

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 **31 December 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 December 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 68,940,026	R 32,637,606	R 24,824,656	R 15,361,494	R 13,356,965	R 10,787,820	R 55,231,005	R 253,196,036	R 474,335,609
Trade and Other Receivables from Exchange Transactions - Electricity	R 202,339,166	R 65,703,778	R 31,518,732	R 24,855,909	R 10,443,264	R 8,263,286	R 21,033,029	R 215,082,387	R 579,239,551
Receivables from Non-exchange Transactions - Property Rates	R 814,361,275	R 36,948,941	R 19,141,550	R 48,238,756	R 16,421,662	R 4,625,007	R 53,298,194	R 221,654,125	R 1,214,689,511
Receivables from Exchange Transactions - Waste Water Management	R 47,513,345	R 21,085,394	R 16,897,436	R 9,426,437	R 8,565,407	R 6,789,576	R 37,119,721	R 132,724,203	R 280,121,518
Receivables from Exchange Transactions - Waste Management	R 22,303,341	R 8,649,540	R 6,292,046	R 7,630,719	R 4,854,174	R 2,826,210	R 24,147,277	R 115,288,406	R 191,991,712

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-
Receivables from Exchange Transactions - Property Rental Debtors	R 757,857	R 675,836	R 490,027	R 849,348	R 404,802	R 122,641	R 3,821,791	R 8,941,690	R 16,063,992
Interest on Arrear Debtor Accounts	R 13,184,970	R 10,985,089	R 10,255,712	R 13,926,850	R 9,173,524	R 4,933,048	R 52,223,397	R 379,122,169	R 493,804,760
Other	R 10,611,511	R 6,302,468	R 4,969,960	R 4,584,021	R 6,521,832	R 4,406,113	R 27,616,781	R 139,566,741	R 204,579,427
Total By Income Source	R 1,180,011,490	R 182,988,652	R 114,390,120	R 124,873,534	R 69,741,630	R 42,753,702	R 274,491,195	R 1,465,575,757	R 3,454,826,080
Organs of State	R 15,771,475	R 10,774,577	R 5,733,624	R 17,167,645	R 2,664,687	R 1,646,644	R 2,043,054	R 3,719,225	R 59,520,931
Commercial	R 531,894,920	R 83,555,762	R 47,931,669	R 47,210,864	R 23,310,043	R 9,166,993	R 88,150,783	R 457,749,849	R 1,288,970,883
Households	R 620,696,343	R 87,610,906	R 60,188,591	R 58,158,690	R 43,302,883	R 31,071,516	R 182,374,914	R 991,622,858	R 2,075,026,702
Other NMBM)	R 11,648,752	R 1,047,406	R 536,236	R 2,336,335	R 464,016	R 868,550	R 1,922,443	R 12,483,825	R 31,307,564
Total By Customer Group	R 1,180,011,490	R 182,988,652	R 114,390,120	R 124,873,534	R 69,741,630	R 42,753,702	R 274,491,195	R 1,465,575,757	R 3,454,826,080

The aforementioned analysis indicates that from 30 June 2015 to 31 December 2015 the overdue debts have increased by R 68.8 million as follows:

Debtors Age Analysis By Income Source	OVERDUE AMOUNTS AS AT		
	30 June 2015	At the End of December 2015	Difference
Trade and Other Receivables from Exchange Transactions - Water	R 373,164,892	R 405,395,583	R 32,230,691
Trade and Other Receivables from Exchange Transactions - Electricity	R 474,619,428	R 376,900,385	-R 97,719,043
Receivables from Non-exchange Transactions - Property Rates	R 345,613,732	R 400,328,236	R 54,714,504
Receivables from Exchange Transactions - Waste Water Management	R 207,558,773	R 232,608,173	R 25,049,400
Receivables from Exchange Transactions - Waste Management	R 154,867,805	R 169,688,371	R 14,820,567
Receivables from Exchange Transactions - Property Rental Debtors	R 16,143,291	R 15,306,135	-R 837,156
Interest on Arrear Debtor Accounts	R 452,372,662	R 480,619,790	R 28,247,128
Other	R 181,651,669	R 193,967,916	R 12,316,246
Total By Income Source	R 2,205,992,252	R 2,274,814,590	R 68,822,338
Debtors Age Analysis By Customer Group			
Organs of State	R 34,053,593	R 43,749,456	R 9,695,863
Commercial	R 810,889,932	R 757,075,963	-R 53,813,968
Households	R 1,346,693,378	R 1,454,330,358	R 107,636,980
Other NMBM	R 14,355,349	R 19,658,812	R 5,303,463
Total By Customer Group	R 2,205,992,252	R 2,274,814,590	R 68,822,338

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 is currently implementing the Debt Relief Programme, as previously approved by Council.

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

1.2 Other Debtors

Included in Other Debtors is the CDC Walmer Intervention Grant in the amount of approximately R50 million. Expenditure has been incurred in the 2014/15 financial year and is currently being scrutinised by the CDC prior to the release of the funds to NMBM. It would be prudent to speed up the scrutinising process as expenses had been incurred more than six months ago in the previous financial year. Currently the expenses are bridge-financed and investment revenue is being lost impacting on the financial recovery of the NMBM towards medium to long term financial sustainability.

The bridge-financing of the Housing function at a level of R255.86 million is also limiting the recovery of the NMBM to become financially sustainable over the medium to long term. Both investment revenue and funding of financially viable projects are being lost due to the bridge-funding. It is critical that the current level of R255.86 million be reduced and managed back to the at least the R109 million level as per the 2014/15 Annual Financial Statements for the Housing Revolving Fund as soon as possible.

2. Overview of Creditors position

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

Detail	0 – 30 Days R '000	31-60 days R '000	61 – 90 days R '000	Above 91 days R '000	Total R '000	%
Bulk Electricity	0	0	0	0	0	0.00
Bulk Water	0	0	0	0	0	0.00
PAYE deductions	25,036	0	0	0	25,036	17.48
VAT (output less input)	0	0	0	0	0	0.00
Pensions / Retirement deductions	0	0	0	0	0	0.00
Loan Repayments	0	0	0	0	0	0.00
Trade Creditors	110,919	3,743	827	2,699	118,188	82.52
Auditor-General	0	0	0	0	0	0.00
Other	0	0	0	0	0	0.00
Total	135,955	3,743	827	2,699	143,224	100

The above amounts represent invoices still to be paid. Creditors' payments approximate **44** 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 **44** 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 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	October	Total No of Invoices	November	Total No of Invoices	December	Total No of Invoices
Budget & Treasury	12	979	11	925	11	1144
Chief Operating Officer	62	83	94	96	85	104
Corporate Services	31	2143	30	2117	41	2545
Economic Development, Tourism & Agriculture	32	20	57	28	29	14
Electricity & Energy	41	358	39	405	37	419
Human Settlements	52	303	51	194	50	411
Infrastructure & Engineering: Rate & General	21	1564	18	1373	17	1808
Water Services	22	168	18	124	40	185
Municipal Manager	69	20	14	10	14	16
Office of the Executive Mayor	68	64	35	60	44	69
Public Health	18	312	29	333	21	392
Recreational & Cultural Services	49	229	17	182	17	290
Safety & Security	21	347	17	410	24	395
Sanitation	26	202	27	180	25	342
Special Projects & Programmes	37	9	103	10	16	4
Average for all Directorates	28		25		29	

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 five (5) Directorates have met the 19 days turnaround time for the latest month (**December**):

Directorate	No. of Days (December)
Budget & Treasury	11 days
Infrastructure and Engineering: Rate & General	17 days
Municipal Manager	14 days
Recreational & Cultural Services	17 days
Special Projects & Programmes	16 days

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

Directorate	No. of Days (December)
Chief Operating Officer	104
Corporate Services	41
Water Services	40

The December 2015 payment days' result of 112 days for the Chief Operating Officer is attributed to payments made to GOLDBERG & DE VILLIERS and MCWILLIAMS & ELLIOT, 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
October	3	11	2	16
November	3	10	2	15
December	4	9	2	15

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 October 2015 to December 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.

October 2015 - 44 days
November 2015 - 40days
December 2015 - 44 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:

October 2015 - 29 days
November 2015 - 29 days
December 2015 - 33 days

The results above indicate that during the period June to December 2015, Creditors' payment days were not within the National Treasury target for the month of December 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 31 December 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	105,607	175,000	125,500	296,152	53,657	139,620	1,445,536
Add: Investments Made (Jul 2015 to Dec 2015)	1,038,000	1,038,000	6,112	668,000	0	989,152	0	0	3,739,264
Less: Investments Matured (Jul 2015 to Dec 2015)	-963,000	-963,000	0	-618,000	0	-934,152	0	0	-3,478,152
Net movement in current account	0	0	0	0	0	0	-25,576	10,688	-14,888
Value of Investments: 31 Dec 2015	350,000	350,000	111,719	225,000	125,500	351,152	28,081	150,308	1,691,760
% Exposure Of Institution	20.69%	20.69%	6.60%	13.30%	7.42%	20.76%	1.66%	8.88%	100%
Actual Interest Earned (Jul 2015 to Dec 2015)	7,963	7,920	-2,913	4,820	2,936	7,926	1,092	5,541	35,285

The increase in the investment portfolio since 30 June 2015 amounts to R246.2 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
150,312
1,541,448
1,691,760

Application of Cash

Unspent Conditional Grants
Statutory Funds – COID
Housing Revolving Fund
Self Insurance Fund
Outstanding Creditors Liability
Internally Generated Funding
Current Provisions

365,325
24,831
109,732
96,391
143,224
427,136
180,478
1,347,117

Reserves in excess of commitments

344,643

The cash backed reserves exceed the commitments at this stage by an amount of 344,643 million. It should be noted that the excess of reserves over commitments as at 31 December, is mainly due to the Equitable Share and Fuel levy being received, but not yet 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 – M06 December 2015

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
RECEIPTS:								
Operating Transfers and Grants								
National Government:	918,828	1,024,702	3,536	643,168	643,168	–		1,024,702
Local Government Equitable Share	751,000	774,616		518,362	518,362	–		774,616
Energy Efficiency and Demand Management	10,000	10,000		–				10,000
EPWP Incentive	13,439	8,664	2,599	6,065	6,065			8,664
Public Transport Network Operations	62,500	150,000		93,064	93,064			150,000
Finance Management	1,250	1,050		1,050	1,050			1,050
Infrastructure Skills Development	8,000	9,000		3,300	3,300	–		9,000
Integrated City Development	4,133	5,708		5,708	5,708	–		5,708
Municipal Disaster Recovery'	37,707			–		–		
Urban Settlements Development	25,700	51,317		–		–		51,317
Municipal Human Settlements Capacity	5,099	9,847		9,847	9,847	–		9,847
LGSETA		4,500	937	5,772	5,772	–		4,500
Provincial Government:	231,968	323,144	10,304	62,714	72,717	(10,003)	-13.8%	323,144
Sport and Recreation	7,390	9,752		9,752	9,752	–		9,752
Health subsidy		1,957		–				1,957
Human Settlements Development	212,520	310,905	10,304	52,702	62,705	(10,003)		310,905
Housing Accreditation	8,660					–		
DRPW(Maintenance of Roads)	3,398					–		
Marine Coastal		530		260	260			530
						–		

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Other grant providers:	–	7,872	–	2,040	2,010	29	1.5%	7,872
SALA/IDA				29				
Groen Sebenza(SANBI)		842		–				842
IDC(MBDA)		2,500		–				2,500
KFW (MBDA)		4,530		2,010	2,010			4,530
Total Operating Transfers and Grants	1,150,797	1,355,719	13,841	707,921	717,896	(9,974)	-1.4%	1,355,719
Capital Transfers and Grants								
National Government:	–	1,072,919	282,392	664,406	662,156	2,250	0.3%	1,072,919
Public Transport and Systems		222,256		93,064	93,064	–		222,256
Neighbourhood Development Partnership		20,000		–		–		20,000
Urban Settlements Development		795,163	275,051	542,121	542,121	–		795,163
Integrated National Electrification		35,500	7,341	26,971	26,971	–		35,500
Smart Grids				2,250		2,250		
Other grant providers:	–	20,903	–	–	–	–		20,903
KFW (MBDA)		20,903		–		–		20,903
Total Capital Transfers and Grants	–	1,093,821	282,392	664,406	662,156	2,250	0.3%	1,093,821
TOTAL RECEIPTS OF TRANSFERS & GRANTS	1,150,797	2,449,540	296,233	1,372,327	1,380,052	(7,724)	-0.6%	2,449,540

Below is an analysis of the spending associated with the grants as at 31 December 2015:

Supporting Table SC7(1) Monthly Budget Statement - transfers and grants expenditure – M06 December 2015

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
EXPENDITURE								
–								
Operating expenditure of Transfers and Grants								
National Government:	–	1,024,702	67,813	406,636	406,636	–		1,024,702
Local Government Equitable Share		774,616	64,551	387,308	387,308	–		774,616
Energy Efficiency and Demand Management		10,000		4,464	4,464	–		10,000
EPWP Incentive		8,664	212	562	562	–		8,664
Public Transport Network Operations		150,000	1,688	3,918	3,918	–		150,000
Finance Management		1,050	53	288	288	–		1,050
Infrastructure Skills Development		9,000	710	4,209	4,209	–		9,000
Intergrated City Development		5,708				–		5,708
Urban Settlements Development		51,317		329	329			51,317
Municipal Human Settlements Capacity		9,847	598	2,804	2,804	–		9,847
LGSETA		4,500		2,754	2,754	–		4,500
Provincial Government:	–	328,144	19,704	103,150	103,150	–		328,144
Sport and Recreation		9,752		–		–		9,752
Health subsidy		1,957		–		–		1,957
Human Settlements Development		310,905	19,370	102,988	102,988	–		310,905

Description	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Housing Accreditation			333			–		
DRPW(Maintenance of Roads)		5,000		–		–		5,000
Marine Coastal		530		162	162	–		530
Walmer Youth Development Project						–		
Other grant providers:	–	3,342	147	4,134	1,042	3,092	296.9%	3,342
Lotteries				879		879		
European Funding				55		55	!	
SALA/IDA			147	148		148		
Other		842		–				842
IDC(MBDA)		2,500		1,042	1,042			2,500
KFW (MBDA)				2,010				
Total operating expenditure of Transfers and Grants:	–	1,356,189	87,663	513,919	510,827	3,092	0.6%	1,356,189
Capital expenditure of Transfers and Grants								
National Government:	–	1,072,919	74,930	393,677	399,975	(6,299)	-1.6%	1,072,919
Public Transport and Systems		222,256	(6,919)	(5,084)	1,215	(6,299)	-518.4%	222,256
Neighbourhood Development Partnership		20,000	642	4,560	4,560	–		20,000
Urban Settlements Development		795,163	79,867	382,163	382,163	–		795,163
Intergrated National Electrification		35,500	1,340	12,037	12,037	–		35,500
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	74,930	393,677	399,975	(6,299)	-1.6%	1,093,821
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	–	2,450,010	162,593	907,596	910,803	(3,206)	-0.4%	2,450,010

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

Note should be taken that the Public Transport Networks Operations and the Public Transport Infrastructure Grant had not been spent are mainly responsible for the current level of unspent conditional grants.

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 561 863
Unspent as at 31 December 2015 R 8 102 137

As at 31 December 2015 only 6.5% 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 3 918 263
Unspent as at 31 December 2015:	R146 081 737

As at 31 December 2015 only 2.6% 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 4 464 000
Unspent as at 31 December 2015:	R 5 536 000

As at 31 December 2015 only 44.6% of the DORA allocation was spent. **Please note that no Grant funding has been received to date.**

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:	R4 209 105
Unspent as at 31 December 2015:	R4 790 895

As at 31 December 2015 only 46.8% of the DORA allocation was spent.

The National Treasury approval for the roll-over of unspent conditional grants for the 2014/15 financial year amounting to R248 644 was received in October 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:	R5 708 000
Amount of Grant Received:	R2 854 000
Expenditure to date:	R 328 519
Unspent as at 31 December 2015:	R5 708 000

As at 31 December 2015 only 5.8% spending of the DORA allocation was spent.

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 050 000
Amount of Grant Received:	R1 050 000
Expenditure to date:	R 287 794
Unspent as at 30 June 2015:	R 762 206

As at 31 December 2015, 27.4% 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 52 701 565
Expenditure to date:	R102 987 504
Unspent as at 31 December 2015:	R207,917,496

As at 31 December 2015 only 33.1% of the 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:	R 9 847 000
Amount of Grant Received:	R 9 847 000
Expenditure to date:	R 3 114 488
Unspent as at 31 December 2015:	R 6 732 512

As at 31 December 2015, 31.6% of the DORA allocation was spent.

The National Treasury approval for the roll-over of unspent conditional grants for the 2014/15 financial year amounting to R23 235 274 was received in October 2015.

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 31 December 2015:	R51 317 000

As at 31 December 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:	R542 121 000
Expenditure to date:	R382 162 982
Unspent as at 31 December 2015:	R413 000 018

As at 31 December 2015, 48.1% 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:	R35 500 000
Amount of Grant Received:	R26 971 000
Expenditure to date:	R12 037 211
Unspent as at 31 December 2015:	R 34 151 000

As at 31 December 2015, 33.9% 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:	R 0
Expenditure to date:	R 4 560 285
Unspent as at 31 December 2015:	R15 439 715

As at 31 December 2015 only 22.8% of the DORA allocation was spent.

The roll over request in the amount of R1 118 343 was not approved by 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:	R 93 064 000
Expenditure to date:	R 0
Unspent as at 31 December 2015:	R222 162 000

As at 31 December 2015 no expenditure has been incurred.

The unspent grant as at 30 June 2015 as per the Audited Consolidated Annual Financial Statements amounted to R61 482 240. **No roll over request was submitted to National Treasury. Also no request was made to National Treasury to offset the over expenditure of approximately R66 million on the Public Transport Networks Operations Grant against the unspent portion of the Public Transport Infrastructure Grant.**

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 – M06 December 2015

Summary of Employee and Councillor remuneration R thousands	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
	A	B						D
Councillors (Political Office Bearers plus Other)								
Basic Salaries and Wages	55,219	61,205	4,675	28,287	28,869	(582)	-2%	61,205
Cellphone Allowance	2,517	2,760	210	1,285	1,302	(17)	-1%	2,760
Other benefits and allowances	425	464		48	219	(172)	-78%	464
Sub Total - Councillors	58,161	64,429	4,886	29,619	30,390	(771)	-3%	64,429
% increase		10.8%						10.8%
Senior Managers of the Municipality								
Basic Salaries and Wages	19,727	19,780	1,079	8,475	9,330	(855)	-9%	19,780
Performance Bonus	(358)	2,769	–	–	1,306	(1,306)	-100%	2,769
Sub Total - Senior Managers of Municipality	19,369	22,549	1,079	8,475	10,636	(2,161)	-20%	22,549
% increase		16.4%						16.4%
Other Municipal Staff								
Basic Salaries and Wages	1,333,392	1,484,206	110,993	719,512	700,073	19,439	3%	1,484,206
Pension and UIF Contributions	227,453	249,662	17,839	110,187	117,761	(7,574)	-6%	249,662
Medical Aid Contributions	124,667	130,517	10,785	65,063	61,562	3,501	6%	130,517
Overtime	122,406	105,334	10,624	51,136	49,684	1,452	3%	105,334
Performance Bonus	27,492	31,820	2,564	14,092	15,009	(917)	-6%	31,820
Motor Vehicle Allowance	63,280	67,622	6,220	27,246	31,896	(4,650)	-15%	67,622
Cellphone Allowance	29	56		8	27	(19)	-70%	56
Housing Allowances	7,188	8,351	902	5,467	3,939	1,528	39%	8,351
Other benefits and allowances	89,334	69,300	7,051	49,604	32,688	16,916	52%	69,300
Payments in lieu of leave	–	12,841		–	6,057	(6,057)	-100%	12,841
Long service awards	35,580	40,423	3,144	18,755	19,067	(312)	-2%	40,423
Post-retirement benefit obligations	114,194	52,102		–	24,576	(24,576)	-100%	52,102
Sub Total - Other Municipal Staff	2,145,015	2,252,234	170,121	1,061,069	1,062,338	(1,269)	0%	2,252,234
% increase		5.0%						5.0%
Total Parent Municipality	2,222,545	2,339,212	176,086	1,099,164	1,103,364	(4,201)	0%	2,339,212
		5.2%						5.2%
Unpaid salary, allowances & benefits in arrears:								
Board Members of Entities								
Sub Total - Board Members of Entities	–	–	–	–	–	–		–
% increase								
Senior Managers of Entities								
Basic Salaries and Wages	4,846	6,445	275	2,657	3,223	(566)	-18%	6,445
Pension and UIF Contributions	569	640	34	326	320	6	2%	640
Medical Aid Contributions	139	157	19	187	78	109	139%	157

Summary of Employee and Councillor remuneration	2014/15	Budget Year 2015/16						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Performance Bonus	540	607	49	475	303	171	56%	607
Motor Vehicle Allowance	110	124	5	50	62	(12)	-19%	124
Sub Total - Senior Managers of Entities	6,204	7,972	382	3,695	3,986	(291)	-7%	7,972
% increase		28.5%						28.5%
Other Staff of Entities								
Basic Salaries and Wages	4,336	5,467	178	1,718	2,734	(1,016)	-37%	5,467
Pension and UIF Contributions	508	571	33	314	285	29	10%	571
Medical Aid Contributions	335	376	35	343	188	155	82%	376
Other benefits and allowances	309	347	81	782	173	608	351%	347
Sub Total - Other Staff of Entities	5,487	6,761	327	3,157	3,381	(224)	-7%	6,761
% increase		23.2%						23.2%
Total Municipal Entities	11,692	14,733	709	6,852	7,367	(515)	-7%	14,733
TOTAL SALARY, ALLOWANCES & BENEFITS	2,234,237	2,353,945	176,795	1,106,015	1,110,731	(4,715)	0%	2,353,945
% increase		5.4%						5.4%
TOTAL MANAGERS AND STAFF	2,176,075	2,289,517	171,909	1,076,396	1,080,341	(3,945)	0%	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 – M02 December 2015

Description of financial indicator	Basis of calculation	Original Budget	YearTD actual	Full Year Forecast
<u>Borrowing Management</u>				
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure	3.09%	2.76%	3.09%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants	0.00%	0.00%	0.00%
<u>Safety of Capital</u>				
Debt to Equity	Loans, Accounts Payable, Overdraft & Tax Provision/ Funds & Reserves	29.47%	26.77%	29.47%
Gearing	Long Term Borrowing/ Funds & Reserves	11.07%	10.95%	11.07%
<u>Liquidity</u>				
Current Ratio	Current assets/current liabilities	116.49%	148.81%	116.49%
Liquidity Ratio	Monetary Assets/Current Liabilities	48.33%	76.89%	48.33%
<u>Revenue Management</u>				
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	94.0%	92.68%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.80%	16.73%	17.80%
<u>Creditors Management</u>				
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))	75.00%	62.50%	75.00%
<u>Other Indicators</u>				
Electricity Distribution Losses	% Volume (units purchased and generated less units sold)/units purchased and generated	10.00%	13.37%	10.00%

Description of financial indicator	Basis of calculation	Original Budget	YearTD actual	Full Year Forecast
Water Distribution Losses	% Volume (units purchased and own source less units sold)/Total units purchased and own source	41.30%	42.27%	41.30%
Employee costs	Employee costs/Total Revenue - capital revenue	25.77%	25.12%	19.98%
Repairs & Maintenance	R&M/Total Revenue - capital revenue	5.91%	4.19%	5.91%
Interest & Depreciation	I&D/Total Revenue - capital revenue	11.73%	11.56%	11.73%
IDP regulation financial viability indicators				
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	27.74	26.98	27.74
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	18.76%	16.30%	18.76%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.55	2.22	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:

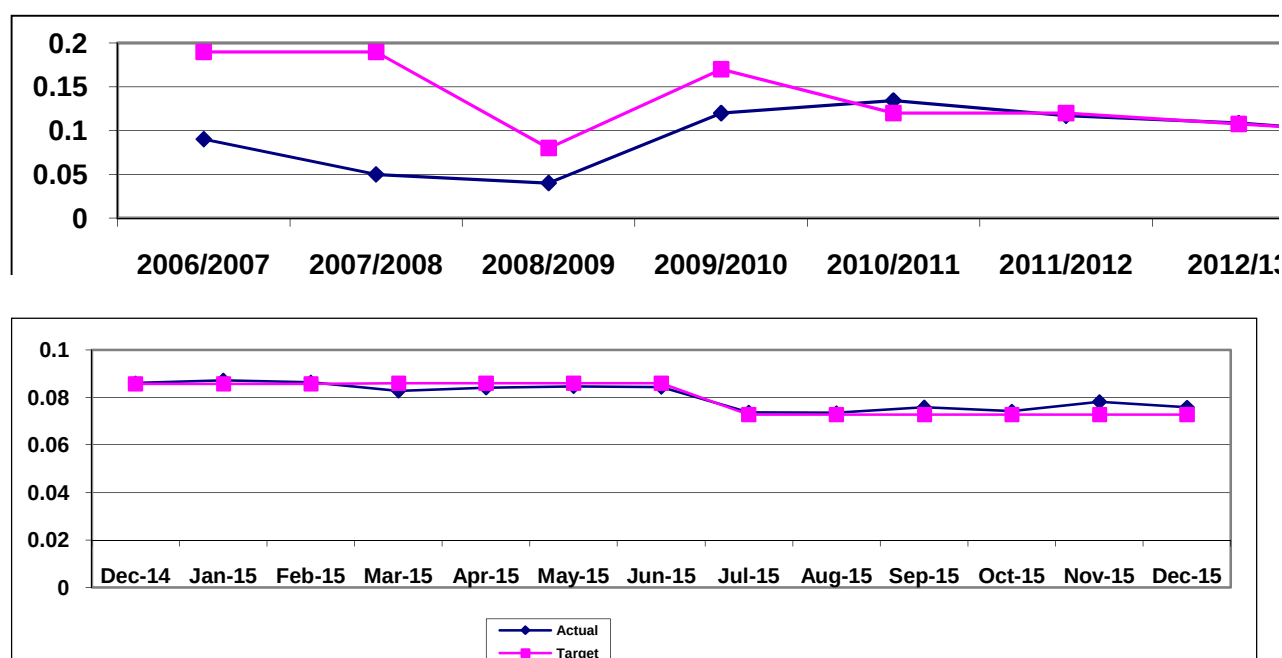
Long-Term Borrowing / Total Assets

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 December 2015, the borrowing to asset ratio was at **0.0759:1**, compared to the operating budget target of 0.0753:1. The actual ratio as at 31 December 2014 was 0.0861:1. The NMBM audited ratio as at 30 June 2015 was 0.0843:1. 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.

The ratio will continue to reduce annually until the NMBM are able to secure new long-term borrowing for revenue generating projects.

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).

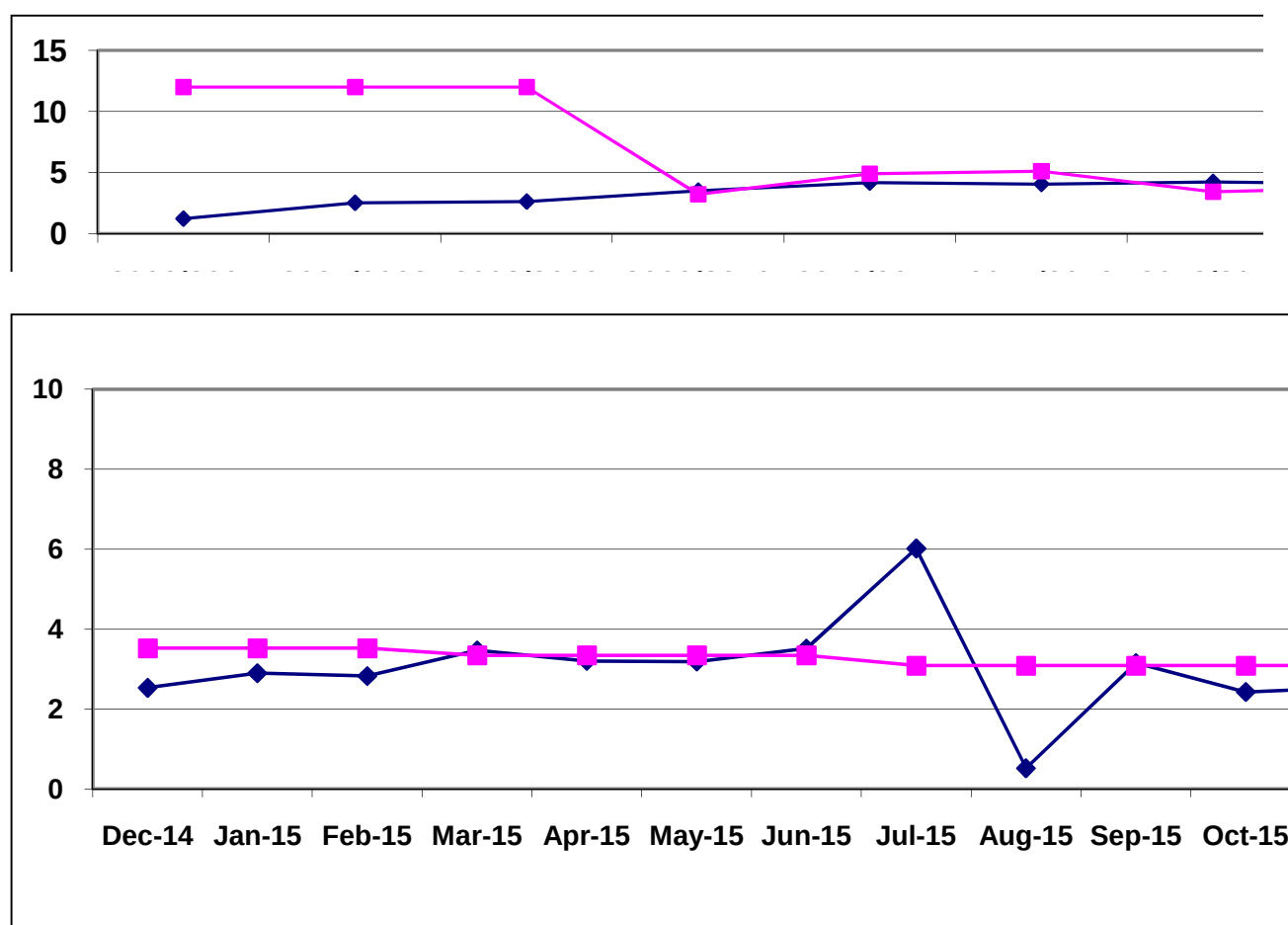
The ratio is determined as follows:

Capital Charges / Total Operating Expenditure to date

The ratio indicates that **2.76%** of the Operating Budget was utilised for capital charges, compared to the operating budget target of 3.09% as at 31 December 2015. As at 31 December 2014 the ratio was 2.53. The audited ratio as at 30 June 2015 was 3.51%. The abnormal low percentage is mainly due to accrual accounting in respect of the 2014/15 financial year. The ratio will normalise over the remainder of the financial year 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

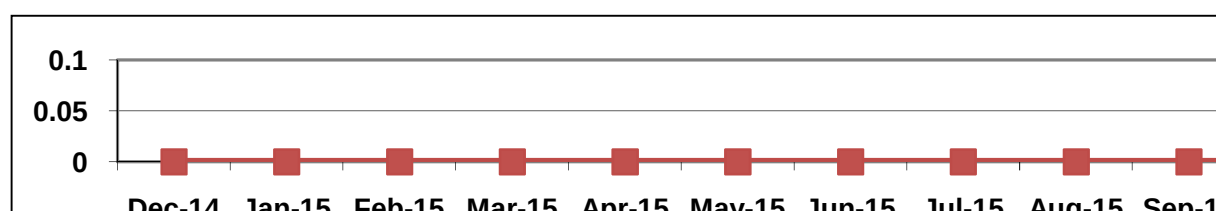
This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded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

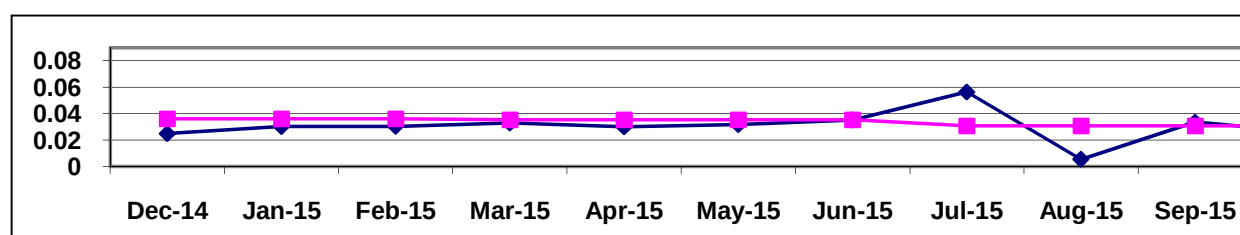
The ratio is determined as follows:

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

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 December 2015, the debt servicing costs to operating revenue ratio was at 0.0277:1, compared to an operating budget target of 0.0307:1. As at 31 December 2014 the ratio was 0.0248:1. The NMBM audited ratio as at 30 June 2015 was 0.0352:1. A ratio of 0.0307:1 appears to be the maximum borrowing level for the Municipality from a financial affordability and sustainability perspective. The abnormal low percentage is mainly due to accrual accounting in respect of the 2014/15 financial year. 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:

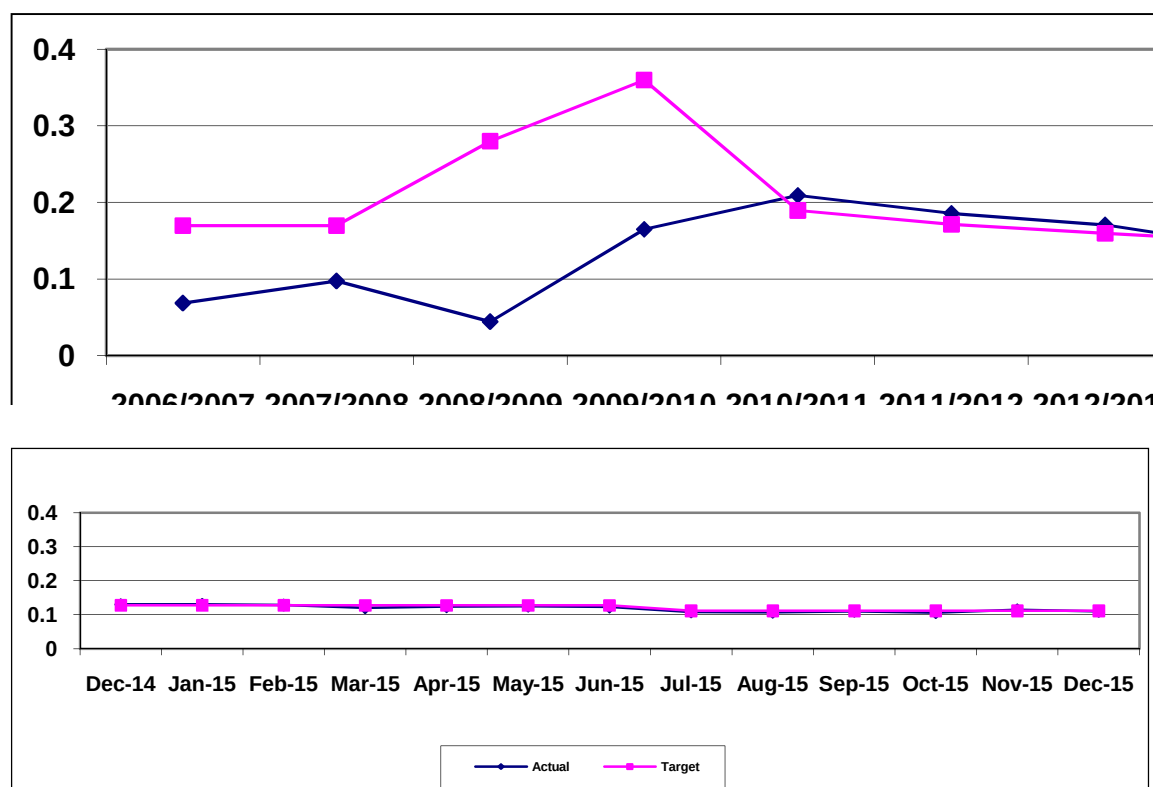
Long Term Borrowing / Funds & Reserves (Equity)

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 December 2015 was **0.1095:1**, compared to the 2014/15 operating budget target of 0.1107:1. As at 31 December 2014 the ratio was 0.1300:1. The NMBM audited ratio as at 30 June 2015 is 0.1221:1.

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:

Current assets / Current liabilities

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

Current assets	R	%
Cash and Investments	1,691,759,989	51.67
Consumer Debtors	977,903,854	29.87
Other Debtors	489,948,254	14.96
Current portion of long term Receivables	80	0.00
Inventory	114,772,796	3.50
Total	3,274,384,893	100

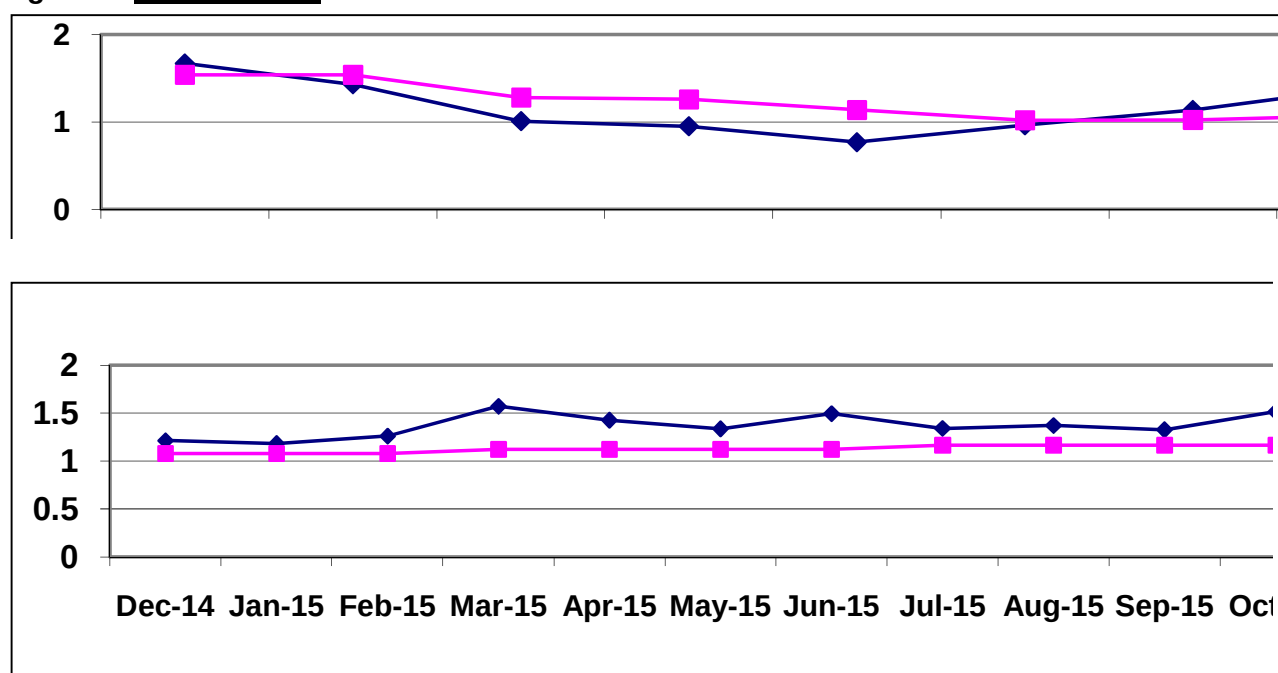
Current liabilities	R	%
Borrowing	93,919,738	4.27
Consumer Deposits	114,361,643	5.20
Trade and Other Payables	1,811,242,929	82.32
Provisions	180,785,978	8.21
Total	2,200,310,288	100

It is to be noted that cash and investments, consumer debtors and inventory comprise 51.67%, 29.87% and 3.50% respectively of total current assets. Trade and other payables constitute 82.32% 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 31 December 2015 was **1.49:1**. As at 31 December 2014 the ratio was 1.21:1. The NMBM audited ratio as at 30 June 2015 is 1.49:1.

The current ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. Although the 2014/15 budgeted target is 1.16:1, 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.

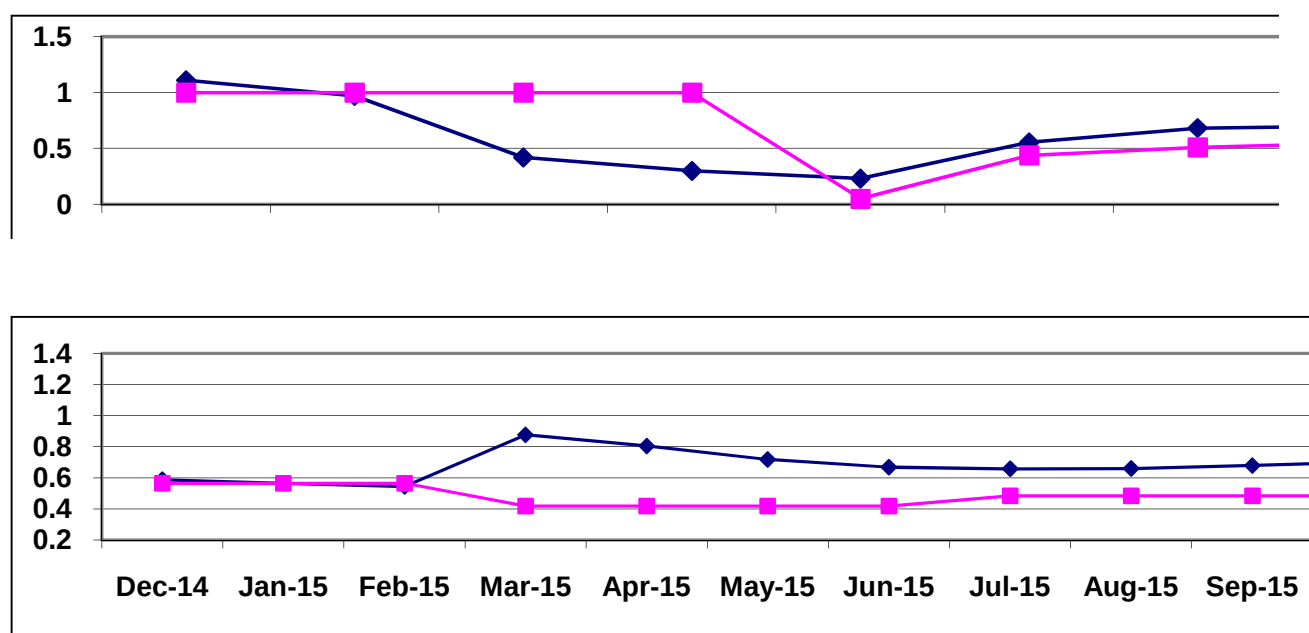
Monetary assets	R	%
Cash and Investments	1,691,759,989	100.00
	1,691,759,989	100

Current liabilities	R	%
Borrowing	93,919,738	4.27
Consumer Deposits	114,361,643	5.20
Trade and Other Payables	1,811,242,929	82.32
Provisions	180,785,978	8.21
Total	2,200,310,288	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 31 December 2015 was **0.77:1**. As at 31 December 2014 the ratio was 0.59:1. The NMBM audited ratio as at 30 June 2015 is 0.67:1.

The liquidity ratio is of utmost importance to measure the financial liquidity and sustainability of the Municipality. The 2015/16 Original budget target of 0.48:1 is not a satisfactory target. The liquidity ratio of 0.77:1 indicates a risky cash flow position. It is important that a ratio of at least 1:1 be achieved for medium and long term financial sustainability.

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:

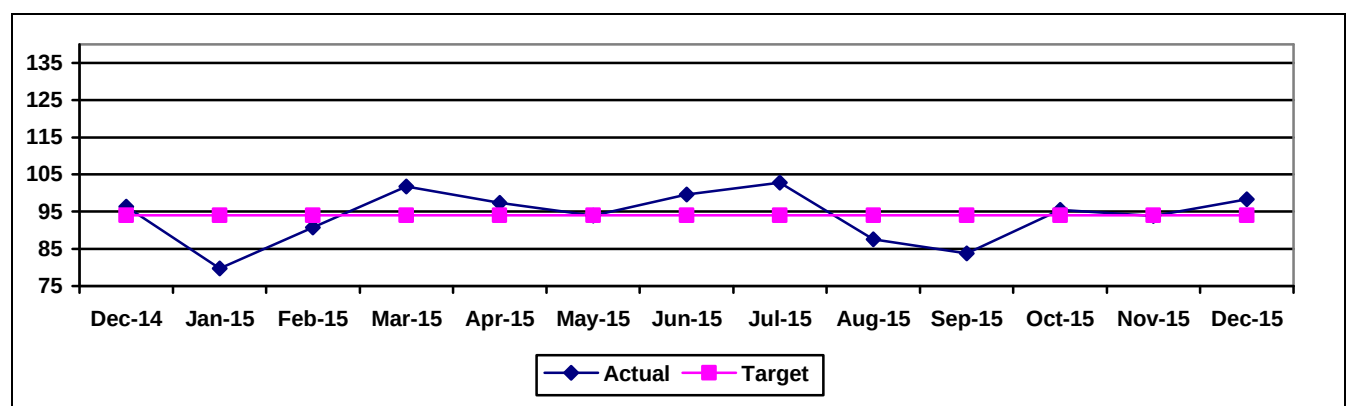
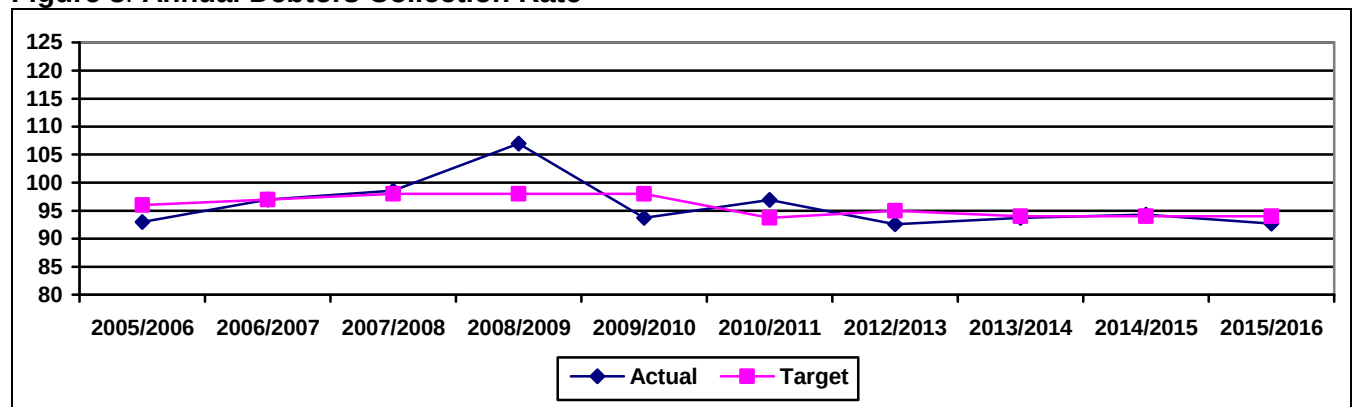
$$\frac{\text{Total Payments Received in Current month}}{\text{Total Value of Accounts Rendered in the Previous month}} \times 100 = \text{Percentage Collection Rate}$$

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).

The collection rate for December 2015 was 98.31%, whilst the average collection rate amounted to 92.68% for the period 1 July 2015 to 31 December 2015. The NMBM audited ratio as at 30 June 2015 is 94.27%.

All credit control strategies should be applied to achieve collection rates materially exceeding the 94% collection level. The adjustments budget will have to take into consideration that the current ratio is putting the NMBM at risk and assess whether the budgeted collection rate should be reduced which will require further budgetary reduction considerations.

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:

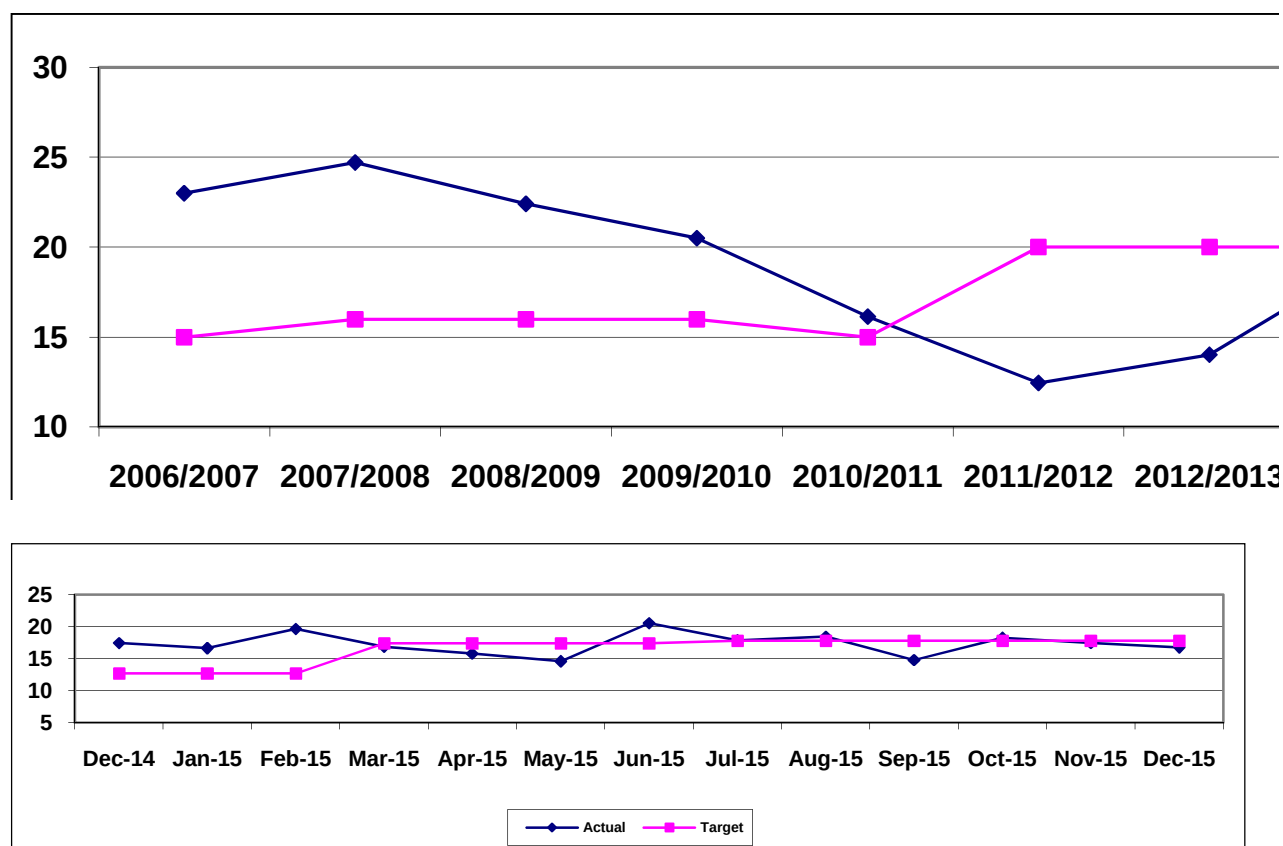
Outstanding Debtors / Annualised Operating Revenue

The ratio at the end of December 2015 was **16.73%** compared to the target of 17.80%. As at 31 December 2014 the ratio was 17.45%. The NMBM audited ratio as at 30 June 2015 was 20.57%.

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 main reason for the decrease in the ratio from 20.57% as at 30 June 2015 to 17.45% at the end of December 2015 is mainly due to the adjustment made in respect of the high energy users.

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



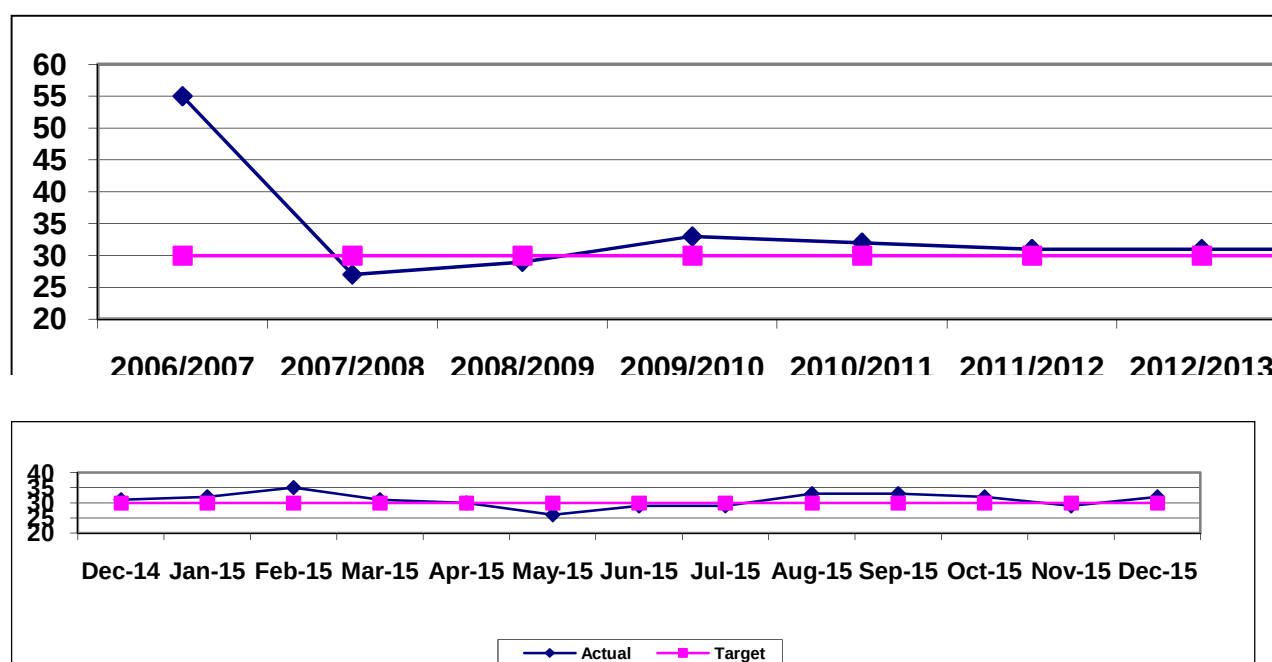
6.5 Creditor Management

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 December 2015 amounted to **32 days** (also refer to Section 1.8.2 of this report). The 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:

$$\frac{\text{R } 1,691,759,989 - \text{R } 365,325,167}{\text{R } 597,016,000} = 2.22 \text{ months (66.7 days)}$$

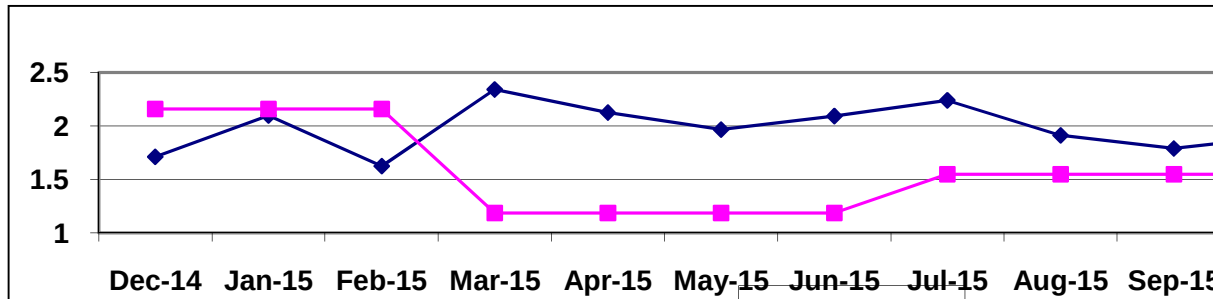
The cost coverage ratio of 2.22 months is above the IDP target of 1.5 months. The monthly average projected operating payments for the period July 2015 to June 2016 was used as a basis for the calculation. As at 31 December 2014 the ratio was 1.71. The NMBM audited ratio as at 30 June 2015 is 2.09 months.

Note should be taken that the Public Transport Networks Operations and the Public Transport Infrastructure Grant had almost no expenditure to date and are mainly responsible for the current level of unspent conditional grants.

The Fuel Levy and Equitable Share recently received will be spend over the remainder of the financial year and has already been committed in the budget. Therefore, the cost ratio will decrease as expenditure is being incurred against revenue sources already in the cash and cash equivalents.

The cost coverage ratio of 2.22 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

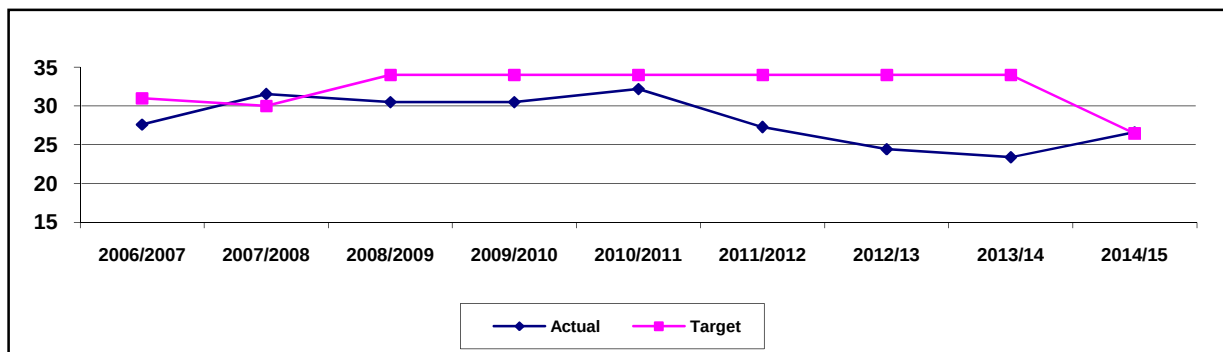
This ratio assesses the extent to which the Municipality's Operating Revenue is consumed by costs associated with the employment of human resources (refer figure 12).

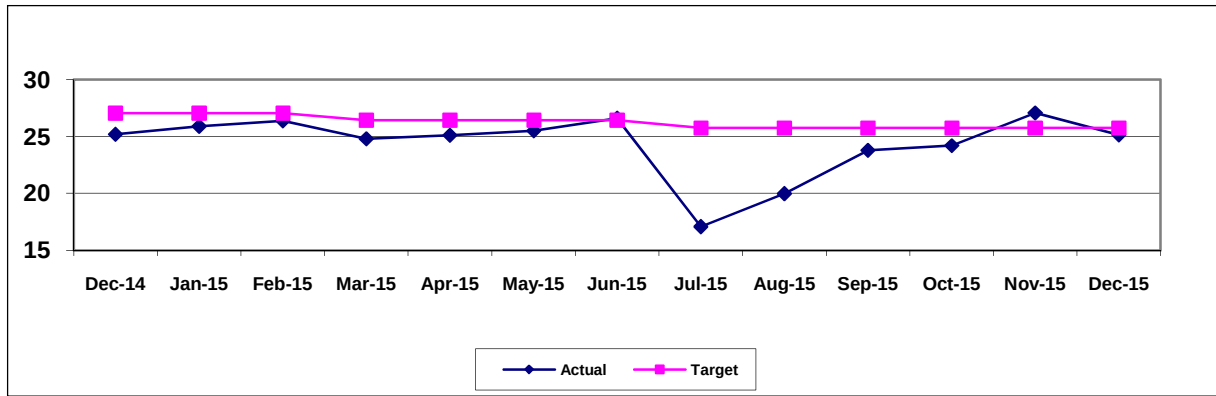
The ratio is determined as follows:

Employee Costs to Date / Total Operating Revenue to Date

The target has been set at 25.77% for the financial year. As at 31 December 2015, the actual personnel costs constituted **25.12%** of the total operating income. The NMBM audited ratio as at 30 June 2015 is 26.60%. The rate at which vacant positions are filled and the current moratorium on the filling of vacancies 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).

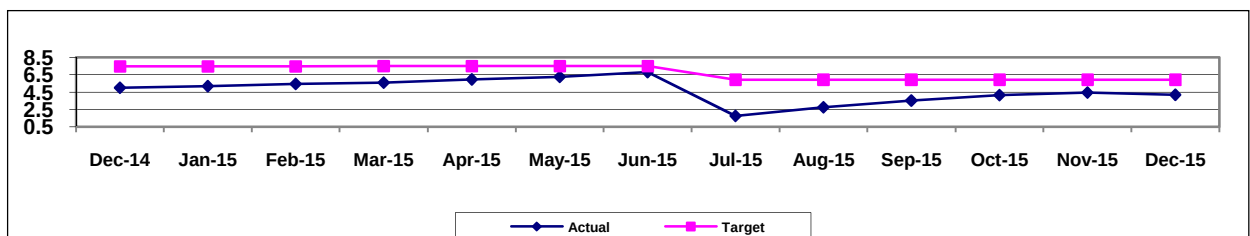
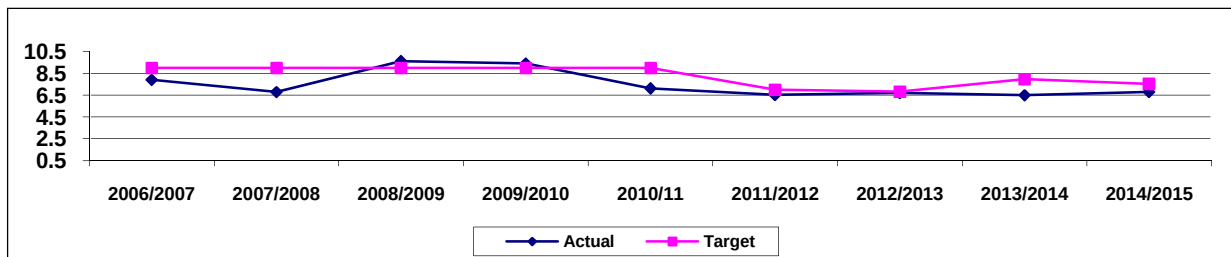
The ratio is determined as follows:

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

The actual expenditure of **4.20%** is below the original budget target of 5.91%. As at 31 December 2014 the ratio was 4.98%. The NMBM audited ratio as at 30 June 2015 was 6.71%.

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).

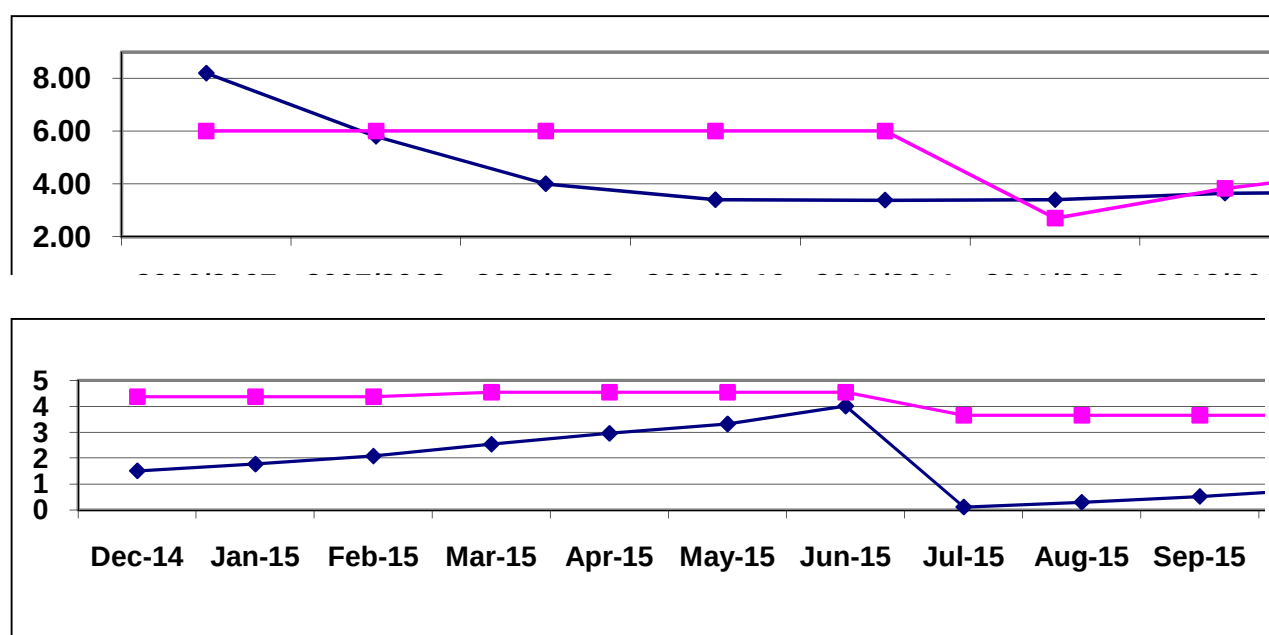
The ratio is determined as follows:

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

The repairs and maintenance expenditure incurred to date constitutes **1.28 %** of the book value of PPE, as at the end of December 2015, compared to an original budget target of 3.654%. As at 31 December 2014 the ratio was 1.51%. The NMBM audited ratio as at 30 June 2015 is 4.01%. 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:

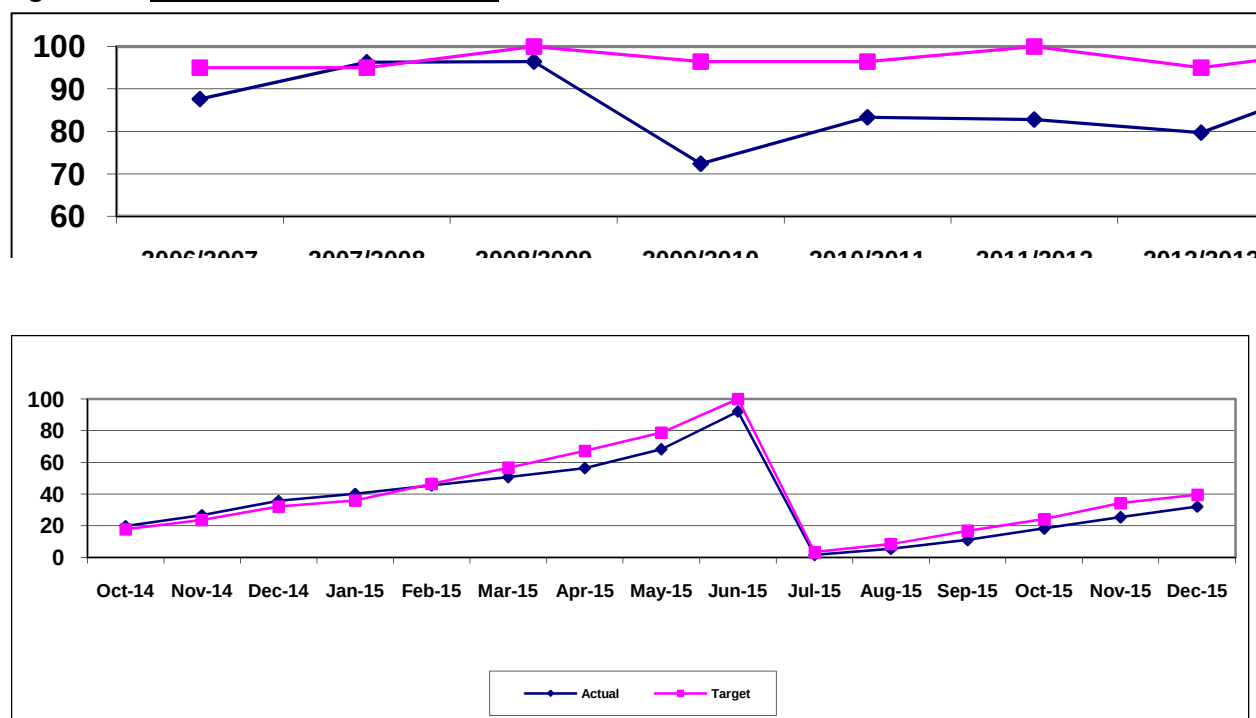
Actual Capital spending to date / Approved Capital Budget

The actual spending as at the end of December 2015 amounted to **32.14%**, compared to the 2015/16 Original Budget. As at 31 December 2014 the ratio was 35.87%. The NMBM audited ratio as at 30 June 2015 was 92.05%.

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:

Own Revenue Sources / Total Operating Income (includes operating grants)

As at the end of December 2015, the Municipality's own revenue sources constituted **83.56%** of its total Operating Income compared to the 2015/16 Original Budget target of 85.06%. The NMBM audited ratio as at 30 June 2015 is 81.88%. 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

