

ANNEXURE “A5”: 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 2014, 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	65,555,484	37,745,326	20,644,190	14,523,678	14,616,797	11,503,047	49,937,727	200,410,014	414,936,262
Trade and Other Receivables from Exchange Transactions - Electricity	190,399,035	43,451,374	26,874,307	21,571,608	24,128,417	26,167,671	99,685,248	169,091,240	601,368,901
Receivables from Non-exchange Transactions - Property Rates	79,670,853	19,834,249	7,345,027	2,768,690	15,809,416	26,426,635	56,306,240	172,948,512	381,109,622
Receivables from Exchange Transactions - Waste Water Management	36,145,584	20,391,261	11,776,155	7,999,029	7,211,821	6,307,029	29,151,495	99,355,393	218,337,767
Receivables from Exchange Transactions - Waste Management	17,692,944	8,812,007	4,612,598	2,622,867	5,846,690	3,685,129	18,982,407	88,292,258	150,546,900
Receivables from Exchange Transactions - Property Rental Debtors	674,409	688,423	367,877	85,859	582,766	306,236	1,924,097	12,261,915	16,891,584
Interest on Arrear Debtor Accounts	19,133,032	21,770,608	14,370,467	7,547,938	20,154,513	12,998,538	62,027,726	275,335,553	433,338,376
Other	9,673,344	4,048,639	6,840,840	3,942,488	4,959,965	2,169,434	24,078,220	118,927,459	174,640,389
Total By Income Source	418,944,684	156,741,887	92,831,462	61,062,159	93,310,386	89,563,720	342,093,160	1,136,622,344	2,391,169,801
Debtors Age Analysis By Customer Group									
Organs of State	26,789,514	15,035,878	3,150,833	2,307,118	2,366,084	1,020,854	8,971,961	8,105,094	67,747,336
Commercial	216,669,395	63,330,431	37,168,262	25,248,734	39,274,461	35,090,679	150,505,158	367,137,701	934,424,821
Households	167,894,413	76,157,919	51,523,757	32,918,370	51,035,183	52,937,676	181,779,624	760,121,907	1,374,368,849
Other NMBM)	7,591,363	2,217,659	988,609	587,935	634,658	514,510	836,416	1,257,643	14,628,794
Total By Customer Group	418,944,684	156,741,887	92,831,462	61,062,159	93,310,386	89,563,720	342,093,160	1,136,622,344	2,391,169,801

Debtors' Age Analysis (Inclusive of VAT) as at end of December 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	58,605,819	36,758,595	21,469,840	13,048,380	12,266,017	9,317,567	55,735,620	211,643,569	418,845,407
Trade and Other Receivables from Exchange Transactions - Electricity	177,870,856	65,768,475	30,790,188	36,985,966	27,908,524	23,517,918	86,755,994	196,109,770	645,707,692
Receivables from Non-exchange Transactions - Property Rates	716,322,972	35,169,771	6,401,275	14,279,530	43,745,933	4,121,907	38,835,175	192,474,564	1,051,351,125
Receivables from Exchange Transactions - Waste Water Management	42,680,089	26,217,669	11,670,580	6,766,591	6,297,968	4,835,282	29,177,161	108,673,723	236,319,065
Receivables from Exchange Transactions - Waste Management	19,129,155	9,850,368	3,660,023	4,548,306	5,864,970	2,211,956	20,523,138	94,984,162	160,772,078
Receivables from Exchange Transactions - Property Rental Debtors	3,227,763	659,269	103,643	323,573	670,220	87,357	1,023,304	8,932,714	15,027,843
Interest on Arrear Debtor Accounts	11,730,288	13,231,240	4,777,546	8,457,170	13,928,594	7,289,991	79,110,979	304,719,080	443,244,888
Other	11,552,455	4,139,606	6,474,081	3,582,662	4,174,895	4,533,660	16,584,829	126,743,086	177,785,275
Total By Income Source	1,041,119,397	191,794,994	85,347,176	87,992,179	114,857,123	55,915,638	327,746,199	1,244,280,667	3,149,053,374
Organs of State	13,193,756	9,265,272	2,990,813	2,879,452	23,720,473	312,696	5,891,971	8,153,807	66,408,239
Commercial	472,139,568	96,130,700	34,346,654	45,351,058	46,432,088	24,890,098	141,797,778	410,244,674	1,271,332,617
Households	546,469,508	84,435,939	47,881,319	39,603,749	43,677,191	30,595,325	178,714,038	821,793,819	1,793,170,887
Other NMBM)	9,316,566	1,963,082	128,390	157,920	1,027,372	117,520	1,342,413	4,088,368	18,141,630
Total By Customer Group	1,041,119,397	191,794,994	85,347,176	87,992,179	114,857,123	55,915,638	327,746,199	1,244,280,667	3,149,053,374

The aforementioned analysis indicates that from 30 June 2014 to 31 December 2014 the overdue debts have increased to R 135.7 million as follows:

	OVERDUE AMOUNTS AS AT		
Debtors Age Analysis By Income Source	30 June 2014	31 December 2014	Difference
Trade and Other Receivables from Exchange Transactions - Water	R 349,380,778	R 360,239,588	R 10,858,810
Trade and Other Receivables from Exchange Transactions - Electricity	R 410,969,866	R 467,836,836	R 56,866,970
Receivables from Non-exchange Transactions - Property Rates	R 301,438,769	R 335,028,154	R 33,589,385
Receivables from Exchange Transactions - Waste Water Management	R 182,192,183	R 193,638,975	R 11,446,792
Receivables from Exchange Transactions - Waste Management	R 132,853,957	R 141,642,923	R 8,788,966
Receivables from Exchange Transactions - Property Rental Debtors	R 16,217,174	R 11,800,080	-R 4,417,094
Interest on Arrear Debtor Accounts	R 414,205,344	R 431,514,600	R 17,309,256
Other	R 164,967,046	R 166,232,820	R 1,265,774
Total By Income Source	R 1,972,225,117	R 2,107,933,977	R 135,708,860
Debtors Age Analysis By Customer Group			
Organs of State	R 40,957,823	R 53,214,484	R 12,256,661
Commercial	R 717,755,426	R 799,193,050	R 81,437,624
Households	R 1,206,474,436	R 1,246,701,379	R 40,226,943
Other NMBM	R 7,037,432	R 8,825,064	R 1,787,632
Total By Customer Group	R 1,972,225,117	R 2,107,933,977	R 135,708,860

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.

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 31 December 2014 was R174,407,071.
- 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.
- **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 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	0.0
Bulk Water	0	0	0	0	0	0.0
PAYE deductions	21,493	0	0	0	21,493	20.1
VAT (output less input)	0	0	0	0	0	0.0
Pensions / Retirement deductions	0	0	0	0	0	0.0
Loan Repayments	0	0	0	0		
Trade Creditors	56,211	14,959	1,113	9,108	81,390	76.3
Auditor-General	0	2,052	1,785	0	3,837	3.6
Other	0	0	0	0	0	0
Total	77,704	17,011	2,899	9,108	106,721	100

The above amounts represent invoices still to be paid. Creditors' payments approximate 45 days, based on the date of invoice. The target for payment days is recorded at 35 days from date of the relevant invoice by the directorate to the payment date. The 45 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 on Irregular, Fruitless and Wasteful expenditure.

Payment of Service Providers

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

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

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

- Phase 1 – The Directorate has 19 days to process from the date of receipt of the invoice;
- 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 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	7	1,214	9	974	6	1298
Chief Operating Officer	43	133	54	118	77	110
Corporate Services	22	4,826	26	1569	29	3035
Economic Development, Tourism & Agriculture	21	31	24	29	360	91
Electricity & Energy	36	465	26	362	26	523
Human Settlement	25	354	31	237	32	354
Infrastructure & Engineering: Rate & General	27	1,797	22	1240	24	1662
Water Services	28	235	20	169	22	189
Municipal manager Administrative Support	42	19	34	8	21	21

DIRECTORATE	October	Total No of Invoices	November	Total No of Invoices	December	Total No of Invoices
Office of the Executive Mayor	64	71	49	47	408	24
Public Health	23	280	39	234	23	356
Recreational & Cultural Services	28	348	22	234	18	367
Safety & Security	105	289	23	328	61	576
Sanitation	23	274	21	180	30	266
Special Projects & Programmes	9	3	48	43	44	16
Average for all Directorates	25		23		31	
Total Invoices		10,339		5,772		8,888

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

The following Directorates have improved for the latest month (December):

- Municipal Manager
- Budget and Treasury
- Public Health
- Recreational and Cultural services
- Special projects and Programmes

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

Directorate	No. of Days (December)
Office of the Executive Mayor	408
Economic Development, Tourism & Agriculture	360
Chief Operating Officer	77
Safety & Security	61
Sanitation	30
Corporate Services	29
Human Settlements	32
Infrastructure and Engineering: Rate and General	24
Water Services	22

It is to be noted that only two of the Directorates have met the 19 days turnaround time for the latest month December 2014).

Directorate	No. of Days (December)
Budget & Treasury	6
Recreational & Cultural services	18

The December 2014 payment day's result of the Economic Development, Tourism & Agriculture Directorate is attributed to numerous payments made to Ezamantlane Hiring Services which were in excess of 400 days. The December 2014 payment days result of the Office of the Executive Mayor Directorate is attributed to payments made to Apple Annies Events and Ezamantlane Hiring Services which were in excess of 100 days.

The number of days taken by the Directorates to process documentation for payment remains unacceptable and impacts significantly 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 timeframes.

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

Month	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	2	8	2	12
November	4	9	2	15
December	4	9	1	14

Table 2 above reflects the Phase 2 process payment cycle where the target has been set at 16 days. This phase of processing is consistently within the target number of days.

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 2014 – 37 days
- November 2014 – 38 days
- December 2014 – 45 days

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

- October 2014 – 26 days
- November 2014 – 27 days
- December 2014 - 31 days

The December 2014 result was not 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 respective Directorate. The results in Table 1 indicate that the Directorates are still taking an exceptionally high number of days to process source documentation

3. Investment Portfolio

Below is an analysis of the Investment Portfolio as at 31 December 2014

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	101,340	1,580,882
Add: Investments Made (September 2014)	645,000	645,000	230,000	570,000	0	630,302	0		0	2,720,302
Less: Investments Matured (Dec 2014)	620,000	665,000	380,000	530,000	100,000	630,302	35,071		0	2,960,373
Net movement in current account	0	0	0	0	0	0	0	(1,446)	43,452	42,006
Value of Investments: 31 Dec 2014	270,000	270,000	105,607	225,000	45,500	265,302	0	56,616	144,792	1,382,817
% Exposure Of Institution	19.53	19.53	7.64	16.27	3.29	19.19	0	4.09	10.46	100
Actual Interest Earned (Dec 2014)	4,860	5,312	4,830	4,083	1,436	5,219	440	1,098	2,598	20,045

The decrease in the investment portfolio since 30 June 2014 amounts to R198.1 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

155,407

1,227,410

1,382,817

Application of Cash

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

419,444

18,100

31,500

106,721

335,613

248,227

1,159,605

Reserves in excess of commitments

223,212

The cash backed reserves exceed the commitments at this stage by an amount of R223.2 million. The Fuel Levy and Equitable Share allocations contributed to the current position of reserves exceeding commitments, however the Fuel Levy and Equitable Share is already committed towards operating expenditure over the short term. 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 – M06 December 2014

Description	Budget Year 2014/15						
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							
RECEIPTS:							
Operating Transfers and Grants							
National Government:	1,317,135	31,142	790,082	818,219	(28,137)	-3.4%	1,317,135
Local Government Equitable Share	761,606		539,768	555,337	(15,569)	-2.8%	761,606
Energy Efficiency and Demand Management	10,000	3,000	7,000	7,000	–		10,000
EPWP Incentive	13,439		9,407	9,407	–		13,439
Public Transport Network Operations	130,000		62,500	62,500	–		130,000
Finance Management	1,250		1,250	1,250	–		1,250
Infrastructure Skills Development	8,000		3,500	3,500	–		8,000
Integrated City Development Grant	4,133		4,133	4,133	–		4,133
Municipal Human Settlements Capacity Grant	37,707			12,569	(12,569)	-100.0%	37,707
Human settlements Development Grant	348,000	28,142	160,561	160,561	0	-0.0%	348,000
LGSETA	3,000		1,962	1,962	0	0.0%	3,000
Provincial Government:	8,752	–	8,660	–	–		8,752
DRPW (Maintenance of Road)	5,000		–				5,000
Libraries	3,752		–				3,752
Housing Accreditation			8,660		–		
Other grant providers:	14,352	614	1,065		1,065		14,352
Marine and Coastal Management	420		260				420
SALA/IDA	110		105				110
Groen Sebenza (SANBI)	842	141	227				842
IDC (MBDA)	5,000						5,000
ECDC (MBDA)	3,480	473					3,480
KFW (MBDA)	4,500				–		4,500
Total Operating Transfers and Grants	1,340,239	31,756	799,807	818,219	(27,072)	-3.3%	1,340,239
Capital Transfers and Grants							
National Government:	970,324	255,394	447,140	447,140			970,324
Urban Settlement Development Grant	828,863	255,394	371,602	371,602	–		828,863

Description	Budget Year 2014/15						
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							
Public Transport Infrastructure Grant	100,000		50,000	50,000			100,000
Neighbourhood Development Partnership	18,461		7,538	7,538			18,461
Intergrated National Electrification Grant	18,000		18,000	18,000			18,000
KFW (MBDA)	5,000				–		5,000
Total Capital Transfers and Grants	970,324		255,394	447,140			970,324
TOTAL RECEIPTS OF TRANSFERS & GRANTS	2,310,563	287,150	1,246,476	1,246,947	(27,072)	-2.1%	2,310,563

Below is an analysis of the spending associated with the grants as at 31 December 2014:

Supporting Table SC7(1) Monthly Budget Statement - transfers and grants expenditure – M06 December 2014

Description	Budget Year 2014/15						
	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:	1,317,135	122,442	738,241	737,632	609	0.1%	1,317,135
Local Government Equitable Share	761,606	63,467	380,803	380,803	0	0.0%	761,606
Energy Efficiency and Demand Management	10,000	216	10,000	10,000	0	0.0%	10,000
EPWP Incentive	13,439	34	474	470	4	0.8%	13,439
Public Transport Network Operations	130,000	8,431	58,517	58,500	17	0.0%	130,000
Finance Management	1,250	138	531	530	1	0.1%	1,250
Infrastructure Skills Development	8,000	656	3,891	3,890	5	0.0%	8,000
Intergrated City Development Grant	4,133	49	439	440	(1)	-0.3	4,133
Municipal Disaster Recovery Grant					–		
Municipal Human Settlements Capacity Grant	348,000	47,004	274,379	274,379	(0)	0.0%	348,000
Human settlements Development Grant	37,707	1,932	6,571	6,570	1	0.2%	37,707
LGSETA	3,000	514	2,571	2,050	521	25.4%	3,000
Other			65				
Provincial Government:	8,752	–	–	–	–		8,752
DRPW (Maintenance of Road)	5,000		–		–		5,000
Libraries	3,752		–		–		3,752
					–		
Other grant providers:	13,931	713	1,390	391	999	255.9%	13,931
National Lotteries			97		97		
Marine and Coastal Management	420	17	163	162	1	0.4%	420
SALA/IDA	110		–		–		110
Groen Sebenza (SANBI)	421	124	144	142	2)	1.6%	421
IDC (MBDA)	5,000				–		5,000
ECDC (MBDA)	3,480	72	87	87	(1)	-6.0%	3,480
KFW (MBDA)	4,500				–		4,500

Description	Budget Year 2014/15						
	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands							
EU Tranche		500	900		900		
Total operating expenditure of Transfers and Grants:	1,339,818	123,155	739,631	738,023	1,608	0.2%	1,339,818
Capital expenditure of Transfers and Grants							
National Government:	970,324	89,269	378,366	343,544	34,822	10.1%	970,324
Urban Settlement Development Grant	828,863	77,927	285,898	260,164	25,734	9.9%	828,863
Public Transport Infrastructure Grant	100,000	9,275	77,268	70,000	7,268	10.4%	100,000
Neighbourhood Development Partnership	18,461	391	1,382	1,380	2	0.1%	18,461
Intergrated National Electrification Grant	18,000	1,675	13,818	12,000	1,818	15.1%	18,000
KFW (MBDA)	5,000						5,000
Total capital expenditure of Transfers and Grants	970,324	89,269	378,366	343,544	34,822	10.1%	970,324
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	2,310,142	212,351	1,117,997	1,081,567	36,430	3.4%	2,310,142

Supporting Table SC7(2) Monthly Budget Statement - Expenditure against approved rollovers - M06 December

Description	Budget Year 2014/15				
	Approved Rollover 2013/14	Monthly actual	YearTD actual	YTD variance	YTD variance %
R thousands					
EXPENDITURE					
- Operating expenditure of Approved Roll-overs					
National Government:	44,082	6,221	6,221	37,861	85.9%
Local Government Equitable Share				-	
Energy Efficiency and Demand Management				-	
EPWP Incentive	5,251			5,251	100.0%
Infrastructure Skills Development	560			560	100.0%
Intergrated City Development Grant				-	
Municipal Disaster Recovery Grant	28,803	1,362	1,362	27,441	95.3%
Public Transport Network Operations	9,468	4,859	4,859	4,609	48.7%
Total operating expenditure of Approved Roll-overs	44,082	6,221	6,221	37,861	85.9%
TOTAL EXPENDITURE OF APPROVED ROLL-OVERS	44,082	6,221	6,221	37,861	85.9%

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: R 9 407 000
Expenditure to date: R 440 000
Unspent as at 31 December 2014: R 8 967 000

As at 31 December 2014 only 3.3% of the DORA allocation was spent, whilst spending represents 4.7% of the actual DORA funding received.

DORA roll-over approved: R 5 251 027
Expenditure to date: R 0
Unspent as at 31 December 2014: R 5 251 027

The spending of the approved rolled-over grant amounted to 0% as at 31 December 2014

National Treasury only approved R5 251 027 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 Allocation: R130 000 000
Amount of Grant Received: R 62 500 000
Expenditure to date: R 58 517 282
Unspent as at 31 December 2014: R 71 482 718

As at 31 December 2014 only 45.0% of the DORA allocation was spent, whilst spending represents 93.6% of the actual DORA funding received.

DORA roll-over approved: R9 468 389
Expenditure to date: R4 858 672
Unspent as at 31 December 2014: R4 609 717

The spending of the approved rolled-over grant amounted to 51.3% as at 31 December 2014

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: R 7 000 000
Expenditure to date: R 10 000 000
Unspent as at 31 December 2014: R 0

As at 31 December 2014 100% of the DORA allocation was spent, whilst spending represents 142.9% of the actual DORA funding received.

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: R3 500 000

Expenditure to date: R3 891 410
Unspent as at 31 December 2014: R4 108 590

As at 31 December 2014 48.6% of the DORA allocation was spent, whilst spending represents 111.2% of the actual DORA funding received.

DORA roll-over approved: R560 286
Expenditure to date: R 0
Unspent as at 31 December 2014: R560 286
The spending of the approved rolled-over grant amounted to 0% as at 31 December 2014

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: R 438 900
Unspent as at 31 December 2014: R3 743 000

As at 31 December 2014 only 10.6% of the DORA allocation was spent, whilst spending represents 10.6% of the actual DORA funding received.

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 530 644
Unspent as at 31 December 2014: R 719 356

As at 31 December 2014 42.5% of the DORA allocation was spent, whilst spending represents 42.5% of the actual DORA funding received.

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: R 1 362 463
Unspent as at 31 December 2014: R27 440,809

The spending of the approved rolled-over grant amounted to 4.7% as at 31 December 2014

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
Amount of Grant Received:	R160 561 398
Expenditure to date:	R274 379 058

Unspent as at 31 December 2014: R- 94 955 000

As at 31 December 2014 78.8% of the DORA allocation was spent, whilst spending represents 170.9% of the actual DORA funding received.

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:	R 0
Expenditure to date:	R 6 570 751

Unspent as at 31 December 2014: R 31 136 249

As at 31 December 2014 17.4% of the DORA allocation was spent, **whilst no funding was received from National Treasury.**

Other Operating 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:	R 13 446 128
Expenditure to date:	R 899 715

Unspent as at 31 December 2014: R 12 546 413

The spending of the unspent 2013/14 European Union Grant amounted to 6.7% as at 31 December 2014.

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 31 December 2014: R 5 703 549

The spending of the unspent 2013/14 National Lotteries amounted to 0% as at 31 December 2014.

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:	R828 863 000
Amount of Grant Received:	R371 602 000
Expenditure to date:	R285 898 358

Unspent as at 31 December 2014: R542 964 642

As at 31 December 2014 34.5% of the DORA allocation was spent, whilst spending represents 76.9% of the actual DORA funding received.

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:	R13 817 687
Unspent as at 31 December 2014: R 4 182 313	

As at 31 December 2014 76.8% of the DORA allocation was spent, whilst spending represents 76.8% of the actual DORA funding received.

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:	R18 461 000
Amount of Grant Received:	R 7 538 000
Expenditure to date:	R 1 381 678
Unspent as at 31 December 2014: R17 079 322	

As at 31 December 2014 only 7.5% of the DORA allocation was spent, whilst spending represents 18.3% of the actual DORA funding received.

Public Transport Infrastructure Grant

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

DORA Allocation:	R100 000 000
Amount of Grant Received:	R 50 000 000
Expenditure to date:	R 77 268 081
Unspent as at 31 December 2014: R 22 731 919	

As at 31 December 2014 77.3% of the DORA allocation was spent, whilst spending represents 154.5% of the actual DORA funding received.

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 2014

Summary of Employee and Councillor remuneration R thousands	2013/14	Budget Year 2014/15						
	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	52,955	57,752	4,407	26,201	26,783	(582)	-2%	57,752
Pension and UIF Contributions						-		
Medical Aid Contributions						-		
Motor Vehicle Allowance						-		
Cellphone Allowance	2,534	2,760	212	1,258	1,380	(122)	-9%	2,760
Housing Allowances						-		
Other benefits and allowances	83	464	1	(26)	232	(258)	-111%	464
Sub Total - Councillors	55,572	60,976	4,620	27,433	28,395	(962)	-3%	60,976
% increase		9.7%						9.7%
Senior Managers of the Municipality								
Basic Salaries and Wages	9,035	22,445	1,943	10,219	11,222	(1,003)	-9%	22,445
Pension and UIF Contributions						-		
Medical Aid Contributions						-		
Overtime						-		
Performance Bonus	(2,428)	3,151		82	1,575	(1,494)	-95%	3,151
Motor Vehicle Allowance						-		
Cellphone Allowance						-		
Housing Allowances						-		
Other benefits and allowances						-		
Payments in lieu of leave						-		
Long service awards						-		
Post-retirement benefit obligations						-		
Sub Total - Senior Managers of Municipality	6,607	25,596	1,943	10,301	12,798	(2,497)	-20%	25,596
% increase		287.4%						287.4%
Other Municipal Staff								
Basic Salaries and Wages	1,211,990	1,448,498	103,822	673,964	724,249	(50,284)	-7%	1,448,498
Pension and UIF Contributions	198,952	224,349	18,887	112,996	112,175	822	1%	224,349
Medical Aid Contributions	114,914	120,108	9,897	59,767	60,054	(287)	0%	120,108
Overtime	106,681	94,108	9,709	46,205	47,054	(849)	-2%	94,108
Performance Bonus	23,995	23,538	2,324	13,405	11,769	1,636	14%	23,538
Motor Vehicle Allowance	60,972	64,396	5,366	31,957	32,198	(241)	-1%	64,396
Cellphone Allowance	26	34	2	11	17	(6)	-35%	34
Housing Allowances	6,542	6,619	587	3,531	3,310	222	7%	6,619
Other benefits and allowances	94,345	83,675	7,975	41,523	65,140	(23,617)	-36%	83,675
Payments in lieu of leave	-	11,885		-	5,943	(5,943)	-100%	11,885
Long service awards	39,531	33,142	3,611	17,780	16,571	1,209	7%	33,142

Summary of Employee and Councillor remuneration	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands								
Post-retirement benefit obligations	(113,478)	48,467		–	24,234	(24,234)	-100%	48,467
Sub Total - Other Municipal Staff	1,744,471	2,158,819	162,181	1,001,139	1,102,712	(101,573)	-9%	2,158,819
% increase		23.8%						23.8%
Total Parent Municipality	1,806,650	2,245,390	168,745	1,038,873	1,143,905	(105,032)	-9%	2,245,390
		24.3%						24.3%
Unpaid salary, allowances & benefits in arrears:								
<u>Board Members of Entities</u>								
Basic Salaries and Wages						–		
Pension and UIF Contributions						–		
Medical Aid Contributions						–		
Overtime						–		
Performance Bonus						–		
Motor Vehicle Allowance						–		
Cellphone Allowance						–		
Housing Allowances						–		
Other benefits and allowances						–		
Board Fees						–		
Payments in lieu of leave						–		
Long service awards						–		
Post-retirement benefit obligations						–		
Sub Total - Board Members of Entities	–	–	–	–	–	–		–
% increase								
<u>Senior Managers of Entities</u>								
Basic Salaries and Wages	4,151	5,089	353	2,552	2,544	8	0%	5,089
Pension and UIF Contributions	559	598	50	299	299	–		598
Medical Aid Contributions	137	146	12	73	73	–		146
Overtime						–		
Performance Bonus		567	47	284	284	–		567
Motor Vehicle Allowance	108	116	10	58	58	–		116
Cellphone Allowance						–		
Housing Allowances						–		
Other benefits and allowances	530					–		
Payments in lieu of leave						–		
Long service awards						–		
Post-retirement benefit obligations						–		
Sub Total - Senior Managers of Entities	5,485	6,516	472	3,266	3,258	8	0%	6,516
% increase		18.8%						18.8%
<u>Other Staff of Entities</u>								
Basic Salaries and Wages	3,651	4,554	379	2,277	2,277	–		4,554
Pension and UIF Contributions	498	533	44	267	267	–		533
Medical Aid Contributions	329	352	29	176	176	–		352
Overtime						–		
Performance Bonus						–		
Motor Vehicle Allowance						–		
Cellphone Allowance						–		
Housing Allowances						–		
Other benefits and allowances	380	324	27	162	162	–		324

Summary of Employee and Councillor remuneration R thousands	2013/14	Budget Year 2014/15						
	Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Payments in lieu of leave						–		
Long service awards						–		
Post-retirement benefit obligations						–		
Sub Total - Other Staff of Entities	4,858	5,763	480	2,881	2,881	–		5,763
% increase		18.6%						18.6%
Total Municipal Entities	10,343	12,279	952	6,147	6,139	8	0%	12,279
TOTAL SALARY, ALLOWANCES & BENEFITS	1,816,993	2,257,669	169,697	1,045,020	1,150,044	(105,024)	-9%	2,257,669
% increase		24.3%						24.3%
TOTAL MANAGERS AND STAFF	1,761,421	2,196,693	165,077	1,017,587	1,121,649	(104,062)	-9%	2,196,693

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 – M06 December 2014

Description of financial indicator	Basis of calculation	2013/14	Budget Year 2014/15		
		Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
<u>Borrowing Management</u>					
Capital Charges to Operating Expenditure	Interest & principal paid/Operating Expenditure	4.0%	3.5%	2.5%	3.5%
Borrowed funding of 'own' capital expenditure	Borrowings/Capital expenditure excl. transfers and grants	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%	31.4%	29.0%
Gearing	Long Term Borrowing/ Funds & Reserves	14.1%	12.7%	13.0%	12.7%
<u>Liquidity</u>					
Current Ratio	Current assets/current liabilities	141.1%	107.8%	121.5%	107.8%
Liquidity Ratio	Monetary Assets/Current Liabilities	71.0%	56.4%	58.6%	56.4%
<u>Revenue Management</u>					
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/ Last 12 Mths Billing	93.7%	94.0%	94.9%	94.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	20.0%	12.7%	17.5%	12.7%
<u>Creditors Management</u>					
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA s 65(e))		75.0%	82.0%	75.0%
<u>Other Indicators</u>					
Employee costs	Employee costs/Total Revenue - capital revenue	23.6%	27.1%	25.2%	27.1%
Repairs & Maintenance	R&M/Total Revenue - capital revenue	6.6%	7.48%	4.98%	7.48%
Interest & Depreciation	I&D/Total Revenue - capital revenue	11.1%	10.62%	10.7%	10.62%
<u>IDP regulation financial viability indicators</u>					
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	29.64	23.16	32.90	23.16

Description of financial indicator	Basis of calculation	2013/14	Budget Year 2014/15		
		Audited Outcome	Original Budget	YearTD actual	Full Year Forecast
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	20.9%	11.8%	19.8 %	11.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	2.35	2.16	1.71	2.16

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).

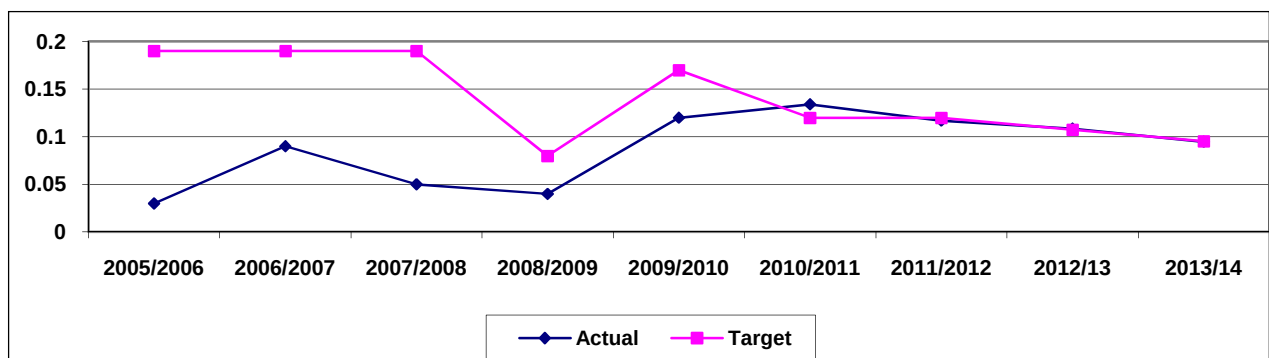
The ratio is determined as follows:

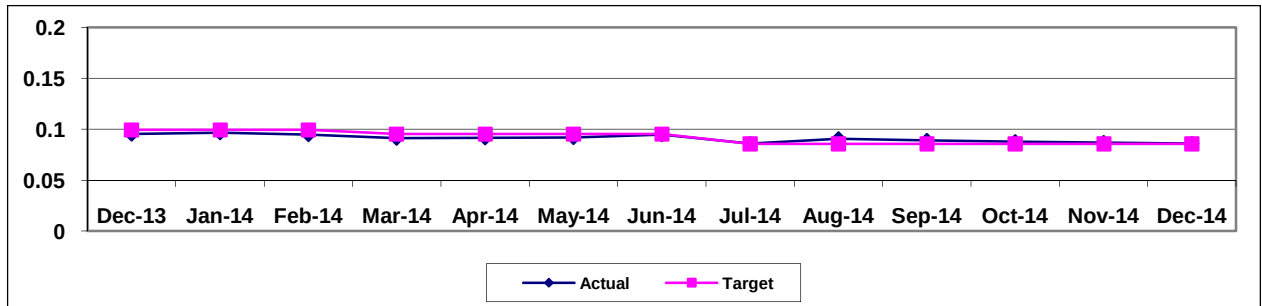
Long-Term Borrowing / Total Assets

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 2014, the borrowing to asset ratio was at **0.0861:1**, compared to budgeted target of 0.0856:1. The actual ratio as at 31 December 2013 was 0.0996:1. As no further borrowing is planned over the 2014/15 MTREF, this ratio is expected to reduce. 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).

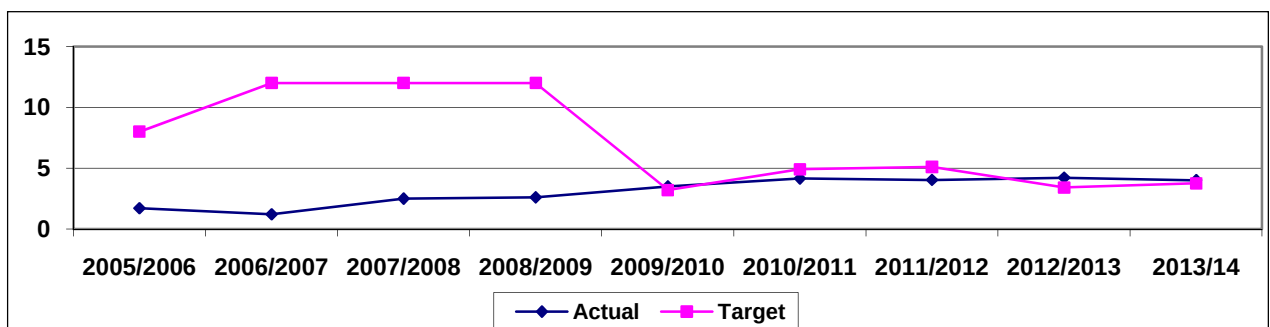
The ratio is determined as follows:

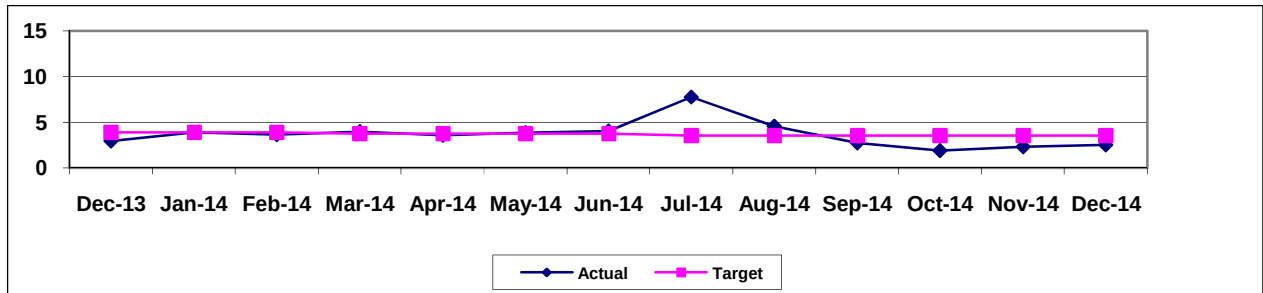
Capital Charges / Total Operating Expenditure to date

The ratio indicates that **2.53%** of the Operating Budget was utilised for capital charges, compared to the operating budgeted target of 3.52%. The ratio is anticipated to increase over the remainder for the financial year. The actual ratio was 2.16% as at 31 December 2013. As at 30 June 2014 the NMBM audited ratio 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

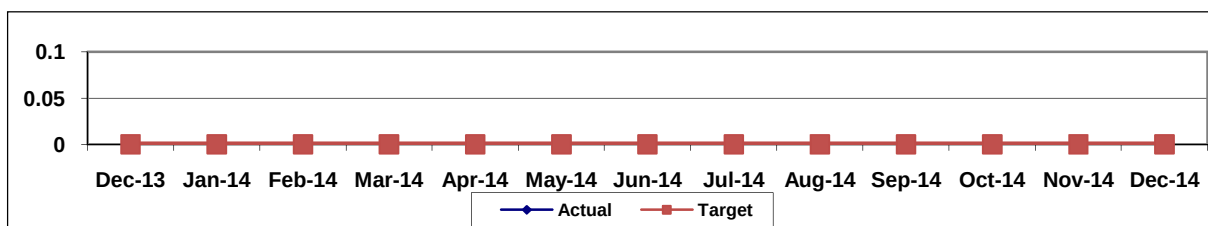
This ratio indicates the proportion of borrowed funding to actual capital expenditure to date (excluding transfers and grants). The ratio also indicates the extent of capital expenditure being financed from borrowed funding compared to own and other funding sources, excluding transfers and grant funded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

The ratio is determined as follows:

**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 budgeted 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:

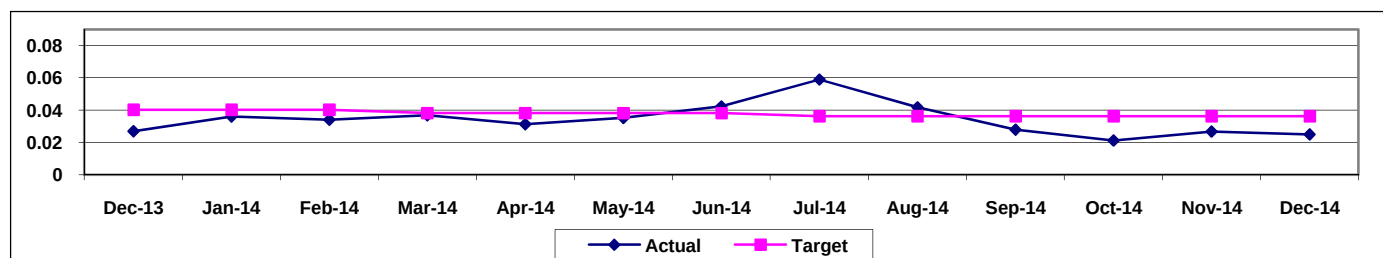
Debt Servicing Costs / Operating Revenue

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 2014, the debt servicing costs to operating revenue ratio was at **0.0248:1**, compared to an annual budgeted target of 0.0360:1. The actual ratio as at 31 December 2013 was 0.0207:1. The NMBM audited ratio as at 30 June 2014 is 0.0396. As no further borrowing is planned over the 2013/14 MTREF, this ratio is expected to reduce. 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:

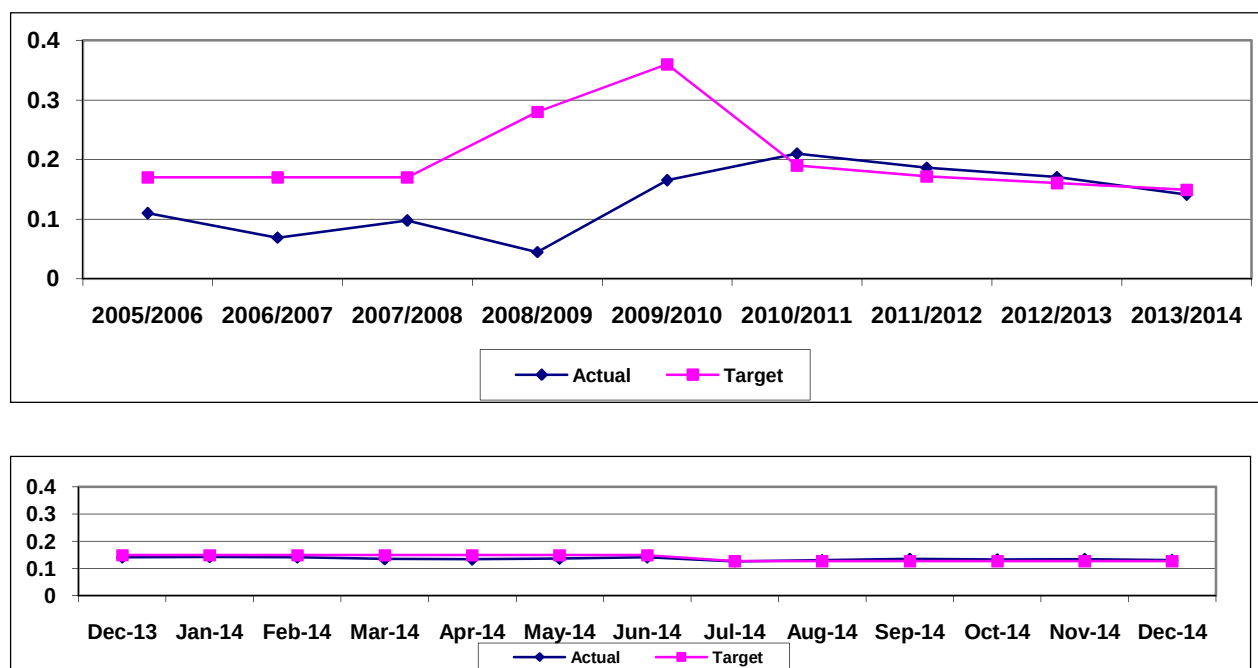
$$\text{Long Term Borrowing} / \text{Funds \& Reserves (Equity)}$$

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 2014 was **0.130:1**, compared to the 2014/15 budgeted target of 0.127:1. The actual ratio was 0.144:1 as at 31 December 2013. 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	1,382,817	48.3
Consumer Debtors	1,065,272	37.2
Other Debtors	309,504	10.8
Current portion of long term Receivables	0	0
Inventory	106,850	3.7
Total	2,864,443	100

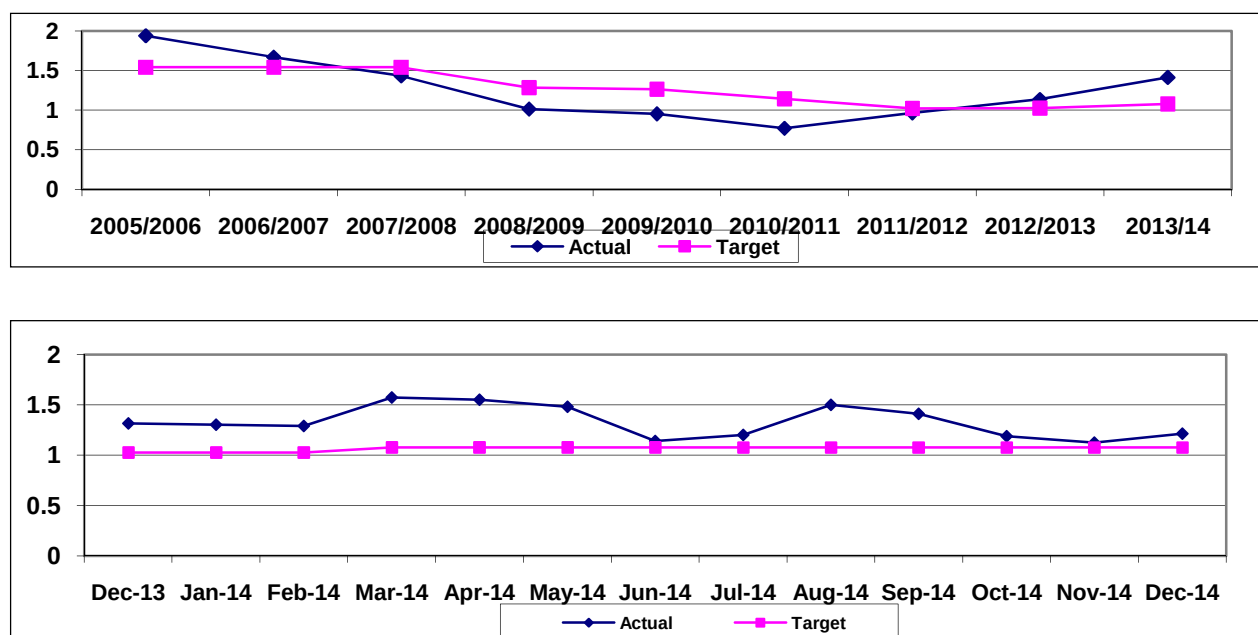
Current liabilities	R	%
Borrowing	104,093	4.4
Consumer Deposits	110,518	4.7
Trade and Other Payables	1,895,071	80.4
Provisions	248,435	10.5
Total	2,358,227	100

It is to be noted that cash and investments, consumer debtors and inventory comprise 48.27%, 37.19% and 3.73% respectively of total current assets. Trade and other payables constitute 80.36% 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 2014 was 1.21:1. The actual ratio as at 31 December 2013 was **1.44:1**. 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 1.08:1, 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.

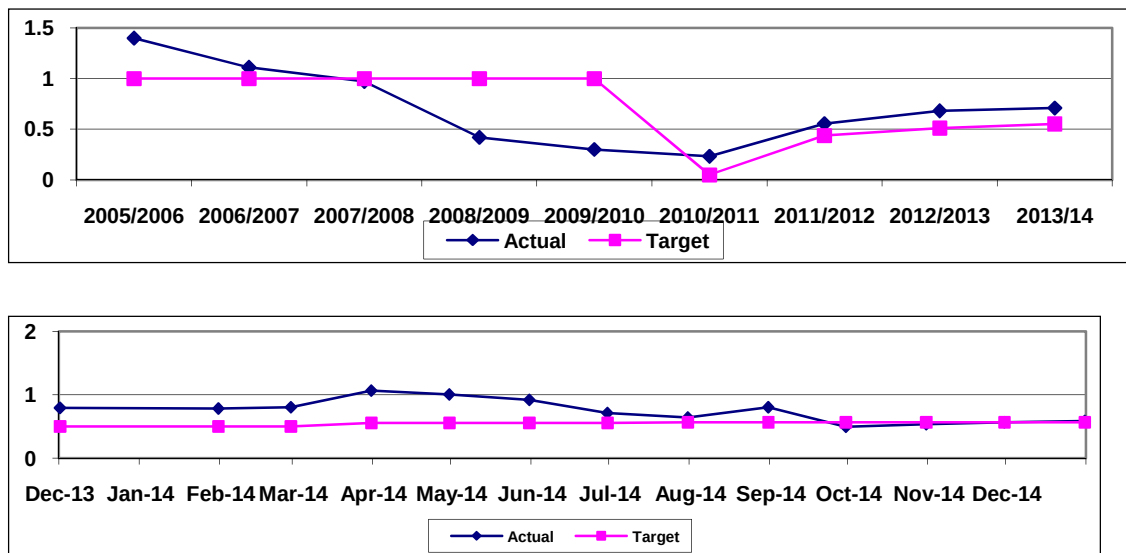
Monetary assets	R	%
Cash and Investments	1,382,817	100.00
	1,382,817	100%

Current liabilities	R	%
Borrowing	104,093	4.4
Consumer Deposits	110,518	4.7
Trade and Other Payables	1,895,071	80.4
Provisions	248,435	10.5
Total	2,358,227	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 2014 was **0.59:1**. The actual ratio was 0.80:1 as at 31 December 2013. 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 budgeted target of 0.56:1 is not a satisfactory target. The liquidity ratio of 0.59:1 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.

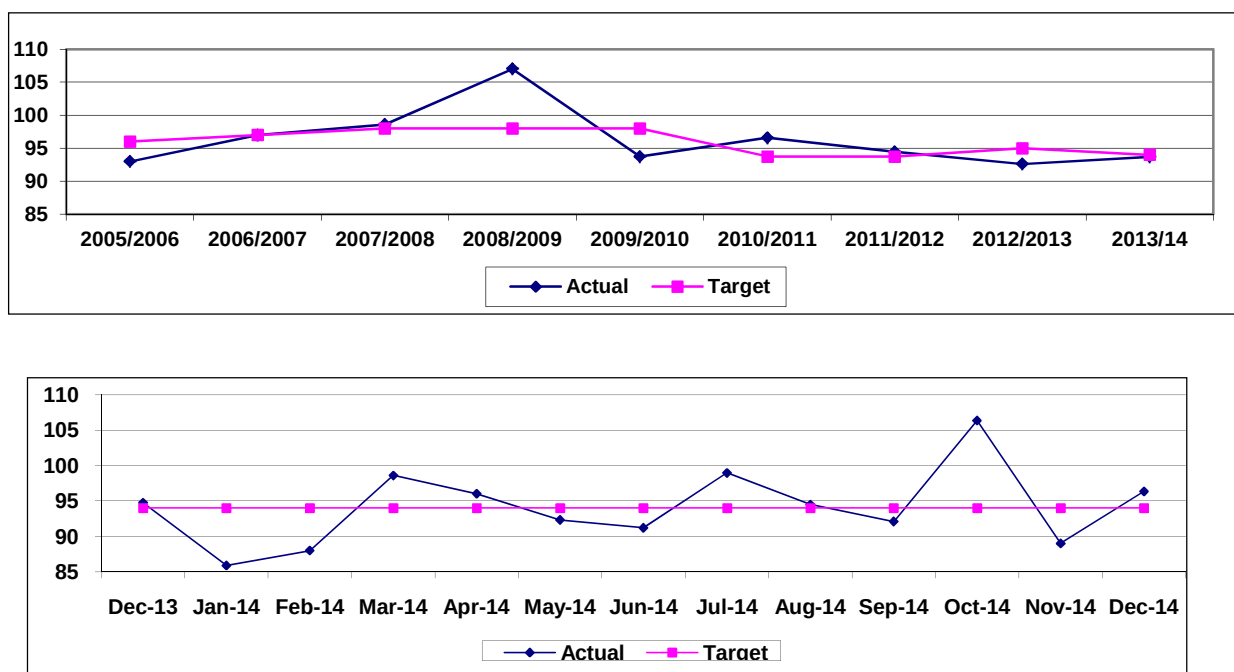
The ratio to determine the percentage collection rate is as follows:

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

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 December 2014 was 96.4%. The average collection rate for the period July 2014 to December 2014 was 94.9%. The average collection rate as at 30 June 2014 amounted to 93.7%.

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

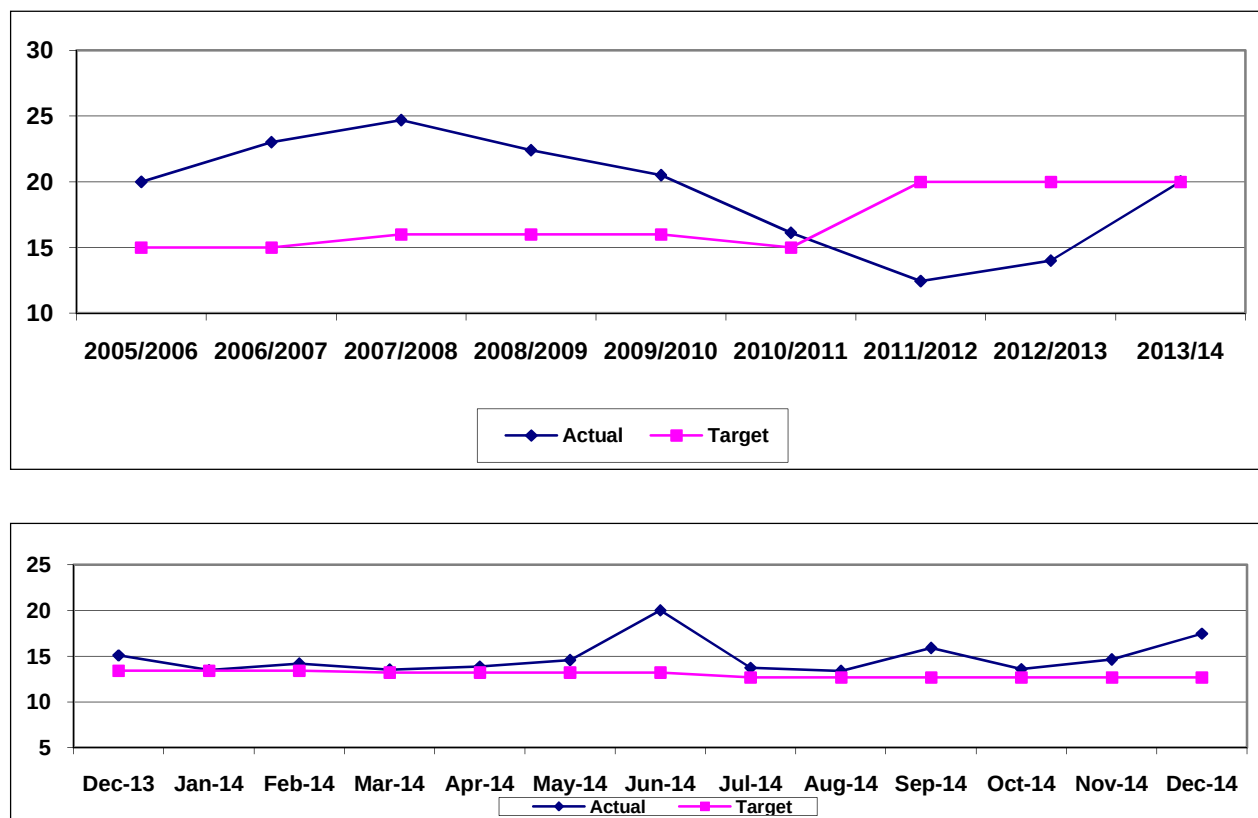
The ratio at the end of December 2014 was **17.5%** compared to the target of 20%. The actual ratio was 14.1% as at 31 December 2013. The NMBM audited ratio as at 30 June 2014 was 20.0%.

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



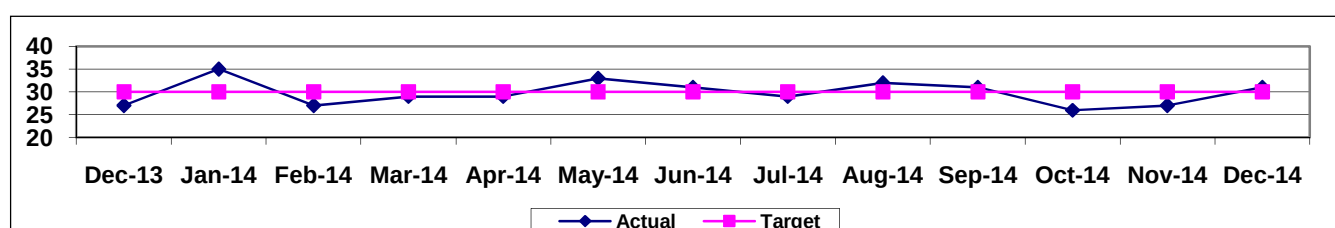
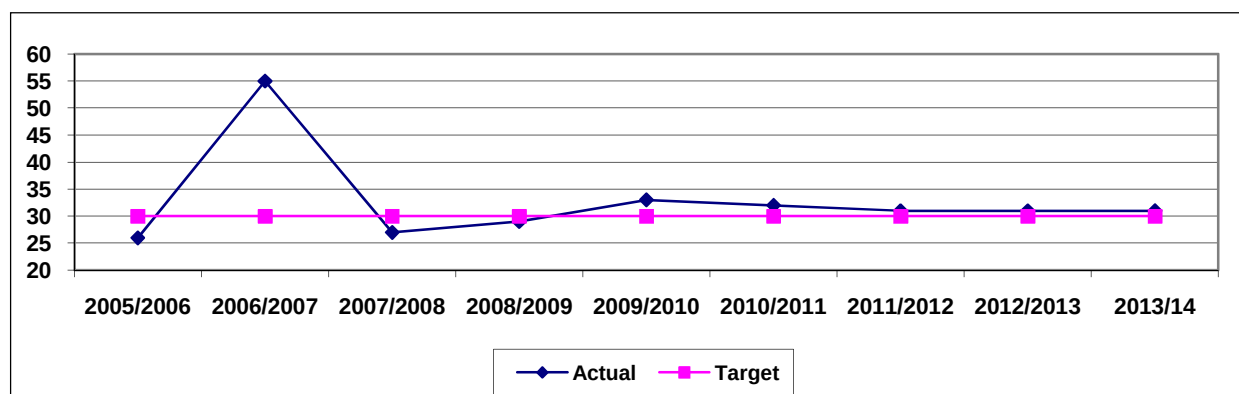
6.5 Creditor Management

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 31 December 2014 amounted to **31 days** (also refer to Section 1.8.2 of this report). The ratio as at 31 December 2013 amounted to 27 days. 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:

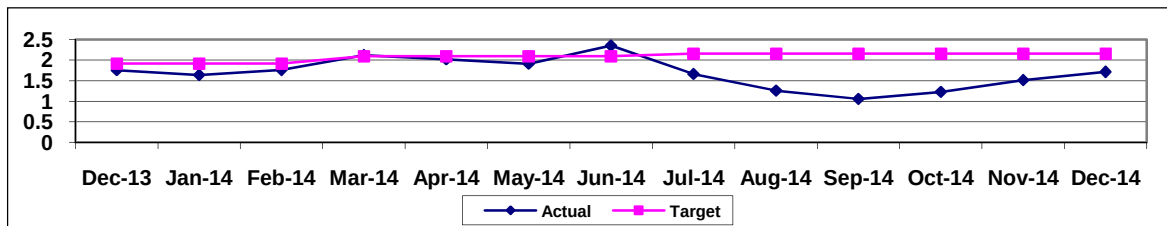
Cash and Cash Equivalents – Unspent Conditional Grants – Overdraft + Short Term Investments / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provisions for Bad Debts, Impairment and Loss on the disposal of Assets:

$$\frac{\text{R } 1\,382\,816\,734 - \text{R } 419\,444\,258}{\text{R } 562\,780\,700} = 1.71 \text{ months (51.4 days)}$$

The cost coverage ratio of 1.71 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 actual ratio was 1.54 months as at 31 December 2013. The NMBM audited ratio as at 30 June 2014 is 2.35 months.

The cost coverage ratio of 1.71 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

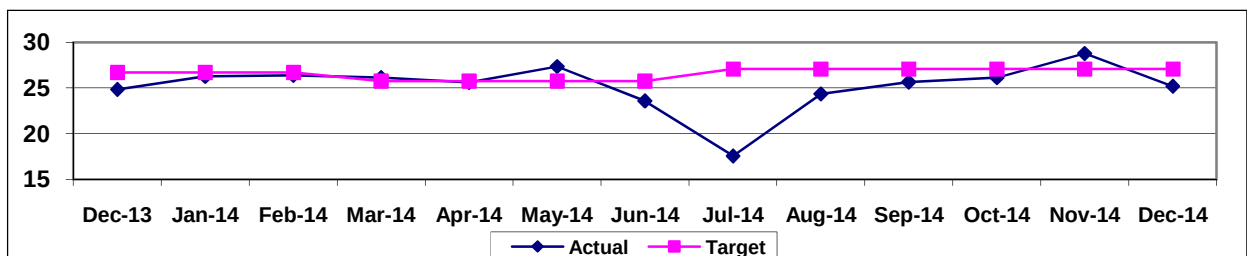
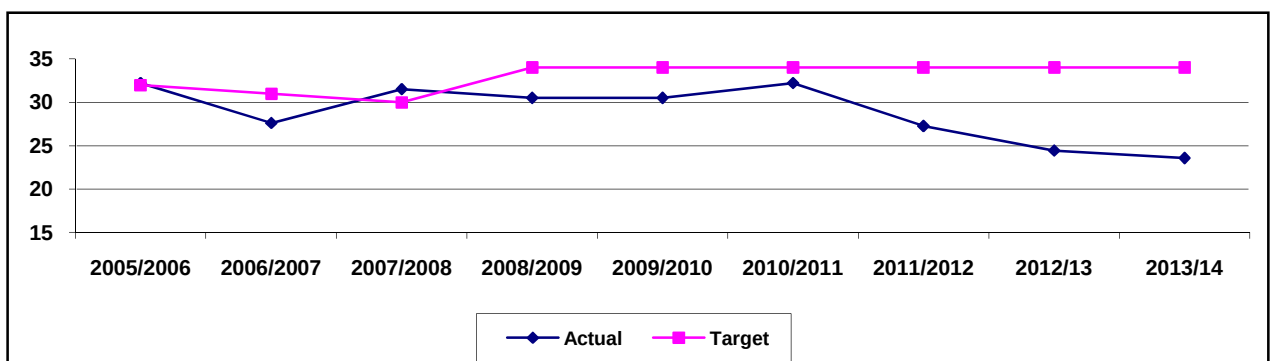
This ratio assesses the extent to which the Municipality's Operating Revenue is consumed by costs associated with the employment of human resources (refer figure 12).

The ratio is determined as follows:

Employee Costs to Date / Total Operating Revenue to Date

The target has been set at 25.63% for the financial year. As at 31 December 2014, the actual personnel costs constituted **25.18%** of the total operating income. The actual ratio was 24.94% as at 31 December 2013. 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).

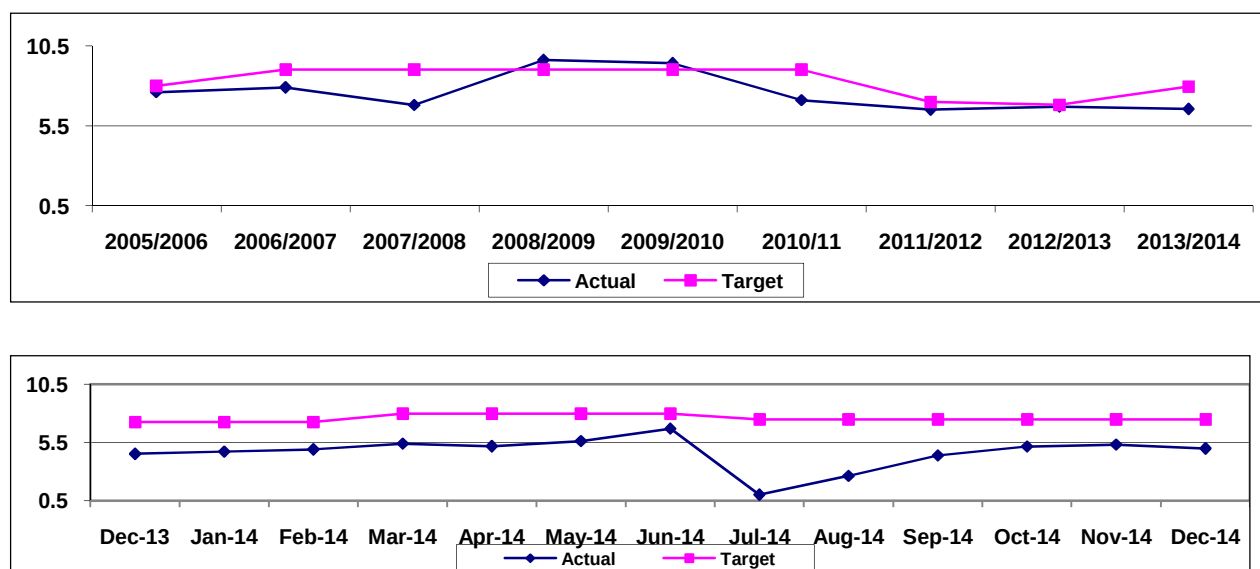
The ratio is determined as follows:

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

The actual expenditure of **4.98%** is above the target of 7.48%. The actual ratio as at 31 December 2013 was 4.76%. The NMBM audited ratio as at 30 June 2014 is 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).

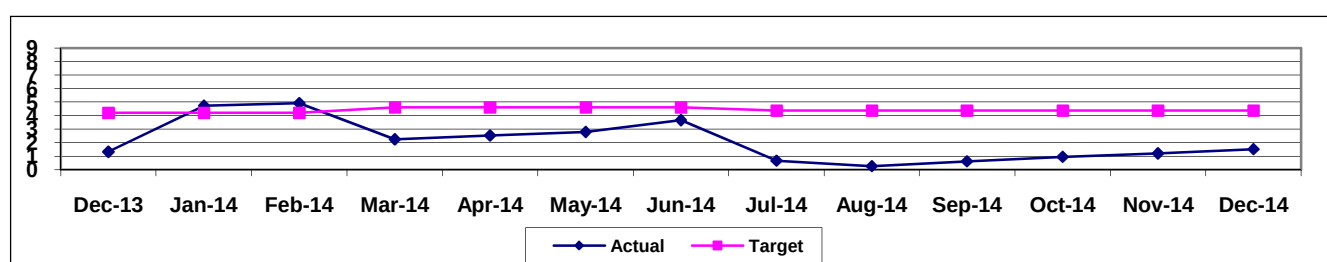
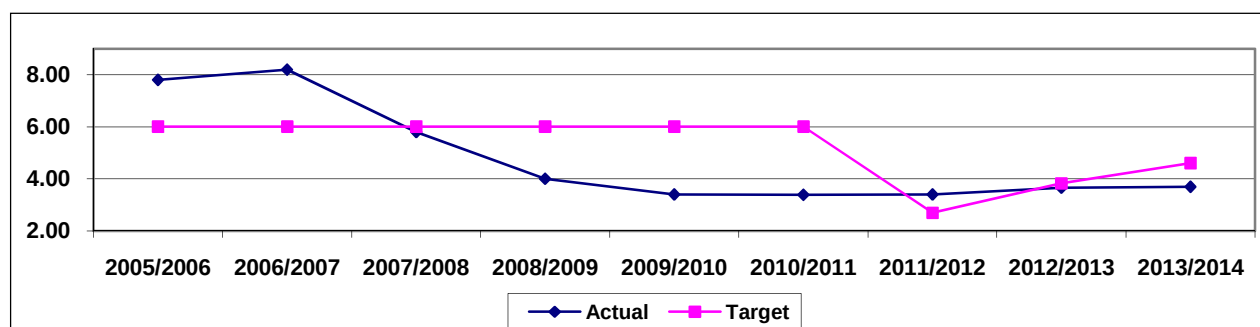
The ratio is determined as follows:

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

The repairs and maintenance expenditure incurred to date constitutes **1.51%** of the book value of PPE, as at the end of December 2014, compared to a budget target of 4.37%. The actual ratio as at 31 December 2013 was 0.88%. 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:

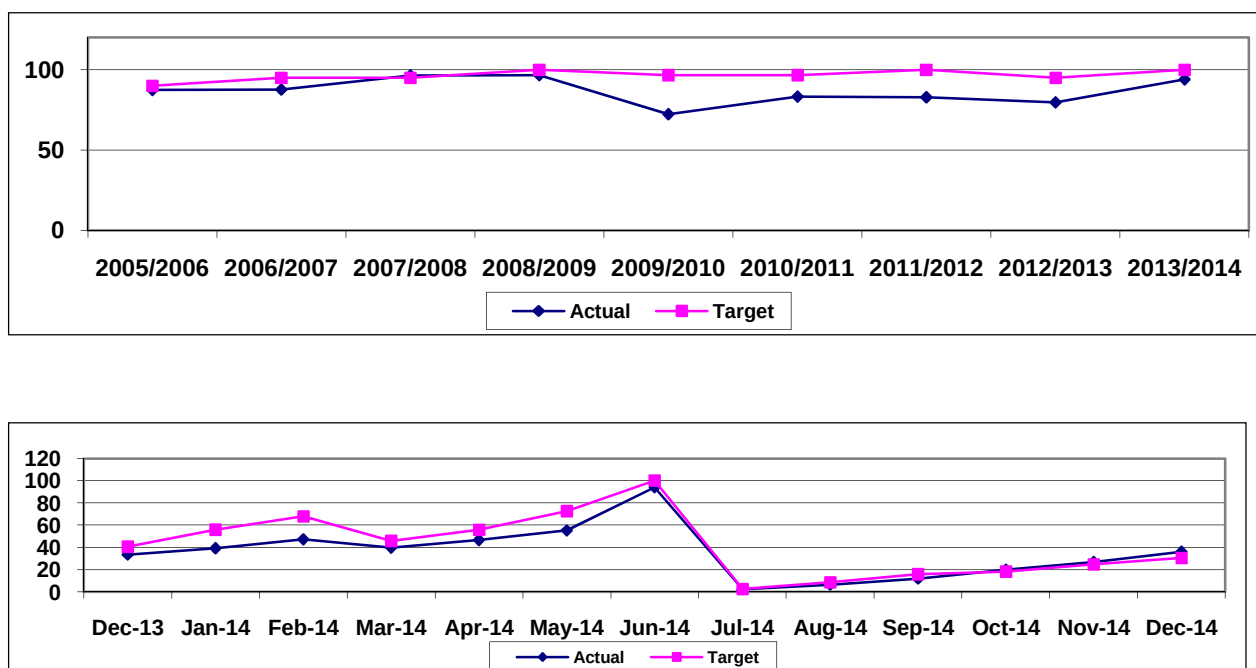
$$\text{Actual Capital spending to date / Approved Capital Budget}$$

The actual spending as at the end of December 2014 amounted to **35.87%**, compared to the 2014/15 Budget. The actual comparative spending level as at 31 December 2013 was 14.95%. 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 December 2014, the Municipality's own revenue sources constituted **81.74%** of its total Operating Income compared to the 2014/15 Budget target of 83.49%. The ratio as at 31 December 2013 was 82.57%. 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

