage collection rate is as follows:

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

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).

The collection rate for June 2015 was 99.57%, whilst the average collection rate amounted to 94.27% for the period 1 July 2014 to 30 June 2015.

Figure 8: Annual Debtors Collection Rate



Note

The September decline has always been offset by an increase in the October collection rate and has been the trend in the collection rates for the 2011/12 and 2012/13 financial years. The reason for this fluctuation is due to annual rates being payable by end of September each year, only being received in October due to late payments by certain annual ratepayers.

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:

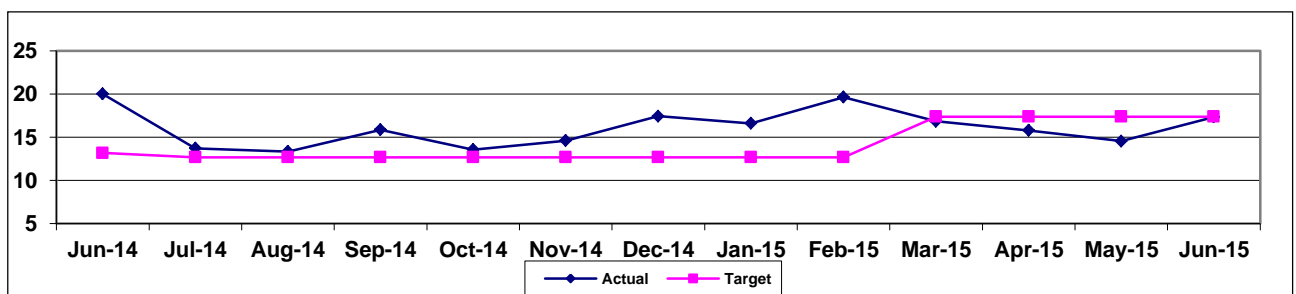
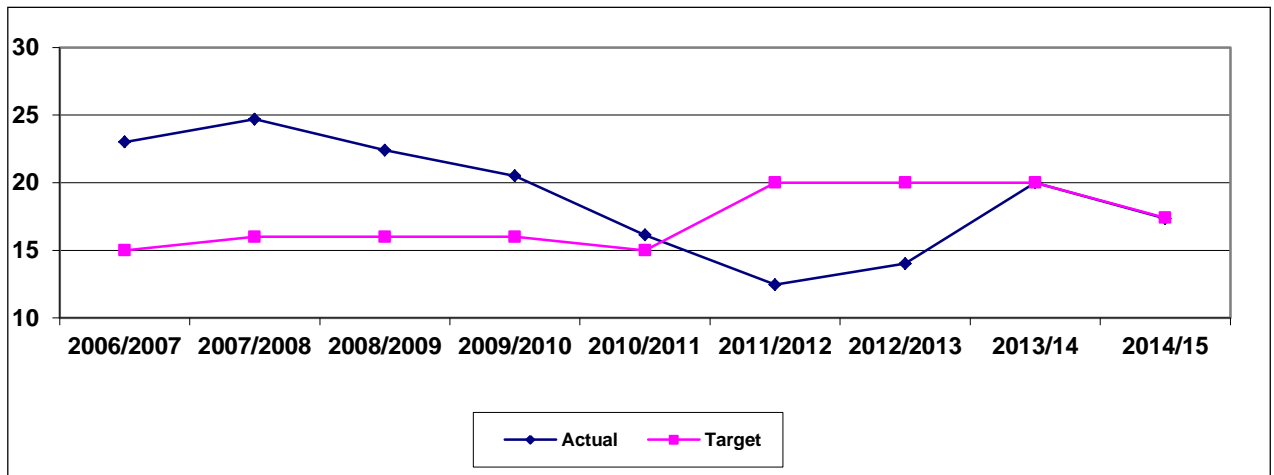
Outstanding Debtors / Annualised Operating Revenue

The ratio at the end of June 2015 was **17.4%** compared to the target of 17.4%. The NMBM audited ratio as at 30 June 2014 was 20.0%.

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



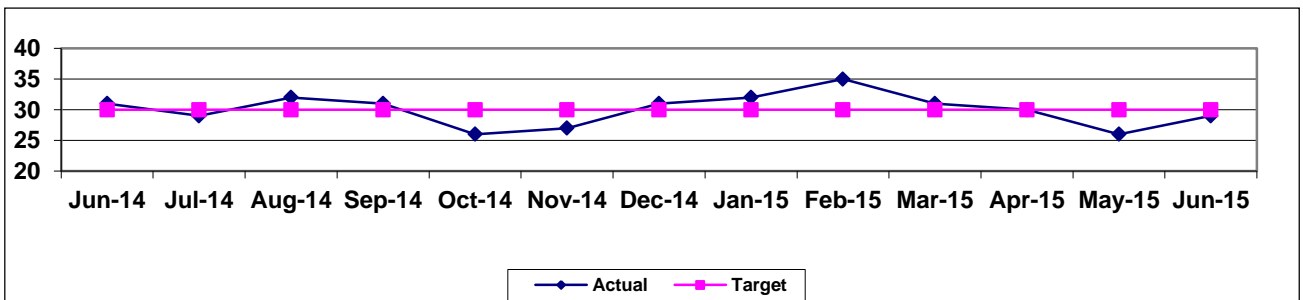
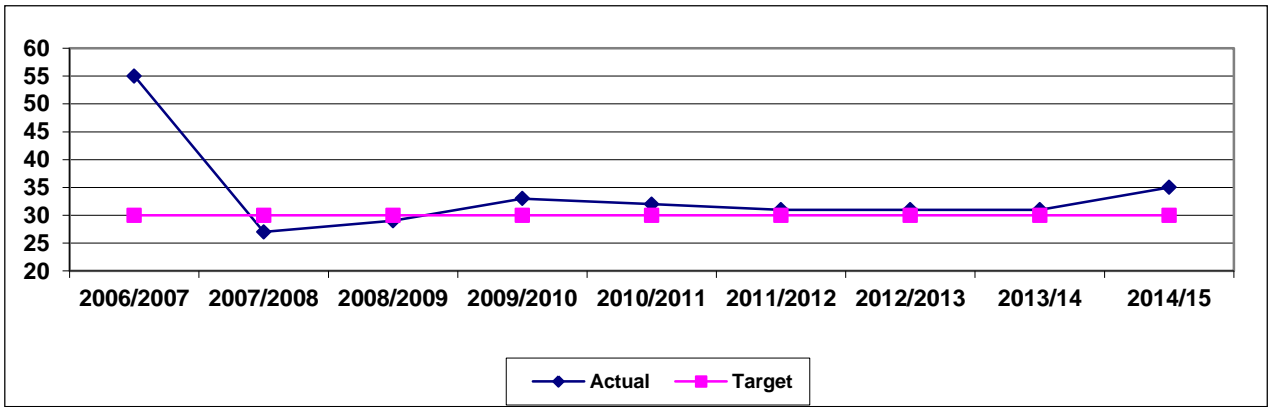
6.5 Creditor Management

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 30 June 2015 amounted to **29 days** (also refer to Section 1.8.2 of this report). The audited ratio as at 30 June 2014 is 31 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:

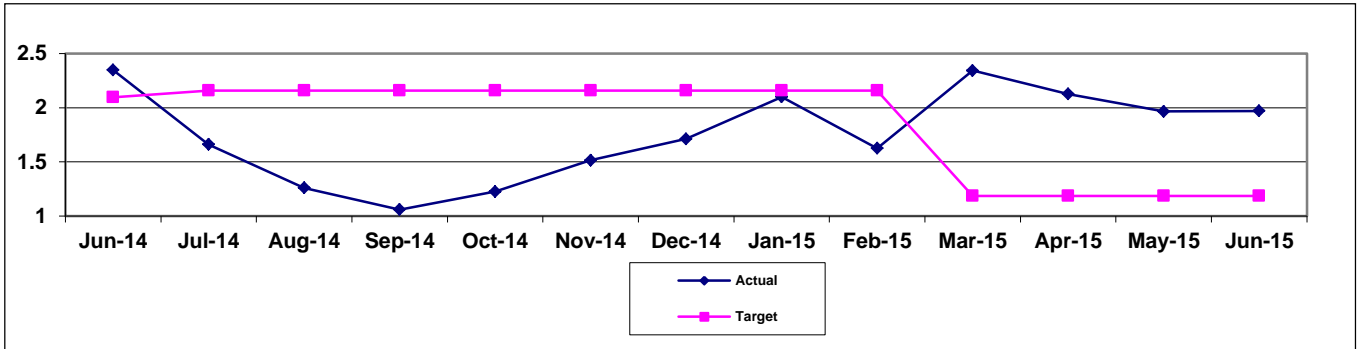
Cash and Cash Equivalents – Unspent Conditional Grants – Overdraft + Short Term Investments / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provisions for Bad Debts, Impairment and Loss on the disposal of Assets):

$$\frac{\text{R } 1,422,895,464 - \text{R } 236,259,334}{\text{R } 602,343,000} = 1.97 \text{ months (58.9 days)}$$

The cost coverage ratio of 1.97 months is above the IDP target of 1.5 months. The monthly average projected operating payments for the period July 2014 to June 2015 was used as a basis for the calculation. The NMBM audited ratio as at 30 June 2014 is 2.35 months.

The cost coverage ratio of 1.97 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

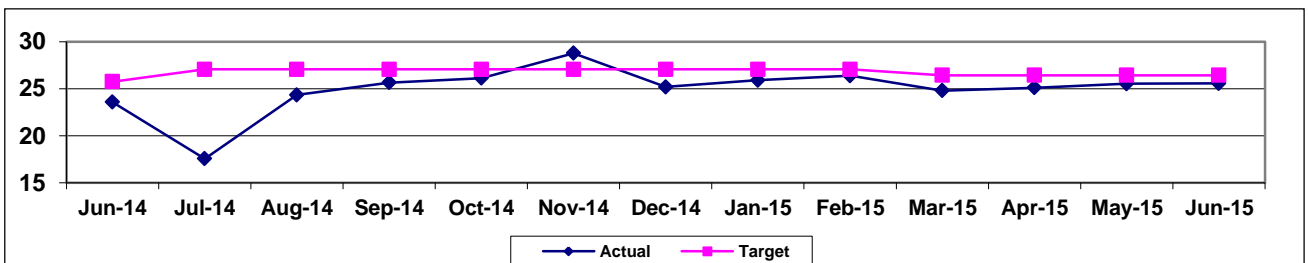
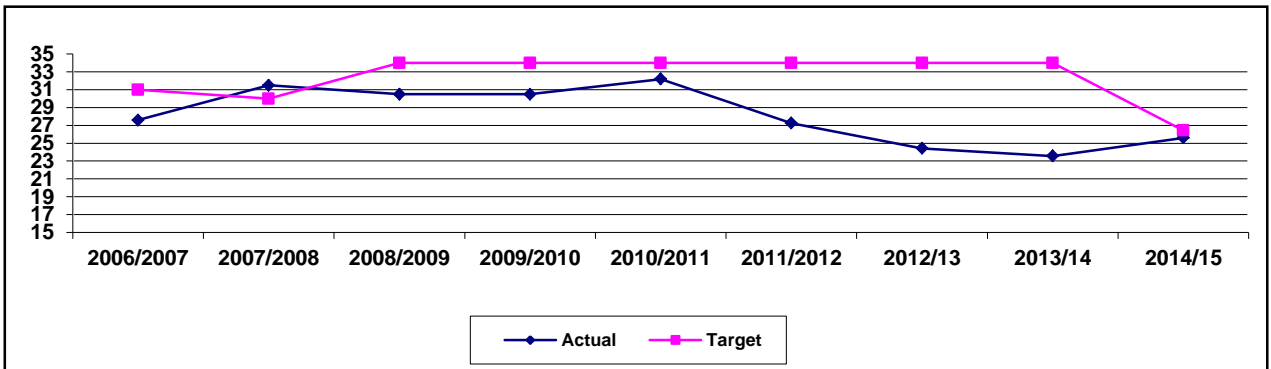
This ratio assesses the extent to which the Municipality’s Operating Revenue is consumed by costs associated with the employment of human resources (refer figure 12).

The ratio is determined as follows:

Employee Costs to Date / Total Operating Revenue to Date

The target has been set at 26.42% for the financial year. As at 30 June 2015, the actual personnel costs constituted **25.6%** of the total operating income. The NMBM audited ratio as at 30 June 2014 is 23.57%. The rate at which vacant positions are filled influences this 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).

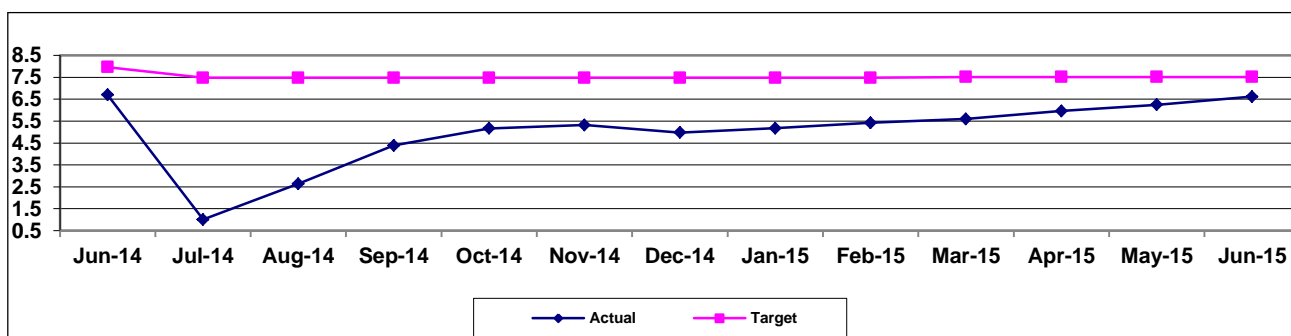
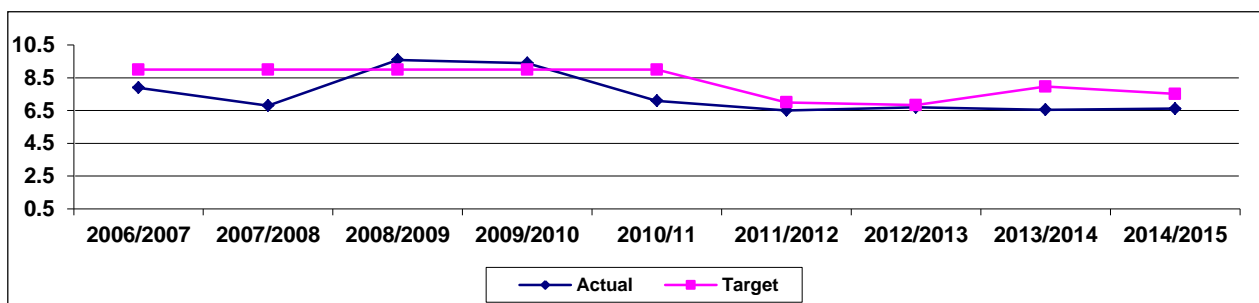
The ratio is determined as follows:

Repairs and Maintenance expenditure to date / Total Operating Income to date

The actual expenditure of **6.617%** is below the adjustments budget target of 7.51%. The NMBM audited ratio as at 30 June 2014 was 6.55%.

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).

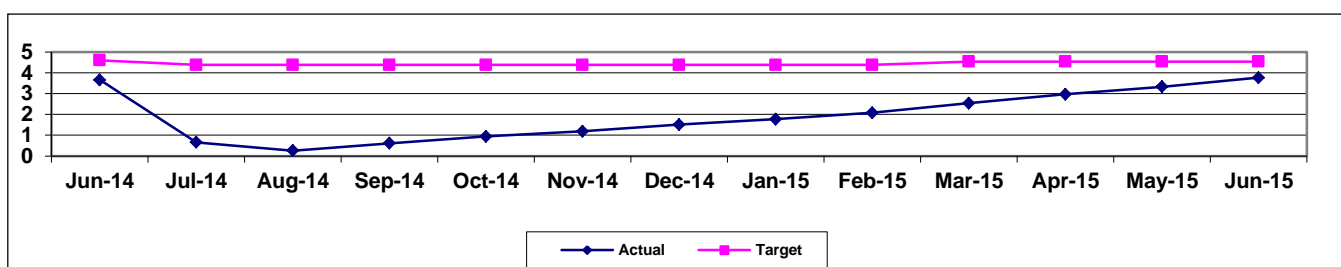
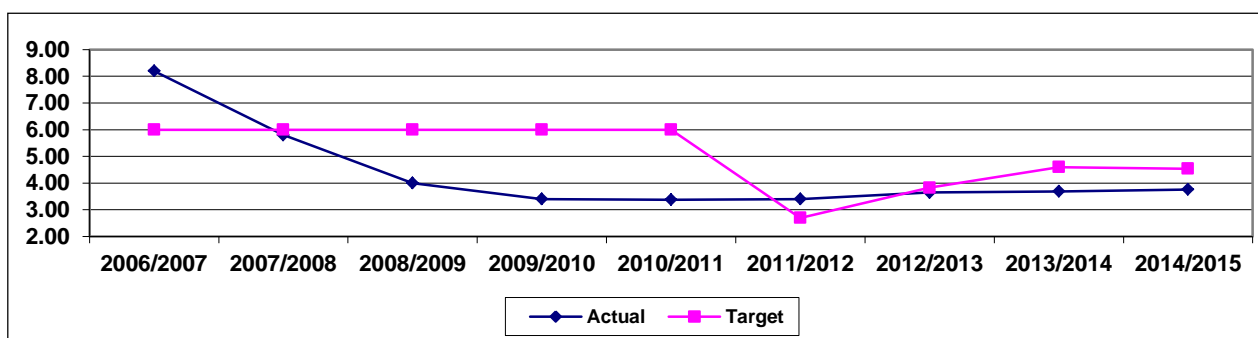
The ratio is determined as follows:

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

The repairs and maintenance expenditure incurred to date constitutes **3.76 %** of the book value of PPE, as at the end of June 2015, compared to an adjustments budget target of 4.54%. The NMBM audited ratio as at 30 June 2014 is 3.69%. 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:

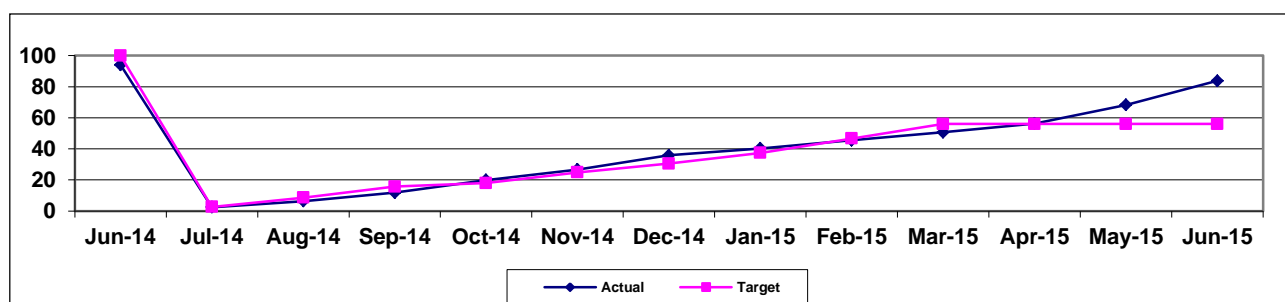
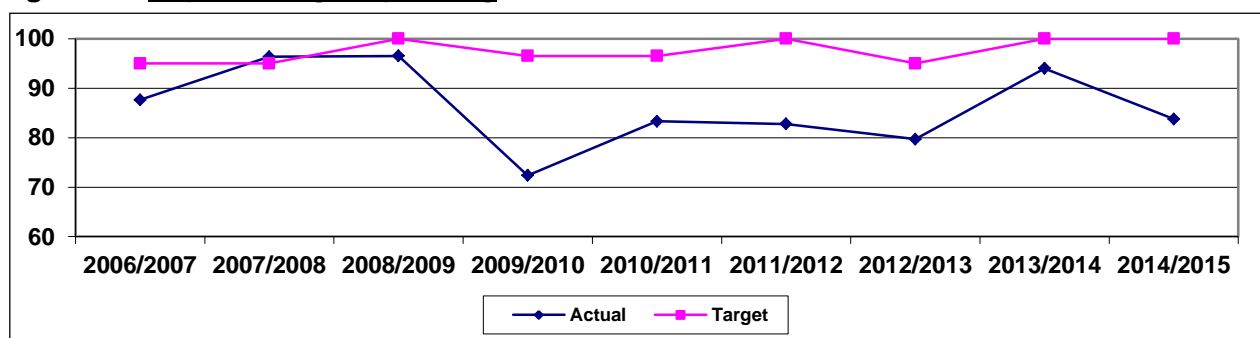
$$\text{Actual Capital spending to date} / \text{Approved Capital Budget}$$

The actual spending as at the end of June 2015 amounted to **83.8%**, compared to the 2014/15 Adjustments Budget. The NMBM audited ratio as at 30 June 2014 was 94.00%.

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:

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

As at the end of June 2015, the Municipality's own revenue sources constituted **83.16%** of its total Operating Income compared to the 2014/15 Adjustments Budget target of 81.06%. The NMBM audited ratio as at 30 June 2014 is 82.61%. 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

