

Maluti-A-Phofung Municipality

2nd Quarter budget report (October-December 2011)





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REPORT BY THE EXECUTIVE MAYOR FOR SUBMISSION TO COUNCIL

CONSOLIDATED QUARTERLY FINANCIAL REPORT : OCTOBER-DECEMBER 2011

1. EXECUTIVE SUMMARY

The purpose of this report is to inform Council on the financial matters for the 2nd quarter.

2. BUSINESS PLAN

To inform the Council on financial matters.

3. COMPLIANCE WITH STRATEGIC OBJECTIVE

Timeous reporting

4. DELEGATED AUTHORITY

Delegated powers vests in the Council.

5. ANNEXURES

A - Section 52(d) report for October-December 2011

6. POLICY

Budget policy

7. LEGAL REQUIREMENTS

It is a statutory requirement that a quarterly financial reports be submitted by the Mayor to Council in terms of section- 52(d) of MFMA No. 56 of 2003.

8. BACKGROUND and DISCUSSION

The analysis of the Municipality's cash flow and financial activities shall be as follows:



8.1 Income

8.1.1 CASH FLOW BASED ON ACCRUAL BASIS

The income based on revenue by source of funding for the 2nd quarter amounts to R335, 352, 770.00 as on the table below which is 20% more than the 1st quarter

Description	Amounts Billed for 1st quarter (July-September 2011)	Amounts Billed for the current quarter (October- December)	% Total Income (Oct-Dec)	Variance	% difference
Revenue By Source					
Property rates	42 846 039	46 848 890	14%	-4 002 851	-9%
electricity revenue	39 692 011	89 478 256	27%	-49 786 245	-125%
Pre-paid Electricity(Cash)	21 068 569	20 756 806	6%	311 763	1%
Pre-paid Electricity(FBS)	0	10 171 166	0%	-10 171 166	0%
water revenue	12 958 000	13 072 294	4%	-114 294	-1%
sanitation revenue	6 418 000	5 974 755	2%	443 245	7%
refuse revenue	5 033 000	4 943 322	1%	89 678	2%
Income received on behalf of the entity	4 446 802	16 210 857	5%	-11 764 055	-265%
Rental of facilities and equipment	72 322	396 853	0%	-324 531	-449%
Interest earned - external investments	412 691	529 395	0%	-116 704	-28%
Interest earned - outstanding debtors	5 443 676	6 257 473	2%	-813 797	-15%
Fines	175 439	1 879 603	1%	-1 704 164	-971%
Transfers recognised - operational MAP	132 065 000	104 372 000	31%	27 693 000	21%
Transfers recognised - operational Map Water	6 198 917	13 674 666	4%	-7 475 749	-121%
Other income	1 968 501	786 434	0%	1 182 067	60%
TOTAL INCOME 1ST QUARTER	278 798 967	335 352 770	97%	-56 553 803	-20%



<u>Explanation on the variances between the actual bills for the 1st quarter and second quarter</u>	
Rates & taxes-	Rates and Taxes bills for the current quarter are 9% more as compared with the first quarter based on the changes which occurred on the valuation roll due to objections
Electricity Conventional -	The electricity bills for the current quarter are more by 125% as compared with the first quarter actuals based on the meter consumptions
Pre-paid electricity-Cash	Pre-paid electricity income is 1% more than the first quarter. The municipality has under-taken a project to normalise illegal tempers on pre-paid meters
Pre-paid electricity-FBS	Journals for FBS for the 1 st quarter were not processed in the 1 st quarter. They were processed in the second quarter
Water & Sewerage	The water bill is more by 1% and sanitation less by 7% from the previous quarter based on the meter readings consumptions
Refuse	The refuse income is less by 2% as compared to the previous quarter which is based on the number of households, business and government properties billed for this quarter
Income received on behalf of the entity	This is the actual collection for water and sanitation and it is based on the collection/payments of customer for such services then the municipality paid it over to the entity.
Rental of facilities	Rental of facilities is 449% more from the previous quarter and this income is based on the demand by customer to rent municipal facilities
Transfer recognised operational MAP	The grants as gazette were paid to the municipality according to the payment schedule of national treasury for the second quarter
Transfer recognised operational MAP Water	The DWA Grant paid to MAP Water amount to R 1, 276, 833.00 and an amount of R 11, 121, 000.00 was paid on the 09 th and 10 th of January 2012



Bills and payments				
Rates and service Income	Amounts Billed from October-December 2011	Amounts Paid from October-December 2011	% of the payments against the bills	Variance
Rates and Taxes	46 848 890	22 927 439	49%	-23 921 451
Electricity Conventional Meter	89 478 256	31 807 000	36%	-57 671 256
Pre-paid Electricity Cash	20 756 806	20 968 263	101%	211 457
Pre-paid Electricity FBS	10 171 166	18 420 966	181%	8 249 800
Refuse	4 943 233	1 703 885	34%	-3 239 348
Water	13 072 102	7 285 219	56%	-5 786 883
Sewerage/Sanitation	5 974 926	4 906 313	82%	-1 068 613
TOTAL	191 245 379	108 019 084	56%	-83 226 295

The municipality still faces a challenge of non-payment of accounts as on the above table, however we still continue with the implementation of credit control policy

Rates and Taxes- the Municipality received R22,927,439.00 for rates and taxes collection which represents 49% of the total rates billed. Provincial Public works did not pay their 2nd quarter bills.

Electricity Conventional Meter- out of R89, 478, 256 billed on electricity the municipality received 36% income during this quarter however credit control section still continue to do cut-off for business on monthly bases

Pre-paid Electricity(Cash)- variance on the prepaid is due to cut-off on Syntel system (Pre-paid) which is normally on the 2nd or 3rd of every month, but on the ledger (bank reconciliation) we consider the cash till the end of every month the money banked after the 1st will be reconciled in the new month.

Pre-paid Electricity(FBS)- Journals for FBS were not passed in the 1st quarter hence we have such a big difference between 1st and 2nd quarters

Refuse- the municipality collected 34% of the billed amount for this current quarter

Water- the municipality collected 56% of the billed amount for this current quarter



Grants and equitable share received by MAP water for the 2nd quarter 2011 amount to R13, 674, 666 million.

GRANTS AND EQUITABLE SHARE RECEIVED BY MAP WATER				
Description	Budget Amount Allocated for the second quarter	Actual Income for the current quarter	% Total Income	Variance
DWA-operating susidy Entity	1 915 251	2 553 666	10%	638 415
Equitable share received by entity	16 681 500	11 121 000	90%	-5 560 500
TOTAL	18 596 751	13 674 666	100%	-4 922 085

DWA- in this quarter, the grant was not paid for only one month, the Municipality is still waiting for the Invoice

Equitable share- An amount of R 11, 121, 000 was paid on the 09th and 10th of January 2012.



8.2 Total operating expenditure for the 2nd quarter amount to R195, 704, 695

DESCRIPTION	quarterly allocations	Current quarter actuals (October-December)	% Total Exp (October-December)	Variance	% change
Salaries, wages and allowances	56 000 000	60 356 709	31%	4 356 709	8%
Councillors allowances or salaries	3 700 000	3 721 486	2%	21 486	1%
Repairs and Maintenance	10 000 000	11 350 964	6%	1 350 964	14%
Investments made	-	-	0%	-	
Bulk Purchases	30 000 000	34 902 554	18%	4 902 554	16%
Contracted services	25 000 000	24 198 031	12%	-801 969	-3%
Grants and subsidies Paid(Entity) for Equitable share	16 681 500	11 121 000	6%	-5 560 500	-33%
Grants and subsidies Paid(Entity) for Conditional grants (DWA)	1 915 251	2 553 667	1%	638 416	133%
Interest paid	1 300 000	1 915 456	1%	3 215 456	247%
General expenses	55 241 500	45 584 828	23%	-9 656 672	-17%
Total	199 838 251	195 704 695	100%	-1 533 556	365%

Explanation on the variances

Salaries,Wages and Allowance and Councillors allowance	The salaries are more by 8% from the quarterly allocation because the annual salary increase was implemented during the second quarter
Repairs and Maintenance	There is an increase of 14% from the quarter allocation on repairs and maintenance
Bulk Purchases	Bulk purchase payment increased by 16% from the quarterly allocation due to high consumption from Eskom account
Grants and subsidies Paid(Entity) for Equitable share	The Equitable share for MAP Water was only paid for two months during this quarter and an Amount of R11, 121, 000 was paid on the 09th and 10th of January 2012
Interest paid	Interest was paid in this month as it was supposed to be paid according to the agreement
General expenses	The general expenditures payments are 17% less than the quarterly allocation



TOTAL OPERATING INCOME AND EXPENDITURE FOR THE 2nd QUARTER (OCTOBER-DECEMBER 2011)

Description	Previous Quarter Actuals	Current quarter actuals	Variance	Accumulated
Operating Income	278 798 967	335 352 770	56 553 803	614 151 737
Operating Expenditure	219 882 274	195 704 695	-24 177 579	415 586 969
Surplus/-Deficit	58 916 693	139 648 075	80 731 382	198 564 768

TOTAL CAPITAL INCOME AND EXPENDITURE FOR THE 2nd QUARTER (OCTOBER-DECEMBER 2011)

Description	Previous quarter actuals	Current quarter actuals	Variance	Accumulated
Capex Income	86 341 141	85 447 267	-893 874	171 788 408
Capex Expenditure	50 381 101	74 211 874	23 830 773	124 592 975
Surplus/-Deficit	35 960 040	11 235 393	-24 724 647	47 195 433

Capex Income- includes capital grants only not capital expenditure that is internally funded

Capex expenditure- the total expenditure includes the capital expenditures from own funding



8.3 Cash resources and Investment

The below table indicate Investment both long term and short term for the period under review.

Long term investments are comprised of insurance policies.

Description	Amount	%
Cash management account	161 149	1%
Long Term Investment	16 958 882	99%
TOTAL	17 120 031	

Maluti A Phofung Local Municipality									
Investment Register - December 11									
								REF	
Name of the Institution	Account Number	Type of Account	Maturity Date	Opening Balance	Withdrawals	Re - Investments	Interest Earned		Closing Balance
Listed									
Sanlam	5926	9000026112500	N/A	163 320.56	-	-	-		163 320.56
				-					-
Unlisted									
Momentum	87570447	9000026111400	2011/01/07	13 380 761.35	-	-	-		13 380 761.35
Momentum	89456260	9000026111600	2011/01/07	1 718 556.00	-	-	-		1 718 556.00
Mutual	8477284	9000026112200	2008/01/07	0.45	-	-	-		0.45
Sanlam - Money Market	50189057	9000026112300		1 310 714.31	-	-	5 846.46	4.1	1 316 560.77
Sanlam	11690236x2	9000026112400		315 026.62	-	-	-		315 026.62
FNB Call Account	62027358292	9000026110100		149 708.22	-	-	615.23	4.2	150 323.45
FNB Call Account - MIG Funds	62199534580	9000026110200		1 390.95	-	-	1.18	4.3	1 392.13
FNB Call Account - INT/HA CORR	62212896346	9000026112800		9 399.34	-	-	33.99	4.4	9 433.33
Standard BANK	348526407	9000026110300		64 383.40	-	-	273.41	4.5	64 656.81
				-					-
				17 113 261.20	-	-	6 770.27		17 120 031.47



8.4 External Commitments

External long term commitments mainly comprise of infrastructure loans which constitutes 100%

EXTERNAL LOANS						
EXTERNAL LOANS OUTSTANDING AMOUNTED TO R 15 233 837.00 AT THE END OF 2ND QUARTER						
LOAN NUMBER	FINANCIAL INSTITUTION	DEPARTMENT	BALANCE AS AT 30-Sep-11	CAPITAL PAYMENT MADE OCTOBER-DECEMBER	INTEREST PAYMENT MADE OCTOBER-DECEMBER	BALANCE AS AT OCTOBER-DECEMBER
11018/103	DBSA	Electricity	657 449	203 428	50 234	607 215
11019/105	DBSA	Electricity	860 764	69 982	65 366	795 398
11021/102	DBSA	Sew erage	223 367	18 160	16 962	206 405
11076/103	DBSA	Water	1 143 067	48 359	86 601	1 056 466
11076/202	DBSA	Water	1 177 089	49 799	89 293	1 087 796
11084/103	DBSA	Rates & General	2 117 476	172 154	160 799	1 956 677
13768/102	DBSA	Water	1 077 533	25 938	85 049	992 484
13768/202	DBSA	Water	941 593	22 666	74 319	867 274
13768/302	DBSA	Sew erage	1 265 234	24 976	99 857	1 165 377
1929/001225/06	FNB	Intabazw e corridor	6 498 745	-	-	6 498 745
	Total		15 962 317	635 462	728 480	15 233 837



8.5 BANK RECONCILIATION STATEMENT

MALUTI A PHOFUNG MUNICIPALITY BANK RECONCILIATION	Dec-11		BANK STATEMENT MOVEMENT	Income on Bank statement	Expenditure on Bank statement
Acc number: FNB 62026153221		Reff		196 334 577.25	-132 054 801.22
bank account 001					
BANK RECONCILIATION			Income		
Bank balances	47 619 751.28		Interest on cr bal	0.00	
Uncashed Cheques	0.00		Eqs	0.00	
Uncashed ACB's	-553 181.85	Dec- 01	grants received	168 316 865.22	
Undeposited Receipts	81 607.52	Dec- 02	Direct deposits	20 154 900.49	
Partially Undeposited Receipts	137 155.07	Dec- 03	Cashier deposits	4 669 949.35	
Miscellaneous Charge	48 445.63	Dec- 04	Pre-paid deposits	0.00	
Deposits on statement not receipted	-605 872.25	Dec- 05			
ACB's on Statement unreconciled	6 101 983.75	Dec- 06	Transfer		
			Transf from Pre-paid acc	3 100 000.00	
			Transf from investments	0.00	
CASHBOOK BALANCE	52 829 889.15		sundries		
			Sundry credit on bank smnt	92 862.19	
CASH BOOK RECONCILIATION			Total Income	196 334 577.25	
Opening balance December 2011	-57 149 447.66		Expenditure		
Income	193 437 189.67	Dec- 07	Ele payments- Creditors		-113 476 184.35
Expenditure	-67 859 461.70	Dec- 08	Ele - salary 3rd parties		-5 921 247.23
Bank charges & Transactions	-15 250 278.46	Dec- 09	Ele -Netto Salaries		-10 355 433.33
In Cashbook not in GL - Cheques	-43 763.10	Dec- 10	Ele- Project salaries		-1 443 815.00
In Cashbook not in GL - Charges	-303 810.00	Dec- 11	Ele-Second payment		-165 417.35
In GL not Cashbook - Cheques	0.00		Cheques Creditors		-43 763.10
Billing Interface short /over interfaced	-539.60	Dec- 12	Dr Orders		-448 194.49
			Bank charges		-47 861.48
CASH BOOK BALANCE	52 829 889.15		Interest paid on dr bal		-92 494.90
			Term loan pymt		0.00
			Transfer		
			Debit transfer to investment		0.00
			Sundries		
			Rd cheques		-60 389.99
			Sundry Debits on bank stmnt		0.00
			Total Expenditure		-132 054 801.22



8.6 CLASSIFICATION OF DEBTORS

Debtor's outstanding amounts are as follows:

Debtors per services	
Description	Current Quarter Debtors Balance
Water	133 374 820
Electricity	146 555 849
Sewerage	57 966 409
Refuse	70 635 597
Rates and Taxes	278 982 379
Other debtors	75 949 102
Total debtors	763 464 156

Maluti a Phofung	Current quarter amounts	%
Government departments	214 331 193	28%
Business	140 697 949	18%
Residential	265 056 692	35%
Indigents	63 148 349	8%
Fdc industrial	2 166 964	0%
Fdc tenants	46 996 833	6%
Churches & welfare	1 393 222	0%
Farmers	8 209 514	1%
Map Water Accounts	4 681 562	1%
TOTAL CONSUMER DEBTORS	746 682 278	97%
Other debtors	16 781 877	2%
OTHER DEBTORS	16 781 877	2%
TOTAL DEBTORS	763 464 155	99%



8.5 Capital Expenditure

The expenditure on capital budget is R74, 211, 874 for October-December 2011

Description	ANNUAL BUDGET	AMOUNT SPENT FOR THE PREVIOUS QUARTER	AMOUNT SPENT FOR THE CURRENT QUARTER	ACTUAL EXPENDITURE TO DATE	% SPENDING ON TOTAL AMOUNT
MIG Projects	171 336 000	28 857 815	40 541 512	69 399 326	41%
EXPWP Projects	10 059 000	686 900	5 659 730	6 346 630	63%
DoE Projects	19 600 000	7 451 998	6 262 124	13 714 122	70%
MAP Projects	14 575 000	3 335 070	5 627 919	8 962 990	61%
RBIG (Sterkfontein projects)	68 780 000	8 263 435	15 435 545	23 698 980	34%
RDP Houses	4 254 140	14 750	47 838	62 588	1%
Provincial Grant (Road maintenance)	3 993 134	1 771 132	637 206	2 408 338	60%
Total Capital Expenditure	292 597 274	50 381 100	74 211 874	124 592 973	43%



9. FINANCIAL IMPLICATIONS

The total operating income for the 2nd quarter amounts to R335, 352, 770 and total operating expenditure for the 2nd quarter amounts to R195, 704, 695. The total capital income amounts to R81, 564, 402 and the total capital expenditure amounts to R74, 211, 874.00

10. STAFF IMPLICATIONS

During the first quarter we had 1218 employees including councillors

11. COMMENTS FROM OTHER DIRECTORS

Not discussed with Directors since it is prerogative of Council to discuss

12. RECOMMENDATIONS

It is recommended that Section 52(d) report for the second quarter (October-December 2011) be noted :

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SUBMITTED BY: MOFUMAHADI MOPELI MATHOKOANA
EXECUTIVE MAYOR

