

Maluti-A-Phofung Municipality

1st Quarter budget report (July-September 2011)





INDEX

1	Table of contents	1
2	Report By the Chief Financial Officer	2-14
3	Annexure “A” Schedule C	



REPORT BY THE EXECUTIVE MAYOR FOR SUBMISSION TO COUNCIL

CONSOLIDATED QUARTERLY FINANCIAL REPORT : JULY-SEPTEMBER 2011

1. EXECUTIVE SUMMARY

The purpose of this report is to inform Council on the financial matters for the first 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 July-September 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 1st quarter amounts to R278, 798,967.00 as on the table below which represents 81% of the first quarter budgets allocation.

Description	Budgets amounts allocated for 1st quarter (July - September 2011)	Amounts Billed for the current quarter (July-September)	% Total Income (July-Sep)	Variance	% difference
Revenue By Source					
Property rates	45 665 000	42 846 039	15%	2 818 961	6%
electricity revenue	27 628 125	39 692 012	14%	-12 063 887	-44%
Pre-paid Electricity	27 562 500	21 068 569	8%	6 493 931	24%
water revenue	8 564 000	12 958 000	5%	-4 394 000	-51%
sanitation revenue	3 876 250	6 418 000	2%	-2 541 750	-66%
refuse revenue	4 587 250	5 033 000	2%	-445 750	-10%
Income received on behalf of the entity	23 169 500	4 446 801	2%	18 722 699	81%
Rental of facilities and equipment	147 000	72 322	0%	74 678	51%
Interest earned - external investments	1 600 000	412 691	0%	1 187 309	74%
Interest earned - outstanding debtors	2 887 500	5 443 676	2%	-2 556 176	-89%
Fines	393 750	175 439	0%	218 311	55%
Transfers recognised - operational MAP	132 065 000	132 065 000	47%	-	0%
Transfers recognised - operational Map Water	18 596 750	6 198 917	2%	12 397 833	67%
Other income	16 540 223	1 968 501	1%	14 571 722	88%
TOTAL INCOME 1ST QUARTER	313 282 848	278 798 967	100%	34 483 881	11%



Explanation on the variances between the quartely allocation and actual bills for the 1st quarter	
Rates & taxes-	Rates and Taxes bills for the current quarter are 6% less as compared with the allocation for 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 44% as compared with the allocation for the first quarter based on the meter consumptions
Pre-paid electricity-	Pre-paid electricity income is 24% less than the quarterly allocation is due to illegal temper on pre-paid meters however the municipality has under-take a project of meter normalisation which is currently is process hope the situation will improve in the second quarter
Water & Sewerage	The water bill is more by 51% and sanitation by 66% from the quarterly allocation based on the meter readings consumptions
Refuse	The refuse income is more by 10% as compared to the quarterly allocation 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 51% less from the quarterly allocation 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 first quarter
Transfer recognised operational MAP Water	The entity received 67% less from their quarterly allocation of equitable share due to late submission of invoices to Municipality



Bills and payments				
Rates and service Income	Amounts Billed from July-September 2011	Amounts Paid from July-September 2011	% of the payments against the bills	Variance
Rates and Taxes	42 846 039	14 205 124	33%	-28 640 915
Electricity Conventional Meter	39 692 012	27 669 077	70%	-12 022 934
Pre-paid Electricity	20 725 278	21 068 569	102%	343 291
Refuse	5 033 000	1 704 235	34%	-3 328 765
Water	12 958 000	5 585 616	43%	-7 372 384
Sewerage/Sanitation	6 418 000	2 880 511	45%	-3 537 489
TOTAL	127 672 329	73 113 132	57%	-54 559 197

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 R14,205,124.00 for rates and taxes collection which represents 33% of the total rates billed. Provincial Public works did not pay their August and September bills

Electricity Conventional Meter-out of R39, 259, 965 billed on electricity the municipality received 70% income during this quarter however credit control section still continue to do cut-off for business on monthly bases

Pre-paid Electricity- 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.

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

Water- the municipality collected 43% of the billed amount for this current quarter

Sewerage/Sanitation- the municipality collected 45% on sewerage for this quarter



Grants and equitable share received by MAP water for the 1st quarter 2011 amount to R6, 198, 917 million.

GRANTS AND EQUITABLE SHARE RECEIVED BY MAP WATER				
Description	Budgets amounts allocated for first quarter	Actual Income for the current quarter	% Total Income	Variance
DWA-operating susidy Entity	1 915 251	638 417	10%	-1 276 834
Equitable share received by entity	16 681 500	5 560 500	90%	-11 121 000
TOTAL	18 596 751	6 198 917	100%	-12 397 834

DWA- in this quarter, the grant was only paid for one month, the Municipality is still waiting for Invoices

Equitable share- the equitable share paid during this quarter was only for one month because the Municipality is still waiting for invoices.



8.2 Total operating expenditure for the 1st quarter amount to R219, 882, 274

Councillors allowances or salaries	5 076 750	4 679 546	2%	-397 204	-8%
Repairs and Maintenance	19 639 750	17 157 253	8%	-2 482 497	-13%
Investments made	-	-	0%	-	
Bulk Purchases	64 048 750	96 359 190	44%	32 310 440	50%
Contracted services	15 824 500	15 148 145	7%	-676 355	-4%
Grants and subsidies Paid(Entity) for Equitable share	16 681 500	5 560 500	3%	-11 121 000	-67%
Grants and subsidies Paid(Entity) for Conditional grants (DWA)	1 915 251	638 417	0%	-1 276 834	33%
Interest paid	3 500 000	-1 061 170	0%	2 438 830	70%
General expenses	55 241 500	27 151 053	12%	-28 090 447	-51%
Total	241 980 001	219 882 274	100%	-15 097 727	2%

Explanation on the variances

Salaries,Wages and Allowance and Councillors allowance	The salaries are less by 10% from the quarterly allocation because the salary increase was not implemented during the first quarter
Repairs and Maintenance	There is an decrease of 13% from the quarter allocation on repairs and maintenance
Bulk Purchases	Bulk purchase payment increased by 50% from the quarterly allocation due to high consumption and winter tariffs from Eskom account
Grants and subsidies Paid(Entity) for Equitable share	The Equitable share for MAP Water was only paid for one month during this quarter
Interest paid	A negative figure on Interest paid was caused by a journal passed
General expenses	The general expenditures payments are 51% less than the quarterly allocation



TOTAL OPERATING INCOME AND EXPENDITURE FOR THE 1st QUARTER (JULY-SEPTEMBER 2011)

Description	Quarterly allocation	Current quarter actuals	Variance	Accumulated
Operating Income	313 282 848	278 798 967	-34 483 881	278 798 967
Operating Expenditure	241 980 001	219 882 274	-22 097 727	219 882 274
Surplus/-Deficit	71 302 847	58 916 693	-12 386 154	58 916 693

TOTAL CAPITAL INCOME AND EXPENDITURE FOR THE 1st QUARTER (JULY-SEPTEMBER 2011)

Description	Previous quarter actuals	Current quarter actuals	Variance	Accumulated
Capex Income	114 587 500	86 341 141	-28 246 359	86 341 141
Capex Expenditure	114 587 500	50 381 101	-64 206 399	50 381 101
Surplus/-Deficit	-	35 960 040	35 960 040	35 960 040

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	6 134 901	15%
Long Term Investment	35 885 283	85%
TOTAL	42 020 184	

Maluti A Phofung Local Municipality								
Investment Register - September 11								
Name of the Institution Listed	Account Number	Type of Account	Maturity Date	Opening Balance	Withdrawals	Re - Investments	Interest Earned	Closing Balance
Sanlam	5926	9000026112500	N/A	163 320.56	-	-	-	163 320.56
Unlisted								
Momentum	87756867	9000026111200	2012/01/02	-	-	-	-	-
Momentum	87887109	9000026111100	2012/01/05	-	-	-	-	-
Momentum	87887115	9000026111300	2012/01/05	-	-	-	-	-
Momentum	87570447	9000026111400	2011/01/07	12 773 934.00	-	-	-	12 773 934.00
Momentum	88126418	9000026111500	2012/01/07	-	-	-	-	-
Momentum	89456260	9000026111600	2011/01/07	1 718 556.00	-	-	-	1 718 556.00
Mutual	7560376	9000026111700	2006/01/12	3 645 252.53	-	-	-	3 645 252.53
Mutual	7481893	9000026111800	2008/01/07	1 889 701.33	-	-	-	1 889 701.33
Mutual	8010226	9000026111900	2007/01/07	2 108 994.47	-	-	-	2 108 994.47
Mutual	8010223	9000026112000	2005/01/07	1 347 637.02	-	-	-	1 347 637.02
Mutual	7974326	9000026112100	2007/01/07	2 957 770.46	-	-	-	2 957 770.46
Mutual	8477284	9000026112200	2008/01/07	7 602 143.00	-	-	-	7 602 143.00
Sanlam	11690235x4	9000026112700		-	-	-	-	-
Sanlam - Money Market	50189057	9000026112300		1 293 864.64	-	-	5 495.71	1 299 360.35
Sanlam	11690236x2	9000026112400		315 026.62	-	-	-	315 026.62
FNB Disaster Fund	62168418806	9000026110400		-	-	-	-	-
FNB Call Account	62027358292	9000026110100		55 437 605.46	49 500 000.00	-	186 575.80	6 124 181.26
FNB Call Account - MIG Funds	62199534580	9000026110200		1 387.49	-	-	1.18	1 388.67
FNB Call Account - INT/HA CORR	62212896346	9000026112800		9 295.86	-	-	34.74	9 330.60
ABSA BANK Call Account	9206600685	9000026110500		7 405.42	7 405.42	-	-	-
ABSA BANK Savings	9006721200	9000026111000		108 341.83	108 341.83	-	-	-
Standard BANK	348526407	9000026110300		63 587.43	-	-	-	63 587.43
ABSA COLLETERAL - JP BOTHA	2054434522	9000026110600		36 208.87	36 208.87	-	-	-
ABSA COLLETERAL - CE BARNARD	2057955909	9000026110700		32 132.00	32 132.00	-	-	-
ABSA COLLETERAL - D HLONGWANE	2056895005	9000026110800		37 156.60	37 156.60	-	-	-
				91 549 321.59	49 721 244.72	-	192 107.43	42 020 184.30



8.4 External Commitments

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

EXTERNAL LOANS						
EXTERNAL LOANS OUTSTANDING AMOUNTED TO R 14 541 120.00 AT THE END OF 1ST QUARTER						
LOAN NUMBER	FINANCIAL INSTITUTION	DEPARTMENT	BALANCE AS AT 30-Jun-11	CAPITAL PAYMENT MADE JULY- SEPTEMBER	INTEREST PAYMENT MADE JULY- SEPTEMBER	BALANCE AS AT JULY- SEPTEMBER
25006	Free State Municipal Pension Fund	Electricity	-			-
11018/103	DBSA	Electricity	594 409	-	-	594 409
11019/105	DBSA	Electricity	791 820	-	-	791 820
11021/102	DBSA	Sewerage	205 479	-	-	205 479
11076/103	DBSA	Water	1 054 596	-	-	1 054 596
11076/202	DBSA	Water	1 086 036	-	-	1 086 036
11084/103	DBSA	Rates & General	1 947 874	-	-	1 947 874
11827/102	DBSA	Water	0	-	-	0
13768/102	DBSA	Water	992 042	-	-	992 042
13768/202	DBSA	Water	866 887	-	-	866 887
13768/302	DBSA	Sewerage	1 165 244	-	-	1 165 244
1929/001225/06	FNB	Intabazwe corridor	9 374 908	3 049 403	488 773	5 836 732
	Total		18 079 296	3 049 403	488 773	14 541 120



8.5 BANK RECONCILIATION STATEMENT

MALUTI A PHOFUNG MUNICIPALITY BANK RECONCILIATION	Sep-11		BANK STATEMENT MOVEMENT	Income on Bank statement	Expenditure on Bank statement
Acc number: FNB 62026153221		Reff		137 680 908.91	-144 658 818.45
bank account 001					
BANK RECONCILIATION			Income		
Bank balances	-12 675 986.99		Interest on cr bal	0.00	
Uncashed Cheques	0.00		Eqs	0.00	
Uncashed ACB's	-4 356.69	Sept-01	grants received	18 650 900.95	
Undeposited Receipts	117 988.65	Sept-02	Direct deposits	49 627 862.34	
Partially Undeposited Receipts	36 385.73	Sept-03	Cashier deposits	5 594 592.09	
Miscellaneous Charge	13 253.68	Sept-04	Pre-paid deposits	0.00	
Deposits on statement not receipted	-24 339 423.10	Sept-05			
ACB's on Statement unreconciled	31 564.94	Sept-06	Transfer		
			Transf from Pre-paid acc	14 303 151.84	
			Transf from investments	49 500 000.00	
CASHBOOK BALANCE	-36 820 573.78		sundries		
			Sundry credit on bank smnt	4 401.69	
CASH BOOK RECONCILIATION			Total Income	137 680 908.91	
Opening balance August 2011	-33 130 740.64		Expenditure		
Income	50 694 176.12	Sept-07	Ele payments- Creditors		-126 762 323.99
Expenditure	-100 340 548.04	Sept-08	Ele - salary 3rd parties		-5 492 007.61
Bank charges & Transactions	45 957 078.38	Sept-09	Ele -Netto Salaries		-11 425 100.48
			Ele- Security/Proj salaries		-390 650.00
In GL not Cashbook - Cancel ACBs	0.00		Ele-Second payment		-2 535.32
In GL not Cashbook - ACBs	0.00		Cheques Creditors		-50 765.02
Billing Interface short /over interfaced	-539.60	Sept-10	Dr Orders		-461 321.16
			Bank charges		-29 831.24
CASH BOOK BALANCE	-36 820 573.78		Interest paid on dr bal		-5 482.33
			Term loan pymt		0.00
			Transfer		
			Debit transfer to investment		0.00
			Sundries		
			Rd cheques		-36 474.61
			Sundry Debits on bank stmnt		-2 326.69
			Total Expenditure		-144 658 818.45



8.6 CLASSIFICATION OF DEBTORS

Debtor's outstanding amounts are as follows:

Debtors per services	
Description	Current Quarter Debtors Balance
Water	122 501 789
Electricity	78 521 124
Sewerage	56 545 160
Refuse	67 093 514
Rates and Taxes	272 377 296
Other debtors	66 791 810
Total debtors	663 830 693

DEBTORS PER CATEGORY		
Maluti a Phofung	Current quarter amounts	%
Government departments	203 536 926	31%
Business	73 818 456	11%
Residential	247 889 736	37%
Indigents	60 114 509	9%
Fdc industrial	39 084 376	6%
Fdc tenants	3 277 140	0%
Churches & welfare	1 441 147	0%
Farmers	7 360 310	1%
TOTAL CONSUMER DEBTORS	636 522 600	96%
Other debtors	27 308 093	4%
OTHER DEBTORS	27 308 093	4%
TOTAL DEBTORS	663 830 693	100%



8.5 Capital Expenditure

The expenditure on capital budget is R48, 027, 100 for July-September 2011, which is 97% spending on the quarterly allocation

Description	ANNUAL BUDGET	AMOUNT ALLOCATED FOR THE CURRENT QUARTER	AMOUNT SPENT FOR THE CURRENT QUARTER	ACTUAL EXPENDITURE TO DATE	VARIANCE	% SPENDING ON TOTAL AMOUNT
MIG Projects	171 336 000	30 000 000	28 857 815	28 857 815	1 142 185	4%
EXPWP Projects	10 059 000	700 000	686 900	686 900	13 100	2%
DoE Projects	19 600 000	7 500 000	7 451 998	7 451 998	48 002	1%
MAP Projects	14 575 000	1 000 000	981 070	981 070	18 930	2%
RBIG (Sterkfontein projects)	68 780 000	8 200 000	8 263 435	8 263 435	-63 435	-1%
RDP Houses	4 254 140	15 000	14 750	14 750	250	2%
Provincial Grant (Road maintenance)	3 993 134	2 000 000	1 771 132	177 132	228 868	4%
Total Capital Expenditure	292 597 274	49 415 000	48 027 100	46 433 100	1 387 900	3%



9. FINANCIAL IMPLICATIONS

The total operating income for the 1st quarter amounts to R278, 798, 967 and total operating expenditure for the 1st quarter amounts to R219, 882, 274. The total capital income amounts to R86,341,141 and the total capital expenditure amounts to R50,381,101

10. STAFF IMPLICATIONS

During the first quarter we had 1290 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 first quarter (July-September 2011) be noted:

.....

SUBMITTED BY: MOFUMAHADI MOPELI MATHOKOANA

EXECUTIVE MAYOR

