

# Maluti-A-Phofung Municipality 4th Quarter budget report (April-June 2010/2011)





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

**CONSOLIDATED QUARTERLY FINANCIAL REPORT : APRIL-JUNE 2011**

**1. EXECUTIVE SUMMARY**

The purpose of this report is to inform Council on the financial matters for the fourth 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 April-June 2011

B - Expenditure per vote for April-June 2011

**6. POLICY**

Budget policy

**7. LEGAL REQUIREMENTS**

It is a statutory requirement that a quarterly financial reports be submitted 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 on services account based on the accrual basis for the 4<sup>th</sup> quarter amounts to R130, 958, 696 as on the table below:

Description	Amounts Billed for the previous quarter (january- march)	Amounts Billed for the current quarter (April- June)	% Total Income (jan- march)	Variance	% change
Rate & taxes	40 580 776	40 262 943	31%	-317 833	-1%
Electricity	61 207 700	34 319 757	26%	-26 887 943	-44%
Pre-paid electricity	17 116 708	18 753 120	14%	1 636 412	10%
Refuse	6 236 194	6 274 462	5%	38 267	1%
Water	17 683 724	24 229 665	19%	6 545 942	37%
Sewerage	7 679 857	7 118 749	5%	-561 109	-7%
<b>TOTAL BILLS INCOME</b>	<b>150 504 959</b>	<b>130 958 696</b>	<b>100%</b>	<b>-19 546 263</b>	<b>-5%</b>
<b>Explanation on the variances between the 3rd and 4th quarter</b>					
Rates & taxes-	There is no material differences from the previous quarter on these services				
Electricity Conventional -	The electricity bill for the current quarter is 44% less as compared with the previous quarter. This is because on the previous quarter some accounts were overbilled due to incorrect readings, while others were billed for the first time since 2010.				
Pre-paid electricity-	Pre-paid electricity income has increased by 10%				
Refuse, Water, Sewerage-	The water bill increased by 37% from the previous quarter. This is due to some accounts which were overbilled, however they were corrected this quarter.				

**8.1.2 Bills and payments for the 4<sup>th</sup> April-June 2011**

Collection rate for the 4th quarter				
Rates and service Income	Amounts Paid for the previous quarter (January-March)	Amounts Paid for the current quarter (April-June)	% change	Variance
Rates and Taxes	42 086 951	60 025 135	43%	17 938 184
Electricity Conversional Meter	27 173 933	19 006 326	-30%	-8 167 607
Pre-paid Electricity	17 116 708	18 687 092	9%	1 570 384
Refuse	1 951 516	1 517 758	-22%	-433 758
Water	6 488 453	4 091 301	-37%	-2 397 152
Sewerage/Sanitation	3 183 366	2 393 415	-25%	-789 951
<b>TOTAL</b>	<b>98 000 928</b>	<b>105 721 027</b>	<b>-62%</b>	<b>7 720 099</b>

NB: Rates and Taxes- Government paid their previous quarter rates and taxes accounts which were in arrears in this quarter



Bills and payments				
Rates and service Income	Amounts Billed from April-June 2011	Amounts Paid from April-June 2011	% of the payments against the bills	Variance
Rates and Taxes	40 262 943	60 025 135	149%	19 762 193
Electricity Conventional Meter	34 319 757	19 006 326	55%	-15 313 431
Pre-paid Electricity	18 753 120	18 687 092	100%	-66 028
Refuse	6 274 462	1 517 758	24%	-4 756 704
Water	24 229 665	4 091 301	17%	-20 138 364
Sewerage/Sanitation	7 118 749	2 393 415	34%	-4 725 334
<b>TOTAL</b>	<b>130 958 696</b>	<b>105 721 027</b>	<b>379%</b>	<b>-25 237 669</b>

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-** amount paid was not only for this quarter, it was also including previous quarters arrears

**Electricity Conventional Meter-** out of R34, 319, 757 billed on electricity the municipality received 55% income during this quarter

**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 received 24% of the billed amount for this quarter

**Water-** the municipality received 17% of the billed amount for this current quarter

**Sewerage/Sanitation-** the municipality received 34% on sewerage for this quarter



Grants and equitable share received by MAP water for the 4<sup>th</sup> quarter 2011 amount to R22, 833, 000 million.

GRANTS AND EQUITABLE SHARE RECEIVED BY MAP WATER				
Description	Actual Income for the previous quarter	Actual Income for the current quarter	% Total Income	Variance
DWA-operating susidy Entity	1 824 000	3 648 000	16%	1 824 000
Equitable share received by entity	9 592 500	19 185 000	84%	9 592 500
<b>TOTAL</b>	<b>11 416 500</b>	<b>22 833 000</b>	<b>100%</b>	<b>11 416 500</b>

DWA- included in this quarter is a grant which was in relation to the third quarter but it was paid during the current quarter

Equitable share- included is the equitable share for the previous quarter, but it was paid during the current quarter



## GRANTS AND SUBSIDIES AND OTHER INCOME

The table below shows grants and subsidies and other income received for the 4<sup>th</sup> Quarter which amounts to R12, 188, 737 million.

Description	Actual Income for the previous quarter	Actual Income for the current quarter	% Total Income	Variance	% change
Interest, External Investments	62 239	583 184	5%	520 946	837%
Interest, on Debtors	4 583 371	3 630 649	30%	-952 722	-21%
Income received on behalf of entity	9 671 820	6 484 717	53%	-3 187 103	-33%
Rental: Facilities & Equipment	52 066	44 620	0%	-7 445	-14%
Government grants & subsidies (equitable share)	66 767 000		0%	-66 767 000	-100%
Government grants & subsidies (FMG)				-	
Government grants and subsidies (MSIG)				-	
DWA-operating susidy Entity	5 472 000		0%	-5 472 000	100%
Other Income	842 980	1 445 566	12%	602 586	71%
<b>TOTAL FROM OTHER INCOME</b>	<b>87 451 475</b>	<b>12 188 737</b>	<b>100%</b>	<b>-75 262 738</b>	<b>840%</b>

### Explanation on the variances between the 3rd and 4th quarter

Interest on investment	There is a 837% increase on interest on investment for this quarter as compared to the previous quarter
Interest on debtors	A 21% decrease on interest on outstanding debtors results from a reversal of government accounts which previously charged interest
Rental: facilities and equipment	there is a 14% decrease on rental of facilities and equipment for the current quarter as compared to the previous quarter





8.2 Total operating expenditure for the 4<sup>th</sup> quarter amount to R241, 870, 612

DESCRIPTION	Previous quarter actuals (jan- march)	Current quarter actuals (april- june)	% Total Exp (april- june)	Variance	% change
Salaries, wages and allowances	48 214 004	49 895 853	21%	1 681 849	3%
Councilors allowances or salaries	4 768 622	4 392 940	2%	-375 682	-8%
Bad debts		18 603 444	8%	18 603 444	
Depreciation		-	0%	-	
Repairs and Maintenance	5 086 071	20 595 713	9%	15 509 642	305%
Investments made		-	0%	-	
Bulk Purchases	31 605 933	64 396 722	27%	32 790 789	104%
Contracted services	14 360 343	17 979 868	7%	3 619 525	25%
Grants and subsidies Paid(Entity) for Equitable share	9 592 500	19 185 000	8%	9 592 500	100%
Grants and subsidies Paid(Entity) for Conditional grants (DWA)	1 824 000	3 648 000	2%	1 824 000	200%
Interest paid	-1 374 148	2 871 381	1%	1 497 233	-109%
General expenses	26 473 241	40 301 692	17%	13 828 451	52%
<b>Total</b>	<b>140 550 566</b>	<b>241 870 612</b>	<b>100%</b>	<b>98 571 750</b>	<b>673%</b>

**Explanation on the variances**

Salaries,Wages and Allowance and Councillors allowance	A variance of 3% was mainly due to the new appointments
Repairs and Maintenance	There is an increase of 305% from the previous quarter on repairs and maintenance due to the maintenance of roads and electrical networks
Bulk Purchases	Bulk purchase increased by 104% which is due to high consumption as according to Eskom bill
Grants and subsidies Paid(Entity) for Equitable share	There is a 100% increase on equitable share grant paid to the entity
Interest paid	The interest paid for this quarter increased by 109% due to the payment of the DBSA loan
General expenses	The general expenditures increased by 52% for this quarter



## EXPENDITURE PER VOTE

April-June 2010/2011

DESCRIPTIONS	Salaries and Wages	Councilors allowances	Repairs and Maintenance	Pure
Legislative Authority	706 743	4 392 940	3 490	
Office of the MM	1 883 635	-	2 120	
Corporate Services	3 022 887	-	4 110	
Financial services	4 211 726	-	110	
Municipal Infrastructure	7 288 003	-	16 785 577	64
Community Services	7 370 831	-	238 040	
Public Safety	5 583 101	-	202 771	
Parks,Sport,Art and Recreation	4 512 990	-	103 891	
LED & Tourism	155 508	-	-	
Housing,Spatial,Plan & Development	2 439 365	-	816	
MAP Water	12 721 063	-	3 254 789	
<b>TOTAL</b>	<b>49 895 852</b>	<b>4 392 940</b>	<b>20 595 714</b>	<b>64</b>


**TOTAL OPERATING INCOME AND EXPENDITURE FOR THE 4<sup>th</sup> QUARTER (APRIL-JUNE 2011)**

Description	Previous quarter actuals	Current quarter actuals	Variance	Accumulated
Operating Income	239 701 114	165 980 433	-73 720 681	944 498 846
Operating Expenditure	140 550 566	241 870 612	101 320 046	734 144 109
<b>Surplus/-Deficit</b>	<b>99 150 548</b>	<b>-75 890 179</b>	<b>-175 040 727</b>	<b>210 354 737</b>

**TOTAL CAPITAL INCOME AND EXPENDITURE FOR THE 4<sup>th</sup> QUARTER (APRIL-JUNE 2011 )**

Description	Previous quarter actuals	Current quarter actuals	Variance	Accumulated
Capex Income	58 322 405	8 363 211	-49 959 194	201 725 241
Capex Expenditure	36 035 012	82 951 582	46 916 570	240 334 945
<b>Surplus/-Deficit</b>	<b>22 287 393</b>	<b>-74 588 371</b>	<b>-96 875 764</b>	<b>-38 609 704</b>

**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 External Commitments**

External long term commitments were R18, 079, 296 comprising of infrastructure loans which constitutes 100%.

Description	4th quarter	%
Infrastructure Loans	18 079 296	100%
<b>Total</b>	<b>18 079 296</b>	<b>100%</b>



#### 8.4 CLASSIFICATION OF DEBTORS

Debtor's outstanding amounts are as follows:

<b>Debtors per services</b>		
<b>Description</b>	<b>Previous Quarter Debtors Balance</b>	<b>Current Quarter Debtors Balance</b>
Water	36 802 284	118 134 320
Electricity	82 071 453	67 412 142
Sewerage	49 439 200	46 934 825
Refuse	60 804 394	63 527 965
Rates and Taxes	279 003 263	240 353 635
Other debtors	73 325 656	72 194 972
<b>Total debtors</b>	<b>581 446 250</b>	<b>608 557 859</b>

<b>DEBTORS PER CATEGORY</b>		
<b>Maluti a Phofung</b>	<b>Previous quarter amounts</b>	<b>Current quarter amounts</b>
Government departments	206 241 345	174 945 000
Business	67 163 429	65 805 246
Residential	197 990 233	229 059 757
Indigents	63 549 282	60 917 982
Fdc industrial	41 536 616	43 611 842
Churches & welfare	1 105 502	1 203 015
Farmers	6 115 953	6 508 338
<b>TOTAL CONSUMER DEBTORS</b>	<b>583 702 360</b>	<b>582 051 179</b>
Other debtors	-2 256 110	26 506 680
<b>OTHER DEBTORS</b>	<b>-2 256 110</b>	<b>26 506 680</b>
<b>TOTAL DEBTORS</b>	<b>581 446 250</b>	<b>608 557 859</b>
	<b>5%</b>	<b>27 111 609</b>

The debtors increased by 5% from the previous quarter



## 8.5 Capital Expenditure

The expenditure on capital budget is R82, 951, 582 for April-June 2011, which is 29% spending on our total capital budget.

The R240, 334, 945 overall expenditure is 85% for the 2010/2011 financial year

Description	BUDGETED AMOUNT	AMOUNT SPENT FOR THE PREVIOUS QUARTER	AMOUNT SPENT FOR THE CURRENT QUARTER	ACTUAL EXPENDITURE TO DATE	VARIANCE	% SPENDING ON TOTAL AMOUNT
MIG Projects	142 458 572	15 010 062	42 545 231	133 644 507	8 814 065	51%
EXPWP Projects	9 381 000	-		-	9 381 000	0%
DoE Projects	10 000 000	-	1 153 318	10 000 000	-	1%
MAP Projects	51 743 792	1 754 878	13 228 971	42 504 936	9 238 856	16%
RBIG (Sterkfontein projects)	50 050 000	19 270 072	15 953 506	44 088 421	5 961 579	19%
RDP Houses	4 344 355		63 690	90 215	4 254 140	0%
Provincial Grant (Road maintenance)	14 000 000	-	10 006 866	10 006 866	3 993 134	12%
<b>Total Capital Expenditure</b>	<b>281 977 719</b>	<b>36 035 012</b>	<b>82 951 582</b>	<b>240 334 945</b>	<b>41 642 774</b>	<b>100%</b>



**9. FINANCIAL IMPLICATIONS**

The total operating income for the 4<sup>th</sup> quarter amounts to R165, 980, 433 based on accrual basis and total operating expenditure for the 4<sup>th</sup> quarter amounts to R241, 870, 612. The total capital income is R8, 363, 211 and the total capital expenditure is R82, 951, 582 for the 4<sup>th</sup> quarter.

**10. STAFF IMPLICATIONS**

Staff compliments

**11. COMMENTS FROM OTHER DIRECTORS**

None

**12. RECOMMENDATIONS**

It is recommended that Section 52(d) report for the fourth quarter (April-June 2011 ) be noted:

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**MOFUMAHADI MOPELI MATHOKOANA**

**EXECUTIVE MAYOR**

