

# Maluti-A-Phofung Municipality Mid-year budget and Performance assessment report (July-December 11)



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**REPORT BY THE EXECUTIVE MAYOR FOR SUBMISSION TO COUNCIL**

**MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT : JULY-DECEMBER 2011**

**1. EXECUTIVE SUMMARY**

The purpose of this report is to inform Council about the mid-year financial and non-financial performance.

**2. BUSINESS PLAN**

Integrated Development Plan (IDP)

**3. COMPLIANCE WITH STRATEGIC OBJECTIVE**

Timeous reporting

**4. DELEGATED AUTHORITY**

Council

**5. ANNEXURES**

- I. Annexure "A" Mid-year budget and performance assessment report of the Municipality
- II. Annexure "B" Service delivery Budget Implementation report (B1-B9)
- III. Annexure "C" Mid-year Budget and performance assessment of the Municipal entity

**NB the above reports shall be submitted to both treasuries as required.**

**6. POLICY**

Budget Policy

**7. LEGAL REQUIREMENTS**

It is a statutory requirement that a mid-year financial report be submitted to Council in terms of section 72(1)(a)i of MFMA No. 56 of 2003.

**8. BACKGROUNG AND DISCUSSION**

8.1. In terms of section 72 of MFMA Act No 56 of 2003 which reads as follows:

(1) *The accounting officer of a municipality must by 25 January of each year –*

*(a) assess the performance of the municipality during the first half of the financial year, taking into account:*

- (i) the monthly statement referred to in section 71 for the first half of the financial year,*
- (ii) the municipality's service delivery performance during the first half of the financial year, and service delivery targets and performance indicators set in the service delivery and budget implementation plan;*

- (iii) *the past year's annual report, and progress on resolving problems identified in the annual report; and the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and*
  - (b) *submit a report on such assessment to-*
    - (i) *the mayor of the municipality;*
    - (ii) *the National Treasury; and*
    - (iii) *the relevant Provincial Treasury.*
- 2. *The statement referred to in section 71(1) for the sixth month of a financial year may be incorporated into the report referred to in subsection (1)(b) of this section.*
- 3. *The accounting officer must, as part of the review-*
  - (a) *make recommendations as to whether an adjustment budget is necessary; and*
  - (b) *recommend revised projections for revenue and expenditure to the extent that this may be necessary.*

## 8.2 MID-TERM ASSESSMENT REVIEW FOR MALUTI-A-PHOFUNG

### 8.2.1 INCOME PER CATEGORY

Below is brief explanation on each category:

#### **Rates and Taxes**

We billed 46% of our total income for the rates during the first six months of the current financial year.

#### **Equitable Share and Conditional Grants**

We received 75% of our share of the equitable share and 74% on conditional grants for the first six months of the current financial year.

#### **Electricity**

We billed 76% income on electricity for conventional meter and 47% on Pre-paid electricity however we are busy with normalisation of pre-paid meters.

#### **Refuse**

We billed 54% on refuse income for the first six months of the financial year.

#### **Overall**

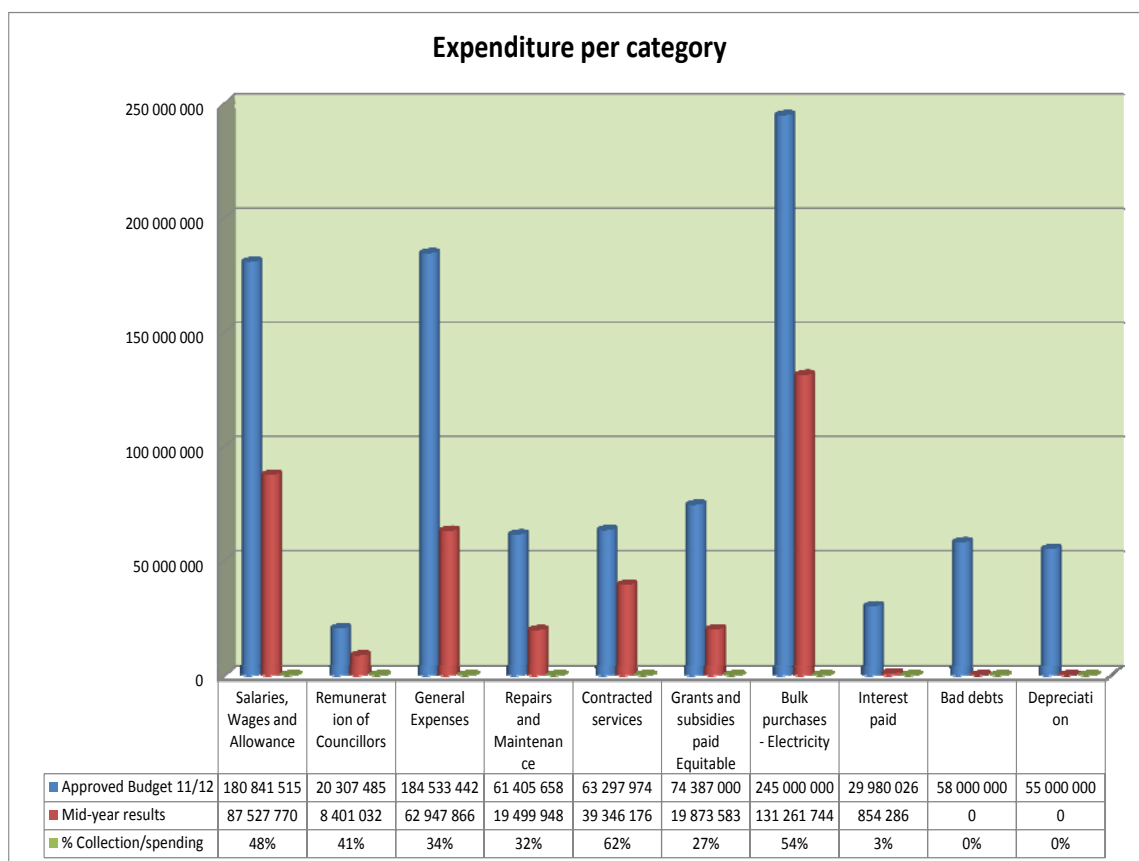
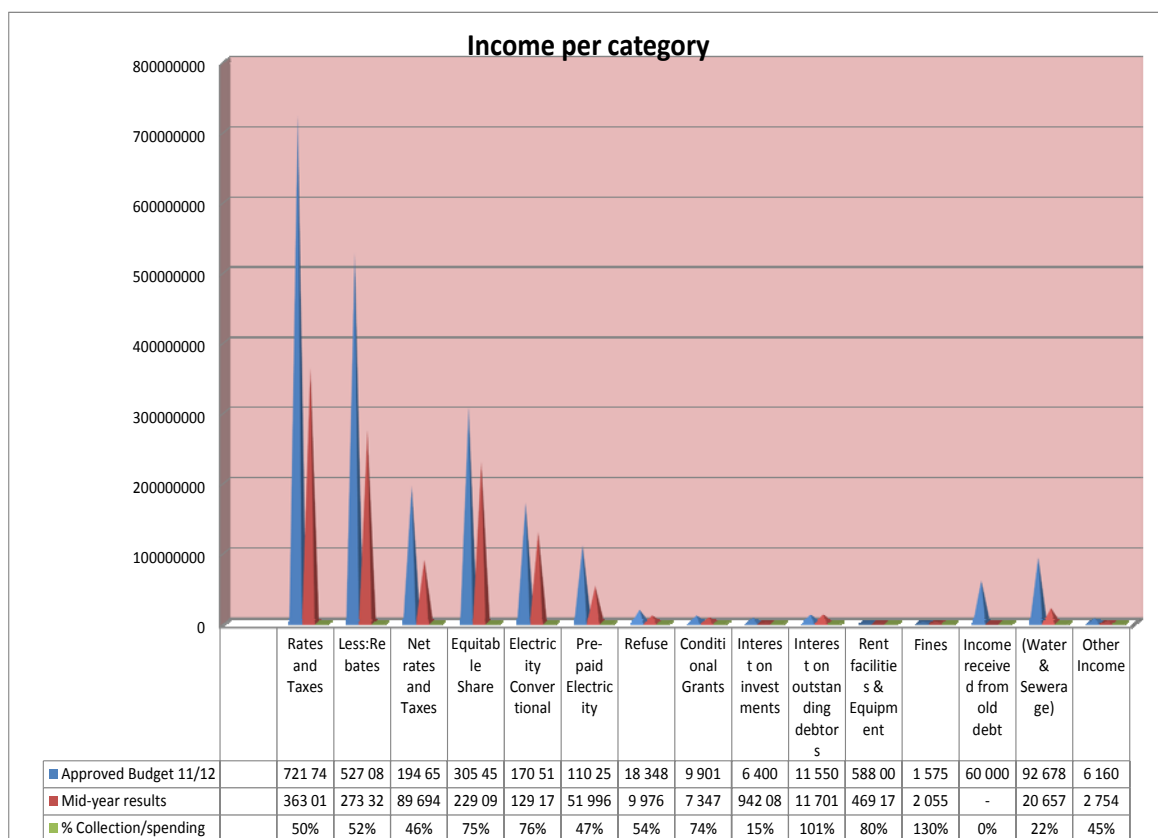
The table below depicts the performance of each category for the first six months and it shows that overall billing is at 56%

#### **Income received from Old Debt**

There is an outstanding amount on Government accounts of which the Municipality is in negotiations with Provincial Government to reconcile all this debt.

Description	Approved Budget 11/12	Mid-year results	% Collection/ spending	Annual Projection
Rates and Taxes	721 740 913	363 016 699	50%	695 019 259
Less: Rebates	527 081 054	273 321 770	52%	527 581 051
<b>Net rates and Taxes</b>	<b>194 659 859</b>	<b>89 694 929</b>	<b>46%</b>	<b>167 438 208</b>
Equitable Share	305 453 000	229 090 000	75%	305 453 000
Electricity Conversional Meter	170 512 500	129 170 267	76%	197 982 500
Pre-paid Electricity	110 250 000	51 996 541	47%	120 250 000
Refuse	18 348 750	9 976 322	54%	19 448 750
Conditional Grants	9 901 000	7 347 000	74%	9 901 000
Interest on investments	6 400 000	942 086	15%	2 900 000
Interest on outstanding debtors	11 550 000	11 701 149	101%	11 550 000
Rent facilities & Equipment	588 000	469 175	80%	220 000
Fines	1 575 000	2 055 043	130%	2 415 000
Income received from old debt	60 000 000	-	0%	60 000 000
Income received on behalf of the entity (Water & Sewerage)	92 678 000	20 657 658	22%	71 402 419
Other Income	6 160 891	2 754 934	45%	30 313 573
	<b>988 077 000</b>	<b>555 855 104</b>	<b>56%</b>	<b>999 274 450</b>
Salaries, Wages and Allowance	180 841 515	87 527 770	48%	188 572 313
Remuneration of Councillors	20 307 485	8 401 032	41%	20 307 485
General Expenses	184 533 442	62 947 866	34%	194 386 560
Repairs and Maintenance	61 405 658	19 499 948	32%	65 607 639
Contracted services	63 297 974	39 346 176	62%	76 228 074
Grants and subsidies paid Equitable	74 387 000	19 873 583	27%	74 387 000
Bulk purchases - Electricity	245 000 000	131 261 744	54%	245 000 000
Interest paid	29 980 026	854 286	3%	10 480 026
Bad debts	58 000 000		0%	68 393 000
Depreciation	55 000 000		0%	55 000 000
	<b>972 753 100</b>	<b>369 712 405</b>	<b>38%</b>	<b>998 362 097</b>

The provision for Bad Debts and Depreciation has to be made but their expenditure is only shown on the financial statements at the end of the Financial Year.



**8.2.2 EXPENDITURE****General expenditure**

We spend 34% on the general expenditure for the first six of the financial year.

**Contracted Services**

We spend 62% on contracted services for the first six of the financial year.

**Bulk Purchases Electricity**

We spend 54% on Electricity Bulk purchases for the first six months of the financial year and this line item will require an adjustment

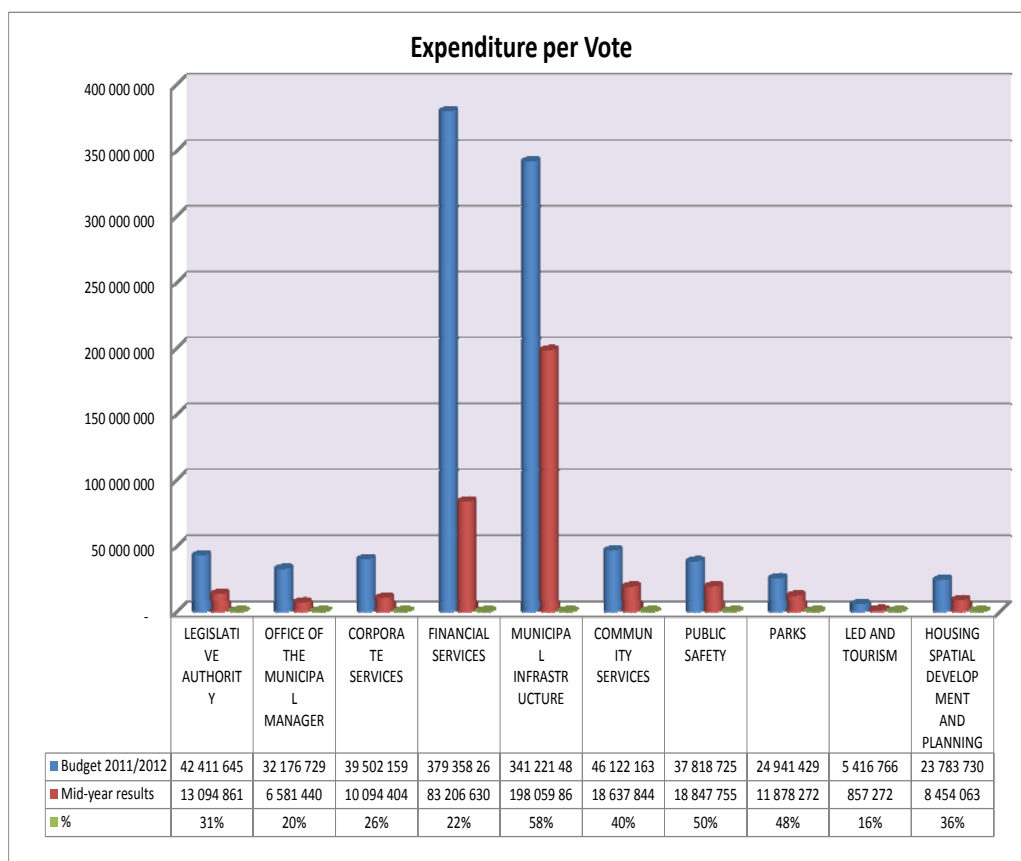
**Repairs and Maintenance**

We spend 32% on repairs and maintenance for the first six months of the financial year

The table below depicts the expenditure patterns which is not in line with the approved budget mostly in operational expenditure and income from own sources. The municipality actual expenditure is at 38% of the total operating budget for the first six months of the financial year due to low collection which is mainly caused by non-payment of accounts especially by Provincial Public Works.

<b>Expenditure per vote</b>	<b>Budget 2011/2012</b>	<b>Mid-year results</b>	<b>%</b>	<b>Annual Projections</b>
LEGISLATIVE AUTHORITY	42 411 645	13 094 861	31%	32 335 951
OFFICE OF THE MUNICIPAL MANAGER	32 176 729	6 581 440	20%	23 483 990
CORPORATE SERVICES	39 502 159	10 094 404	26%	30 807 434
FINANCIAL SERVICES	379 358 266	83 206 630	22%	363 194 998
MUNICIPAL INFRASTRUCTURE	341 221 487	198 059 866	58%	406 940 851
COMMUNITY SERVICES	46 122 163	18 637 844	40%	43 121 281
PUBLIC SAFETY	37 818 725	18 847 755	50%	46 537 594
PARKS	24 941 429	11 878 272	48%	26 537 541
LED AND TOURISM	5 416 766	857 272	16%	3 544 278
HOUSING SPATIAL DEVELOPMENT AND PLANNING	23 783 730	8 454 063	36%	21 858 181
<b>TOTAL OPERATING EXPENDITURE</b>	<b>972 753 100</b>	<b>369 712 407</b>	<b>38%</b>	<b>998 362 097</b>

2.6% Increase on the Expenditure is mainly caused by increase in Free Basic Services, Contracted Services: Insurance and Bad Debts



### 8.2.3 CAPITAL EXPENDITURE

Based on the table below which shows the capital expenditure per source of fund the overall expenditure on capital expenditure is 27% for the first six months of the financial year.

Funder	Approved Budget	Mid year results	% spending
MIG	171 336 000	69 399 326	41%
DWAF	68 780 000	23 698 981	34%
DoE	19 600 000	13 714 122	70%
EPWPIG	10 059 000	6 346 630	63%
PROVINCIAL GRANT	3 993 134	2 408 338	60%
EXTERNAL LOANS	174 000 000	-	0%
DPLG (RDP HOUSES)	4 254 140	62 587	1%
OWN SOURCE	14 575 000	8 962 990	61%
<b>TOTAL CAPEX</b>	<b>466 597 274</b>	<b>124 592 974</b>	<b>27%</b>



#### 8.2.4 GRANTS RECEIVED

The table below give the total of income and expenditure on the grants and subsidies as allocated on the Division of Revenue Act (DORA). We have received 70% of the grants as allocated and the overall spending on these grants is 20%.

Funder	Approved Budget	Mid year results on income	% spending	Mid year results on expenditure	% Receipts of grants
MIG	171 336 000	115 408 000	67%	69 399 326	41%
DWAF (Sterkfontein)	68 780 000	33 126 408	48%	23 698 980	34%
DWAF (Operational)	7 661 000	5 107 000		3 192 083	42%
DoE (INEPMG)	19 600 000	16 816 000	86%	13 714 122	70%
EPWPIG	10 059 000	6 438 000	64%	6 346 630	63%
Equitable Share	305 453 000	229 090 000	75%	229 090 000	75%
FMG	1 450 000	1 450 000	100%	903 058	62%
MSIG	790 000	790 000	100%	876 975	111%
<b>TOTAL CAPEX</b>	<b>585 129 000</b>	<b>408 225 408</b>	<b>70%</b>	<b>347 221 174</b>	<b>59%</b>

#### 8.5 DEBTORS PER CATEGORY AND PER SERVICE

Debtors amount R763, 464, 155 as at 31 December 2011. Government has not paid their rates and taxes accounts during the first six months of the current financial year and this matter is being reported to both National and Provincial Treasuries but despite that no payment has been done. We continue with the cut-off as part of the implementation of our credit control policy in order to reduce our debt book.

Maluti a Phofung Municipality	TOTAL AMOUNT
WATER	133 374 820
ELECTRICITY	146 555 849
SEWERAGE	57 966 409
REFUSE	70 635 597
RATES & TAXES	278 982 379
<b>TOTAL CONSUMER DEBTORS</b>	<b>687 515 054</b>
OTHER DEBTORS	75 949 102
<b>TOTAL DEBTORS</b>	<b>763 464 155</b>

DEBTORS PER CATEGORY	Total amount of debts	% of debtors
Government	214 331 193	28%
Business	189 861 746	25%
Residential	265 056 692	35%
Farmers	8 209 514	1.1%
Indigent	63 148 349	8%
<b>TOTAL CONSUMER DEBTORS</b>	<b>740 607 495</b>	<b>97%</b>
Other sundry debtors	22 856 661	
<b>TOTAL DEBTORS</b>	<b>763 464 155</b>	

**9. FINANCIAL IMPLICATIONS**

Total operating and capital revenue collected amount to R964, 080, 512.00 for mid-year (July-December 2011) and Operating and capital expenditure amount to R494, 305, 381.00.

**10. STAFF IMPLICATIONS**

Staff Compliments

**11. COMMENTS FROM OTHER DIRECTORS**

None

**12. RECOMMENDATIONS**

It is recommended that Council:

- Take note of the mid-year budget and performance assessment report of the Municipality
- Take note of the mid-year service delivery, Performance report
- Take note of mid-year budget and performance assessment of the municipal entity
- Consider the need for the adjustment budget based on the mid-year performance on actual income received.

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**MOFUMAHADI MATHOKOANA MOPELI**  
**EXECUTIVE MAYOR**

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**DATE**