

MONTHLY BUDGET STATEMENT: 31 MAY 2012

MUNICIPAL FINANCE MANAGEMENT ACT NO.56 of 2003(MFMA): MONTHLY FINANCIAL REPORT FOR MAY 2012 (MONTHLY BUDGET STATEMENT)

1. PURPOSE

To comply with section 71 of the MFMA, by the provision of a statement to the Executive Mayor containing certain financial particulars, as legislated.

2. BACKGROUND

Section 71 of the MFMA requires that:

The accounting officer of a Municipality must by no later than **10 working days** after the end of each month submit to the **Mayor of the municipality**, and the relevant **National and Provincial Treasury**, a statement in the prescribed format on the state of the municipality's budget reflecting certain particulars for that month and for the financial year up to the end of that month.

3. MAY 2012 REPORT

The financial results for the period ended 31 May 2012 are summarized as follows:

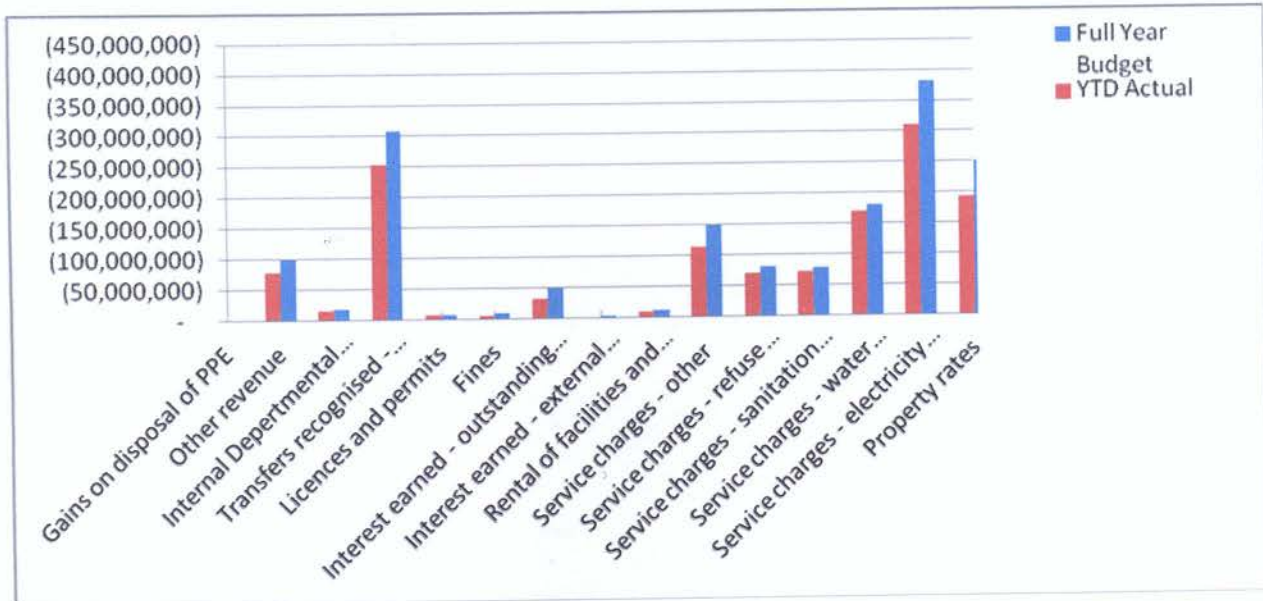
Statement of Financial Performance (SFP)

The SFP shown in Annexure A is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by category.

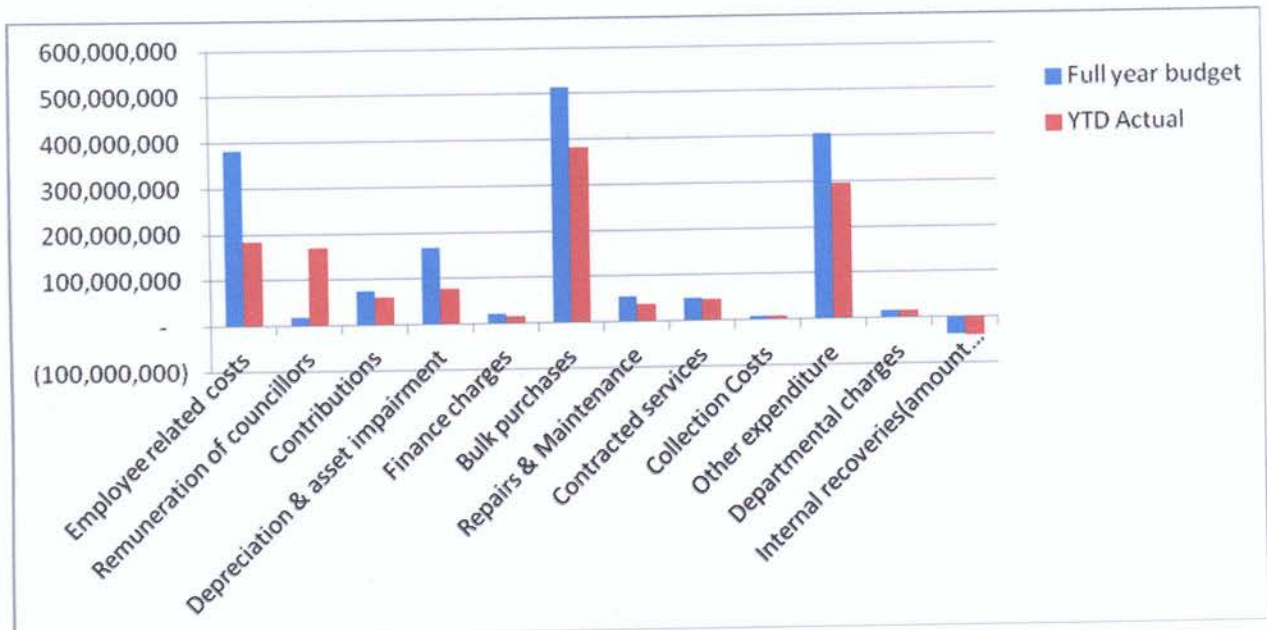
The summary report indicates the following:

Summary statement of	Financial Performance		
	YTD Budget	May YTD Actual	Variance Favourable (Unfavourable)
Description			
Total Revenue By Source	1,565,617,131	1,411,075,991	-298,754,091
Total Operating Expenditure	1,565,592,250	1,266,838,159	154,541,140
(SURPLUS)/ DEFICIT	-24,881	-144,237,832	-144,212,981

Budget Income vs Actual Income



Budget Expenditure vs Actual Expenditure



Reason for variances

Revenue: The billings appear to be low than expected due to revenue foregone on indigents and free basic services.

Expenditure: The low spending on the expenditure is due to cash flow constraints.

- **Basic services**

We have already identified initiatives that will make a huge difference in our department. Information obtained through various surveys has identified the following needs:

- A large number of consumers move in and out of the houses without notifying the Finance department. The result of this is that the Venus financial system is not up to date with the latest consumer information.
 - Council sends monthly statements to these households with the previous consumer's name and outstanding amounts of which the occupier is not liable for.
 - Debt Management apply various debt collection mechanisms to these consumers, incurring costs for Council and themselves, without success.
- The water restrictions could not be performed since the month of February 2012 to May 2012 and still continuing in this manner, caused a loss of revenue to the Council to an amount of approximately **R 13 685 757** over those four months. Therefore the matter of restricting consumers must be rectified by the Water Sections as soon as possible
- Thousands of consumers are guilty of tampering with their water and electricity meters or reconnect themselves illegally.
 - The loss of income to the Council is substantial and once these consumers get away with these illegal actions, the word spread and many more follow suit.
 - Electrical meter audits for tampering stopped from the 7th of March 2012 and our Electrical Department does not have the capacity to complete these audits, currently our Electrical Department has only one individual who may issue a fine for a consumer who tampers with electricity.
 - These audits assist Council with debt collection when these consumers are now forced to come in to get a reconnection of electricity and then should pay all their arrear amounts.
 - Our electrical losses have also decreased due to these previous audits and this has been confirmed by the Director of Electrical Engineering.
- Different strategies need to be in place for regular defaulters as opposed to consumers defaulting occasionally.
 - Through awareness campaigns, consumers need to be made aware of the services provided by the Council
 - We need to explain to the consumers why they have to pay for services
 - Political support
 - Incentive schemes must be introduced for regular payment of services
- Interest on investment – Council expects to capitalize all the accrued interest for the current financial year at financial year end.
- Fines – Traffic officials must be more visible and productive. Strict measures to collect outstanding fines must be put in place.
- Disposal on Assets - Auction did not take place.

Cash Flow Statement (Annexure B)

Total cash receipts by source reflect an amount of R131,1 million compared to the target of R169,6 million.

Total cash payments indicate an amount of R131,6 million compared to the target of R203,9 million.

Capital expenditure report (Annexure C)

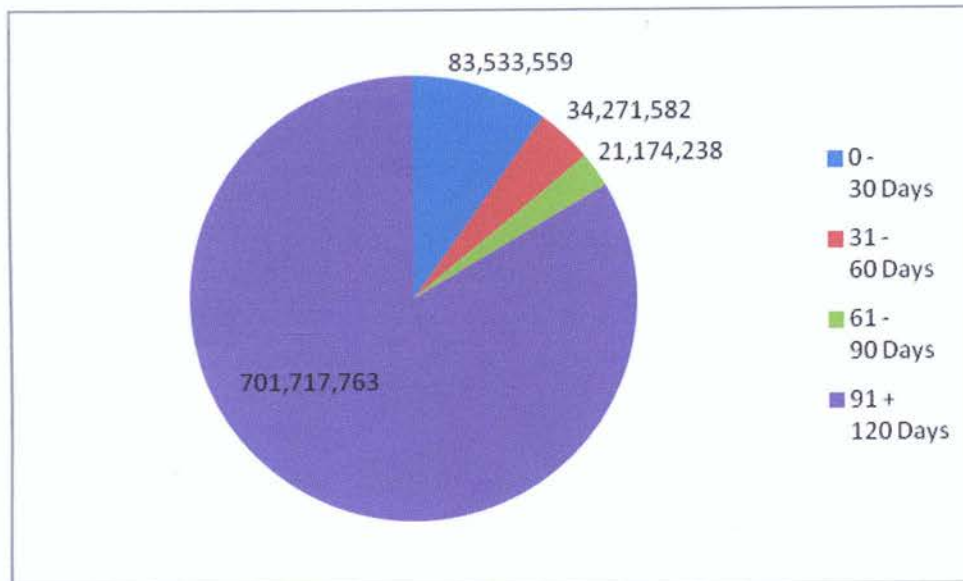
The summary report indicates the following:

Summary statement of Capital Expenditure			
Description	YTD Budget	May YTD Actual	Variance Favourable (Unfav)
Total Capital Expenditure	250,404,017	85,460,599	164,943,418

The spending on capital expenditure is very low due to cash flow constraints.

Outstanding Debtors report (Annexure D)

This format provides an extended aged analysis, as well as debtor's type. The summary report indicates that the debtor's greater than 30 days (31-90+days) balance as at 31 May 2012 amounts to R 757million.



- Council is in the process of identifying potential irrecoverable debt.
- Revised debt management policy was approved in May 2012 which will assist in management of debtors balance.

The Revenue Management Division seriously affects Debt Collection, Customer care and indigents due to:

- Incorrect accounts being sent out to individuals.
- Incorrect billing due to incorrect meter readings being received.
- Accounts being printed and posted late.
- The deadline is the 10th as per our statement for a current account and many consumers do not receive their statements by this date.
- Many consumers are losing their reliability in our City Council due to these facts

PROPOSED SOLUTION

PROJECT - CONSUMER AWARENESS CAMPAIGNS	
Deliverable	Actions
Create awareness amongst consumers in the low payment areas by ward councilors creating higher payment rates	Identify areas where consumer awareness can be conducted
	Arrange and facilitate awareness campaigns together with ward councilors
	Identify and communicate various incentives for regular payment of services

Outstanding Creditors report (Annexure E)

This format provides an extended aged analysis, as well as creditor's type. This month result indicates that (bulk purchase for electricity) have increased from R72 million to R88.5 million.

Action plan and remedies

All committed orders and sundry payment must not be paid before 30 days. Strict adherence to the action plan and any deviation will be dealt with the CFO.

Investment Portfolio (Annexure F)

The table indicates the status of the investment portfolio and detail of where invested, which amounts to **R 73,096,494** as at 31 May 2012.

The investments as at 31 May 2012 are as follows:

Institution	Investments				
	Fixed	Call	Long Term	Collateral	Total
	R	R	R	R	R
ABSA		54,179,589			54,179,589
RMB					
FNB			81,517		81,517
Investec					
Nedcor				13,010,715	13,010,715
Sanlam(Policy)		5,824,673			5,824,673
	0	60,004,262	81,517	13,010,715	73,096,494

ANNEXURE G (BORROWINGS)

The total amount outstanding on external loans at the end of April 2012 is R151, 760,320.20

4. FINANCIAL IMPLICATIONS

This report indicates financial risks which require monitoring, such as:

The report covers the period from 1 July 2011 to 31 May 2012. The actual income and expenditure appears in "Annexure A" reflects detail that relates to the budget actual spending, and actual revenue, per month and year to date. Overall, the total income in relation to the budget is 81.89% the expenditure is 74.88%.

5. RECOMMENDATION

That the Accounting Officer submits to the Executive Mayor this statement as per section 71 of the MFMA.

ANNEXURE A - FINANCIAL PERFORMANCE

NW403 City Of Matlosana - Budgeted Financial Performance (revenue and expenditure)

Description	Current Year 2011/12					
	Full year Budget	May Monthly Actual	YTD Actual	YTD Budget	Variance	Variance %
Revenue By Source						
Property rates	(251,212,440)	(15,292,328)	(194,348,067)	(230,278,070)	35,930,003	(15.60)
Service charges - electricity revenue	(382,276,279)	(33,368,029)	(310,767,540)	(350,419,922)	39,652,382	(11.32)
Service charges - water revenue	(179,974,854)	(17,086,761)	(171,083,494)	(164,976,950)	(6,106,545)	3.70
Service charges - sanitation revenue	(78,121,163)	(8,773,063)	(71,470,072)	(71,611,066)	140,994	(0.20)
Service charges - refuse revenue	(80,482,002)	(9,855,978)	(70,808,800)	(73,775,169)	2,966,369	(4.02)
Service charges - other	(149,146,829)	(10,832,388)	(113,313,625)	(136,717,927)	23,404,302	(17.12)
Rental of facilities and equipment	(11,552,000)	(635,752)	(8,962,534)	(10,589,333)	1,626,799	(15.36)
Interest earned - external investments	(3,756,500)	(21,659)	(563,513)	(3,443,458)	2,879,945	(83.64)
Interest earned - outstanding debtors	(49,466,305)	(3,765,888)	(33,441,776)	(45,344,113)	11,902,337	(26.25)
Fines	(9,979,318)	(365,566)	(6,051,910)	(9,147,708)	3,095,798	(33.84)
Licences and permits	(7,876,734)	(836,686)	(7,059,738)	(7,220,340)	160,602	(2.22)
Transfers recognised - operational	(308,236,396)	(76,250,881)	(254,409,741)	(282,550,030)	28,140,289	(9.96)
Internal Departmental Transfers	(18,713,743)	(1,304,249)	(15,528,220)	(17,154,264)	1,626,044	(9.48)
Other revenue	(98,887,987)	(12,577,257)	(78,373,557)	(90,647,321)	12,273,764	(13.54)
Gains on disposal of PPE	(2,000,000)	-	-	(1,833,333)	1,833,333	(100.00)
Total Revenue	(1,631,682,550)	(190,966,485)	(1,336,182,587)	(1,495,709,004)	159,526,417	(10.67)
Expenditure By Type						
Employee related costs	380,927,937	32,346,172	184,304,612	349,183,942	(164,879,330)	(47.22)
Remuneration of councillors	19,225,097	1,539,668	169,837,768	17,623,006	152,214,762	863.73
Contributions	73,389,800	11,470,392	60,953,378	67,273,983	(6,320,605)	(9.40)
Depreciation & asset impairment	166,161,966	-	78,235,617	152,315,136	(74,079,519)	(48.64)
Finance charges	21,107,019	301,389	15,778,288	19,348,101	(3,569,813)	(18.45)
Bulk purchases	514,980,517	40,800,498	381,717,794	472,065,474	(90,347,680)	(19.14)
Repairs & Maintenance	56,374,297	4,976,650	37,112,799	51,676,439	(14,563,640)	(28.18)
Contracted services	49,996,993	5,530,400	47,605,770	45,830,577	1,775,193	3.87
Collection Costs	9,000,000	1,067,574	7,676,003	8,250,000	(573,997)	(6.96)
Other expenditure	405,642,520	40,358,487	296,022,007	371,838,977	(75,816,969)	(20.39)
Departmental charges	15,438,847	1,340,935	15,541,789	14,152,276	1,389,513	9.82
Internal recoveries(amount charge out)	(37,902,671)	(3,740,892)	(41,000,654)	(34,744,115)	(6,256,539)	18.01
Total Expenditure	1,674,342,322	135,991,273	1,253,785,171	1,534,813,795	(281,028,624)	(18.31)
Surplus/(Deficit)						
	42,659,772	(54,975,212)	(82,397,416)	39,104,791	(121,502,207)	(310.71)
Transfer from Other Reserves	(76,263,411)	(17,854,208)	(74,893,404)	(69,908,127)	(4,985,277)	7.13
Transfer to Other Reserves	33,576,496	2,329,007	13,052,988	30,778,455	(17,725,467)	(57.59)
Surplus/(Deficit) for the year	(27,143)	(70,500,413)	(144,237,832)	(24,881)	(144,212,950)	

ANNEXURE B**Cash Flow Statement for the month of 31 May 2012**

Cash Receipts by Source	R
Property rates	13,917,143
Service charges - electricity revenue	26,179,797
Service charges - water revenue	9,644,701
Service charges - sanitation revenue	3,683,728
Service charges - refuse revenue	2,485,135
Service charges - other	11,317,466
Rental of facilities and equipment	106,306
Interest earned - external investments	35,106
Interest earned - outstanding debtors	789,572
Fines	448,132
Licences and permits	632,094
Transfer receipts - operational	-
Other revenue	61,909,465
Cash Receipts by Source	
Other Cash Flows/Receipts by Source	131,148,645
Transfer receipts - capital	-
Proceeds on disposal of PPE	-
Total Cash Receipts by Source	131,148,645
Cash Payments by Type	
Employee related costs	32,346,172
Remuneration of councillors	1,539,668
Collection costs	1,067,574
Interest paid	301,389
Bulk purchases - Electricity	28,016,651
Bulk purchases - Water & Sewer	12,783,847
Contracted services	5,530,399
General expenses	42,178,678
Cash Payments by Type	123,764,378
Other Cash Flows/Payments by Type	
Capital assets	7,445,563
Repayment of borrowing	391,412
Other Cash Flows/Payments	7,836,975
Total Cash Payments by Type	131,601,353
Net payments	(452,708)

ANNEXURE C CAPITAL EXPENDITURE

NW403 City Of Matlosana - Budgeted Capital Expenditure

R thousand	Full Budget	May Monthly	YTD Actual	YTD Budget	Variance	YTD %
Capital Expenditure						
Corporate services	8,913,890	50,100	3,141,011	8,171,066	(5,030,055)	35.24
Executive and council	8,522,150		2,920,022	7,811,971	(4,891,949)	34.26
Corporate services	391,740	50,100	220,989	359,095	(138,106)	56.41
Municipal & Environmental Services	15,070,784	1,532,827	5,394,553	13,814,885	(8,420,332)	35.79
Community and social services	2,625,740	123,644	1,044,172	2,406,928	(1,362,756)	39.77
Sport and recreation	9,241,068	1,368,156	4,129,206	8,470,979	(4,341,773)	44.68
Refuse removal	691,007	-	-	633,423	(633,423)	-
Public Safety	2,512,969	41,027	221,175	2,303,555	(2,082,380)	8.80
Health	-	-	-	-	-	-
Macro city planning & Development	1,408,000	17,500	143,476	1,290,667	(1,147,191)	10.19
Planning and development	1,000,000	-	-	916,667	(916,667)	-
Market	408,000	17,500	143,476	374,000	(230,524)	35.17
Civil Services & Human Settlement	192,465,648	2,562,522	35,321,044	176,426,844	(141,105,800)	18.35
Water	31,762,625	503,826	7,310,210	29,115,740	(21,805,530)	23.02
Waste water management(Sewer)	34,284,190	1,155,602	8,110,033	31,427,174	(23,317,141)	23.66
Roads	126,404,343	903,094	19,886,315	115,870,648	(95,984,333)	15.73
Housing	14,490	-	14,486	13,283	1,204	99.97
Electrical & Mechanical Engineering	53,119,598	2,594,357	40,395,845	48,692,965	(8,297,120)	76.05
Electrical	53,119,598	2,594,357	40,395,845	48,692,965	(8,297,120)	76.05
Finance	2,190,099	688,257	1,064,670	2,007,591	(942,921)	48.61
Finance	2,190,099	688,257	1,064,670	2,007,591	(942,921)	48.61
Total Capital Expenditure	273,168,019	7,445,563	85,460,599	250,404,017	(164,943,418)	31.28

**ANNEXURE D
DEBTOR'S AGE ANALYSIS**

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 + 120 Days	Total
Debtors Age Analysis By Income Source					
Water Tariffs	15,643,394	13,538,330	6,694,334	167,509,895	203,385,953
Electricity Tariffs	34,769,365	7,082,525	2,872,669	87,592,471	132,317,030
Rates (Property Rates)	12,273,341	3,359,813	2,519,621	75,574,878	93,727,653
Sewerage / Sanitation Tariffs	4,399,348	1,765,783	1,550,806	48,849,403	56,565,340
Refuse Removal Tariffs	3,523,021	1,703,314	1,511,046	50,316,170	57,053,551
Other	12,925,090	6,821,817	6,025,762	271,874,946	297,647,615
Total By Income Source	83,533,559	34,271,582	21,174,238	701,717,763	840,697,142
Debtors Age Analysis By Customer Group					
Government	3,189,897	735,247	895,532	28,556,407	33,377,083
Business	11,103,051	4,282,201	2,274,010	53,388,994	71,048,256
Households	68,611,486	28,735,020	17,483,248	591,685,166	706,514,920
Other	629,125	519,114	521,448	28,087,196	29,756,883
Total By Customer Group	83,533,559	34,271,582	21,174,238	701,717,763	840,697,142

**ANNEXURE E
OUTSTANDING CREDITORS STATEMENT - 31 MAY 2012**

Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 +Days	Total
Bulk Electricity	22,722,808	6,439,578	0	0	59,411,018	88,573,404
Bulk Water	14,510,496	14,273,966			0	28,784,462
Trade Creditors	12,943,174	1,842,597	841,594	-	-	15,627,365
Auditor General	63,917	60,881	803,096			927,894
Total	50,240,395	22,617,022	1,644,690	0	59,411,018	133,913,125

ANNEXURE F

Investment Portfolio:31 May 2012

City of Matlosana

INSTITUTION	INTEREST RATE	PERIOD	APRIL 2012	MAY 2012	MATURITY DATE	EXPLANATION
Fixed Investment						
TOTAL Fixed Investment			-	-		
Call Investment						
*ABSA	3.30%		56,792,360	50,592,360		MIG
*ABSA	3.25%		47,780	47,780		EWP
* ABSA	5.20%		2,040,000	2,040,000		FMG & MSIG
ABSA	3.25%		1,499,450	1,499,450		OWN FUNDS
RMB	5.00%					IGG
INVESTEC	5.20%					IGG
TOTAL Call Investment			60,379,589	54,179,589		
Collateral						
SANLAM	Policy	Secured Capital	5,458,953	5,458,953	01/12/2013	Policy
SANLAM	Policy	Secured Capital	365,721	365,721	01/08/2014	Policy
NEDCOR	Minimum 5%		13,010,715	13,010,715	30/06/2019	Security
TOTAL			18,835,388	18,835,388		
Long Term Investment						
FNB	10.00%	1 YEAR	67,517	67,517		Housing Collateral
FNB	9.50%	1 YEAR	14,000	14,000		Housing Collateral
TOTAL			81,517	81,517		
TOTAL INVESTMENTS			79,296,494	73,096,494		

PRIMARY BANK ACCOUNT BALANCE 4,406,586 4,406,586

GRAND TOTAL 83,703,081 77,503,081

Withdraw R2 700 000 from ABSA Call (MIG) - 09 May 2012

Withdraw R3 500 000 from ABSA Call (MIG) - 22 May 2012

NB: Council to take cognisance that the investments reflected are not as a result of excess funds but grants received for the financial year invested on short term to gain interest while processes on meeting conditions of the grants are unfolding, and to avoid charges once funds are kept on current account

* These investments can only be withdrawn when funds are needed for the particular reason it was invested for

ANNEXURE 5

Borrowing Reference No	Lender	Purpose	% Interest Rate (2 year) Per Annum	Interest Paid This quarter	Opening Balance 01/01/2010	Debt Repaid or Re-deemed	Additional Principal Accrued	Balance at 31/03/2012	Revaluation as at 31/3
ANNUITY LOANS									
JBC09898	Development Bank of SA	Provision of Infrastructure	12	1,656,995.26	14,776,515.53	3,591,306.48	0.00	11,187,209.05	4,038,740.81
NW10959	Development Bank of SA	Provision of Infrastructure	15	711,692.39	4,947,462.81	482,317.87	0.00	4,465,144.94	659,567.46
NW11182	Development Bank of SA	Provision of Infrastructure	15.25	817,353.70	5,448,027.13	427,944.97	0.00	5,020,082.16	496,719.56
NW13537	Development Bank of SA	Provision of Infrastructure	15.5	505,324.23	3,370,489.22	156,697.35	0.00	3,213,791.87	194,610.53
NW138741	Development Bank of SA	Combination	14.75	275,381.78	4,444,444.40	277,777.77	0.00	4,166,666.63	555,555.55
NW138742	Development Bank of SA	Combination	14.75	949,281.15	14,998,125.00	0.00	0.00	14,998,125.00	
NW100395	Development Bank of SA	Combination	11.5	279,142.00	4,816,067.51	1,103,692.21	0.00	3,712,375.30	2,642,727.18
KL-ER-00-001	INCA	Acquisition of other Assets	12.25	324,086.40	6,246,065.58	926,489.85	0.00	4,321,575.71	2,166,512.12
NW1012871	Development Bank of SA	Combination	11.2	1,145,356.27	20,286,949.51	808,846.04	0.00	19,477,104.47	1,872,702.82
NW1012872	Development Bank of SA	Combination	11.2	1,433,153.45	25,384,103.78	1,012,119.58	0.00	24,371,984.20	2,343,339.53
NW1036771	Development Bank of SA	Provision of Infrastructure	14.75	3,012,886.39	34,607,309.14	903,036.39	0.00	33,604,272.75	1,228,060.87
10566	Development Bank of SA	Provision of Infrastructure	15	1,286,902.88	8,606,609.39	762,292.88	0.00	7,844,316.51	423,828.26
10906	Development Bank of SA	Provision of Infrastructure	15.25	593,404.27	3,741,481.28	227,220.18	0.00	3,504,261.10	132,045.76
10912	Development Bank of SA	Provision of Infrastructure	15.25	834,378.84	5,640,986.73	361,572.82	0.00	5,279,413.91	195,553.92
10913	Development Bank of SA	Provision of Infrastructure	15.25	624,172.85	4,264,569.50	270,385.41	0.00	3,994,184.09	150,566.77
9740	Development Bank of SA	Provision of Infrastructure	10	49,810.39	528,456.56	156,435.89	0.00	367,020.67	88,274.58
9741	Development Bank of SA	Provision of Infrastructure	10	50,690.50	544,540.97	164,085.18	0.00	380,455.79	89,204.12
9743	Development Bank of SA	Provision of Infrastructure	10	121,186.04	1,276,282.59	273,626.10	0.00	1,001,657.49	147,077.32
9746	Development Bank of SA	Provision of Infrastructure	10	135,235.97	1,412,671.04	262,443.42	0.00	1,150,227.62	141,061.80
TOTAL ANNUITIES				14,771,914.43	163,940,130.17	12,179,809.87	0.00	145,760,320.20	17,346,044.32