

Section 52(d)

3rd Quarter budget report

(January-March 2014)





REPORT BY THE EXECUTIVE MAYOR FOR SUBMISSION TO COUNCIL

CONSOLIDATED QUARTERLY FINANCIAL REPORT : JANUARY-MARCH 2014

1. EXECUTIVE SUMMARY

The purpose of this report is to inform Council on the financial matters for the 3rd 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 - Schedule C report for January-March 2014

B - Free Basic Services report

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. FINANCIAL IMPLICATIONS

The consolidated total operating income for the 3rd quarter amounted to R258, 406, 740 and consolidated total operating expenditure was R174, 962, 369.
The total capital income for the 3rd quarter amounted to R85, 088, 367 and the total capital expenditure amounted to R52, 605, 087.

9. STAFF IMPLICATIONS

The total number of employees including councillors was 1223 by the end of the 3rd quarter

10. COMMENTS FROM OTHER DIRECTORS

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

11. RECOMMENDATIONS

It is recommended that Section 52(d) report for 3rd quarter (January-March 2014) be noted :

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SUBMITTED BY: VUSI TSHABALALA
EXECUTIVE MAYOR



12. BACKGROUND and DISCUSSION

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

12.1 INCOME

12.1.1 CASH FLOW BASED ON ACCRUAL BASIS

The income based on revenue by source of funding for the 3rd quarter amounted to R132, 288, 982 as on the table below which is 42% less than the 2nd quarter

Description	Amounts Billed for the quarter (October-December 2013)	Amounts Billed for the quarter (January-March 2014)	% Total Income (January-March)	Variance	% difference
Revenue By Source					
Property rates	37 439 991	36 946 749	28%	-493 241	-1%
Electricity revenue	10 694 668	533 402	0%	-10 161 267	-95%
Pre-paid Electricity	8 288 285	4 217 924	3%	-4 070 362	-49%
Water	21 198 045	19 462 698	15%	-1 735 347	-8%
Waste water management	9 508 769	9 471 154	7%	-37 616	0%
Refuse	7 547 307	7 307 834	6%	-239 472	-3%
Rental of facilities and equipment	464 579	141 745	0%	-322 834	-69%
Interest earned - external investments	135 894	171 660	0%	35 767	26%
Interest earned - outstanding debtors	6 749 434	4 936 125	4%	-1 813 309	-27%
Fines	374 770	166 591	0%	-208 179	-56%
Income received from old debt	124 773 952	48 056 685	0%	-76 717 267	-61%
Other income	1 829 405	876 414	1%	-952 990	-52%
Total operating income	229 005 100	132 288 982	64%	-96 716 117	-42%



Explanation on the variances between the quarterly bills for the 2nd quarter and 3rd of the 2013/14 financial year	
Rates & taxes-	The amount billed for rates and taxes for the 2 nd quarter is 1% less than the 2 nd quarter bills because of the public works properties that are still under verification process which is nearing the end
Electricity Conventional -	The electricity bills are 95% less as compared to the 2 nd quarter bills because of Rural Maintenance that took over on the 1 st of September 2013 and the credit journal that must be passed against October billing on consumers accounts
Pre-paid electricity-Cash	The prepaid electricity bills are 49% less than the 2 nd quarter because of the Rural Maintenance took over on the 1 st of September 2013 and the cash collected that was banked on their bank account not the municipality's bank account
Water	The water bills are 8% less than the 2 nd quarter bills and this is entirely dependent on the meters read
Waste water management	There is not much difference on the Sewerage bills for the 3 rd quarter as compared to the previous quarter
Waste management	3% less was billed for waste management on the 3 rd quarter
Rental of facilities	The municipality received 69% less on rental of facilities for the 3 rd quarter, this income is based on the demand by customer to rent municipal facilities
Interest earned – external investments	The quarterly bills are 26% more than the 2 nd quarter
Interest earned – outstanding debtors	Interest on debtors is 27% less than the 2 nd quarter caused by notices issued out to consumers which had a very positive outcome hence the interest is a bit low than the 2 nd quarter
Income from old debt	We have received R48 056 685 million from public works during this quarter.
Other income	We have received 52% less than what we have received in the 2 nd quarter and it is income received from site purchases, advertising, cemetery, etc.



12.1.2 GRANTS RECEIVED

Source of funding	Adjustment Budget	Actual income for the 2nd quarter	Actual income for the 3rd quarter	Actual grants received to date
<u>Operating Transfers and Grants</u>	369 210 000	117 692 000	92 110 000	362 667 000
LGES-Local Government Equitable Share	361 770 000	116 026 000	90 442 000	355 227 000
FMG- Finance Management	1 550 000	-	-	1 550 000
MSIG- Municipal Systems Improvement	890 000	-	-	890 000
WSOSG-Water Services Operating Subsidy	5 000 000	1 666 000	1 668 000	5 000 000
<u>Capital Transfers and Grants</u>	289 258 000	108 396 135	85 088 367	276 769 868
MIG- Municipal Infrastructure Grant	197 323 000	80 165 000	59 687 000	197 323 000
RBIG- Regional Bulk Infrastructure	49 500 000	17 168 135	18 338 367	45 236 868
DoE- Intergrated National Electrification	20 000 000	8 000 000	3 063 000	20 000 000
EPWPIG-Expanded Public Works Incentive Programme	10 210 000	3 063 000	-	10 210 000
RHIG- Rural Households Infrastructure	2 225 000	-	4 000 000.00	4 000 000
Fika Patso	10 000 000	-	-	-
Total operating & capital transfers and grants	658 468 000	226 088 135	177 198 367	639 436 868

12.1.3 INCOME RECEIVED BY MAP WATER

The Municipality still has some outstanding invoices to pay MAP Water.

Description	Actual Income for the 2nd quarter	Actual Income for the 3rd quarter	Actual income received to date
<u>Grants and subsidy</u>	20 000 000	26 893 583	53 560 249
DWA-operating susidy Entity	1 250 000	2 305 083	3 971 749
Equitable share received	18 750 000	24 588 500	49 588 500
<u>Service charges</u>	9 736 411	8 114 175	17 850 586
Water sales	6 792 910	5 322 552	12 115 462
Sewerage sales	2 943 500	2 791 623	5 735 124
TOTAL	29 736 411	35 007 758	71 410 835



Bills and Receipts				
Rates and service Income	Amounts Billed from January-March 2014	Amounts received from January-March 2014	% of the payments against the bills	Variance
Rates and Taxes	36 946 749	28 937 704	78%	-8 009 045
Electricity				
Conventional Meter	533 402	2 146 416	402%	1 613 014
Pre-paid Electricity				
Cash	4 217 924	1 976 943	47%	-2 240 981
Refuse	7 307 834	1 610 127	22%	-5 697 707
Water	19 462 698	5 322 552	27%	-14 140 146
Sewerage/Sanitation	9 471 154	2 791 623	29%	-6 679 530
TOTAL	77 939 761	42 785 366	55%	-35 154 395

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 78% of the total rates billed for the 3rd quarter. The Municipality is nearly done with the verification and reconciliation of government accounts for correct billing of its properties, so the highest percentage still lies with residential households but notices were issued out and so far the response is very positive.

Electricity Conventional Meter- R2,146, 416 was received for electricity by the end of the 3rd quarter and this was from consumers who didn't pay directly to Rural Maintenance.

Pre-paid Electricity(Cash)- the R2, 240, 981 variance on the prepaid is due to Rural Maintenance that took over on the 1st of September 2013 and the cash that was collected from the municipality's vendors and banked on Rural Maintenance bank account

Refuse- the municipality collected 22% of the billed amount for this quarter and this proves low collection rate

Water- the municipality collected 27% of the billed amount for this current quarter

Sewerage/Sanitation- the municipality collected 29% on sewerage for this quarter



12.2 Total operating expenditure for the 3rd quarter amount to R174, 962, 369

DESCRIPTION	2nd quarter actuals (October- December)	3rd quarter actuals (January-March)	% Total Exp (January- March)	Variance	% change
Salaries, wages and allowances	72 520 126	73 546 687	42%	1 026 560	1%
Councilors allowances or salaries	4 711 596	4 791 152	3%	79 557	2%
Repairs and Maintenance	21 347 554	16 121 324	9%	-5 226 230	-24%
Bulk Purchases	43 859 648	4 378 840	3%	-39 480 808	-90%
Contracted services	36 882 053	16 395 435	9%	-20 486 618	-56%
Grants and subsidies Paid(Entity) for Equitable share	18 750 000	24 588 500	14%	5 838 500	31%
Grants and subsidies Paid(Entity) for Conditional grants (DWA)	1 249 999	2 305 083	1%	1 055 083	184%
Interest paid		2 465 412	1%	2 465 412	0%
General expenses	38 485 188	30 369 936	17%	-8 115 252	-21%
Total	237 806 164	174 962 369	100%	-62 843 795	-26%

Explanation on the variances

Salaries, Wages and Allowance and Councillors allowance	The salaries are R1 million more than the 2nd quarter and this is largely contributed by the overtime, shift allowances, standby allowances, etc.
Repairs and Maintenance	Repairs and maintenance are 24% less than the 2nd quarter, this depends entirely on the invoices received and the municipality's cash flow
Bulk Purchases	The 3rd quarter payments for bulk purchases was 90% less as compared to the 2nd quarter and this is due to the Rural maintenance issue
Contracted services	Contracted services is 56% less than the 2nd quarter and this is due to the cash flow problems the municipality is still facing because of low collection rate
Grants and subsidies Paid(Entity) for Equitable share and Dwa Subsidy	The municipality still has some outstanding invoices to pay to Map water
Interest paid	Interest was supposed to be paid in December but due to the financial difficulties the municipality is still experiencing it was paid in January 2014
General expenses	The general expenditure payments are 21% less than the 2nd quarter payments



TOTAL OPERATING INCOME AND EXPENDITURE FOR THE 3RD QUARTER (JANUARY-MARCH 2014)

Description	2nd quarter actuals	3rd quarter actuals	Variance	Accumulated to date
Operating Income	376 433 511	258 406 740	-118 026 771	968 721 307
Operating Expenditure	237 806 162	174 962 369	-62 843 793	610 093 746
Surplus/-Deficit	138 627 349	83 444 371	-55 182 978	358 627 561

TOTAL CAPITAL INCOME AND EXPENDITURE FOR THE 3RD QUARTER (JANUARY-MARCH 2014)

Description	2nd quarter actuals	2nd quarter actuals	Variance	Accumulated to date
Capex Income	108 396 135	85 088 367	-23 307 768	276 769 868
Capex Expenditure	87 238 052	52 605 087	-34 632 965	195 863 690
Surplus/-Deficit	21 158 083	32 483 280	11 325 197	80 906 178

Capex Income- includes only capital grants received from National and Provincial Government

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



12.3 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	5 274 714	73%
Long Term Investment	1 974 913	27%
TOTAL	7 249 627	100%

EXECUTION:31 March 2014

Type of Account	Description	Opening balance	Withdrawal	Deposit	Interest received	Closing balance
9000026110100	FNB Call Account 62027358292	5 172 726.78	-	-	19 132.00	5 191 858.78
9000026110200	FNB Call Account 62199534580	1 422.70	-	-	1.09	1 423.79
9000026112800	FNB Call Account 62212896346	9 658.83	-	-	32.60	9 691.43
9000026110300	Standard Bank Retail \ Wholesale Call Deposit 348526407 - 001	71 466.49	-	-	273.14	71 739.63
9000026112300	Sanlam - Money Market - 50189057	1 464 734.03	-	-	-	1 464 734.03
9000026112500	Sanlam - 5926	151 549.02	-	-	-	151 549.02
9000026112400	Sanlam - 11690236*2	352 262.29	-	-	-	352 262.29
		-	-	-	-	-
	Total	7 223 820.14	-	-	19 438.83	7 243 258.97

12.4 External Commitments

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

EXTERNAL LOANS						
External loans outstanding amounts to R18, 328, 152 as at 31 March 2014						
LOAN NUMBER	FINANCIAL INSTITUTION	DEPARTMENT	BALANCE AS AT 28/02/2014	CAPITAL PAYMENT MADE 31/03/2014	INTEREST PAYMENT MADE 31/03/2014	BALANCE AS AT 31/03/2014
11019/105	DBSA	Electricity	594 941			594 941
11021/102	DBSA	Sewerage	154 388			154 388
11076/103	DBSA	Water	1 027 145			1 027 145
11076/202	DBSA	Water	1 036 996			1 036 996
11084/103	DBSA	Rates & General	1 463 551			1 463 551
13768/102	DBSA	Water	1 047 341			1 047 341
13768/202	DBSA	Water	922 507			922 507
13768/302	DBSA	Sewerage	1 256 660			1 256 660
61006823	DBSA	Water meters	8 177 341			8 177 341
12007346	DBSA	Map Building	2 647 283			2 647 283
	Total		18 328 152	-	-	18 328 152



12.5 BANK RECONCILIATION STATEMENT AS AT 31 MARCH 2014

MALUTI - A - PHOFUNG LOCAL MUNICIPALITY			
BANK RECONCILIATION STATEMENT FOR THE MONTH ENDED 31 MARCH 2014			
CASHBOOK BALANCES		BANK BALANCES	
Opening balance	-1 429 037.38	Opening balance per B/S	132 010 767.08
Income		Uncashed Cheques	-8 004.59
Sundry Receipts	178 508 329.78	Uncashed ACB's	-21 193 052.96
Billing Receipt	46 322 184.46	Undeposited Receipts	14 256.21
Expenditure		Partially Undeposited Receipts	69 147.96
Order payments	-8 577 574.66	Miscellaneous Charge	41 986.60
Sundry payments	-82 470 437.87	Deposits on statement not receipted	-8 432 754.12
Billing Payments	0.00	ACB's on Statement unreconciled	3 740 929.75
Bank Transactions	-30 484 556.15		
Year End sundry Payments	-294.00		
Cashbook closing balance	101 868 614.18		
In Cashbook not in GL - Cheques	0.00		
In Cashbook not in GL - Charges	0.00		
In Cashbook not in GL - ACB's	0.00		
In GL not Cashbook - Cheques	0.00		
In GL not in Cashbook - Charges	0.00		
In GL not Cashbook - ACB	4 381 589.70		
In GL not in Cashbook - Cancelled ACB	0.00		
Billing Interface short /over interfaced	-6 927.95		
BALANCE AS AT 31 MARCH 2014	106 243 275.93	BALANCE AS AT 31 MARCH 2014	106 243 275.93
INCOME		EXPENDITURE	
Interest on credit balance	113 537.70	Ele payments- Creditors	-67 459 661.47
Equitable Share	90 442 000.00	Cheques Creditors	-636.00
Other Grants received	76 995 716.21	Ele -Netto Salaries	-11 845 734.48
Direct deposits	16 221 392.14	Ele - salary 3rd parties	-15 065 649.42
Cashier deposits	1 949 706.99	Ele- Project salaries	-3 277 849.50
Pre-paid deposits	277 157.00	Ele-Second payment	-21 452.00
Transf from Pre-paid acc	0.00	Debit Orders	-356 959.38
Transf from investments	0.00	Bank charges	-25 754.03
Sundry credit on bank statement	1 411.80	Interest paid on debit balance	0.00
		Debit transfer to investment	0.00
		Rd cheques	-96 137.43
		Term loan payment	0.00
		Sundry Debits on bank statement	0.00
Total income	186 000 921.84	Total Expenditure	-98 149 833.71



12.6 CLASSIFICATION OF DEBTORS

Debtor's outstanding amounts are as follows:

DEBTORS PER SERVICES		
DESCRIPTION	TOTAL AMOUNT	TOTAL DEBTORS PREVIOUS MONTH
Water	219 377 182	214 578 227
Electricity	83 775 795	82 626 834
Sewerage	91 365 322	89 394 773
Refuse	99 513 404	98 104 152
Rates & Taxes	142 713 318	173 977 799
TOTAL CONSUMER DEBTORS	636 745 021	658 681 785
Other Debtors	76 554 939	76 284 868
TOTAL DEBTORS	713 299 960	734 966 652
		(21 666 693)

DEBTORS PER CATEGORY				
DESCRIPTION	TOTAL AMOUNT	CREDITED AMOUNT	TOTAL DEBTORS	% Collection
Government departments	148 381 973	88 428 265	59 953 708	8%
Business	75 197 368	6 448 587	68 748 782	10%
Residential	372 457 402	3 565 794	368 891 608	52%
Fdc Industrial	121 707 916	476 807	121 231 109	17%
Fdc tenants	58 682 293	81 176	58 601 117	8%
Indigents	3 181 533	289	3 181 244	0%
Churches & welfare	1 672 959	13 725	1 659 234	0%
Farmers	9 289 798	3 042 731	6 247 067	1%
Map Water Accounts	7 166 413	-	7 166 413	1%
TOTAL CONSUMER DEBTORS	797 737 656	102 057 374	695 680 282	98%
Sundries	19 159 716	1 540 038	17 619 678	2%
Other debtors	604 948	604 948	-	0%
TOTAL DEBTORS	817 502 320	104 202 360	713 299 960	100%



12.7 CAPITAL EXPENDITURE

The expenditure on capital budget is R52, 605, 087 for January-March 2014

DESCRIPTION	ADJUSTMENT BUDGET	AMOUNT SPENT FOR THE 2RD QUARTER	AMOUNT SPENT FOR THE 3RD QUARTER	ACTUAL EXPENDITURE TO DATE	% SPENDING ON TOTAL AMOUNT
MIG- Municipal Infrastructure Grant	197 323 000	53 372 761	21 268 335	107 251 417	54%
EPWPIG- Expanded Public Works Incentive Grant	10 210 000	4 731 698	2 845 767	11 366 415	111%
DoE/INEPMG- Intergrated Electrification Programme	20 000 000	7 485 088	3 508 772	17 543 860	88%
DWA - Fika Patso refurbishment	10 000 000	216 823	630 326	1 429 089	
RHIG- Rural Household Infrastructure Grant	2 225 000	674 835	632 658	1 307 493	
MAP Projects	51 000 000	170 379	1 714 528	6 242 774	12%
RBIG- Regional Bulk Infrastructure Grant	49 500 000	15 714 236	16 446 411	38 021 502	77%
External Loan	98 000 000	4 872 231	5 558 291	12 701 140	13%
Total Capital Expenditure	438 258 000	87 238 052	52 605 087	195 863 690	45%