

2011

Nketoana
Local
Municipality

**MID TERM BUDGET
ASSESSMENT DECEMBER 2011**

Nketoana Mid Term report 2011

1. Background and purpose

This report has been prepared as part of the regular financial reporting in terms of section 72 of the Municipal Finance Management Act 2003.

2. Overview and financial performance

INCOME STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2011

DESCRIPTION	ANNUAL BUDGET	ACTUAL YTD	% SPENDING
Revenue			
Property Rates Tax	8 189 000	12 780 159	156%
Electricity Services	20 304 000	10 123 944	50%
Water Services	21 357 000	16 316 593	76%
Sewer Services	9 995 000	6 349 206	64%
Refuse Services	11 377 000	7 340 755	65%
Grants	71 807 000	30 776 005	43%
Other	14 434 000	490 737	3%
Total Revenue	147 467 000	84 177 399	57%
Expenditure			
Employee Related Costs	49 502 000	25 341 669	51%
Bulk Purchases Electricity	22 916 000	18 660 813	81%
Bulk Purchases Water	1 260 000	779 998	62%
Depreciation and debt impairment	11 970 000	4 935 167	41%
Finance charges	1 080 000	673 619	62%
General and other expenses	33 798 000	21 703 745	64%
Other	6 810 000		
Total Expenditure	120 336 000	72 095 011	60%
Surplus/Deficit	27 132 000		

3. Revenue.

The total revenue raised to date is R72 million of which R30 million is government grants. All utility services have exceeded the expected target of 50% target, Assessments rates over collection is due to the farm property rates that has been collected, and also revenue forgone has not been set off , Revenue Forgone per month is +-R1 000 000, out of total balance of R12 Million, R6 million must be set off against assessment rates

Nketoana Mid Term report 2011

Our debtors age analysis has increased to R220 M, We also have a R56M bad debts provision in terms of the new GRAP standard.

Budgeted amount of R9 133M is not included in the general expenses. Treasury's new regulation is that Repair and Maintenance must be shown separately. Below is a summary of Repair and Maintenance

Repairs & Maintenance			
Executive and Council	30 000	23 412	78%
Budget and Treasury Office(Finance)	0		
Corporate Governance (Corporate services and admin)	400 000	230 102	58%
Community and public safety	1 424 586	270 011	19%
Economic and environmental services	3 050 000	877 046	29%
Trading services (Technical Services)	4 125 414	2 266 745	54%
Total	9 130 000	3 667 316	40%

The total average of repairs and maintenance is 40%

Executive and council comprises of the following: Mayor's office
Speaker's office
Municipal Manager's office
COO

Budget and Treasury Office : Finance

Corporate Governance : Human Resource
: Properties
: Corporate services

Community and public safety : Traffic
: Library
: Sports
: Youth
: Parks and Cemetery

Economic and Environmental services : Urban planning and housing development

Nketoana Mid Term report 2011

: LED
: Roads

Trading services : Water
: Electricity
: Waste water
: Solid waste

4. Budget and reporting

For this quarter we have reported and submitted to National and Provincial Treasury section 71 reports

We are anticipating on adjusting the budget 2012 increase it by R80M, to correct the queries that were raised by AG of the depreciation being corrected in FAR 2011 and the AFS 2011, and also to accommodate the bad debts of +-R56 Million.

Expenditure

Directorate as per GFS	Budgeted amount	Actual to date	%
Executive and Council	13 710 000	5 685 840	41%
Budget and Treasury Office(Finance)	11 493 000	5 771 930	50%
Corporate Governance (Corporate services and admin)	11 230 000	3 227 125	29%
Community and public safety	5 260 000	4 216 610	80%
Economic and environmental services	15 858 000	1 247 904	8%
Trading services (Technical Services)	70 216 000	32 575 936	46%
Total	129 336 000	52 725 345	41%

The above table is the summary of expenditure and repairs and maintenance for second quarter as at 31 December 2011 of 60% and 41% respectively

5. **Municipal Infrastructure Grant Expenditure.**

Nketoana Mid Term report 2011

Allocation: R28 044 000

DATE	BUDGET ESTIMATED	AMOUNT RECEIVED	ACTUAL EXPENDITURE	BALANCE
July 11	10 187 000	10 187 000	4 151 524	6 035 475
August 11			397 208	5 638 268
Sept 11			1 388 233	4 250 035
October 11			492 386	3 757 649
November 11	14 074 000	0	412 040	3 345 609
December 11			785 321	2 560 288
Total	24 261 000	10 187 000	7 626 712	

1. Revenue Collection

Month	Billing	Payments	Subsidy Payments	Total payments	%
July	8 857 745.65	2 532 863.03	359 079.02	2 897 715.34	33%
August	9 143 358.42	3 196 312.54	458 688.79	3 655 001.33	40%
September	7 054 548.94	6 319 699.38	620 166.23	6 939 865.61	98%
October	7 950 057.82	3 015 790.08	686 903.52	3 702 693.60	47%
November	6 087 214.13	2 330 736.09	1 206 350.37	3 537 086.46	58%
December	8 048 604.01	1 927 990.90	1 241 352.27	3 169 343.17	39%
Total					53%

Total Number of Accounts 28102

Nketoana Mid Term report 2011

Payment per Category December 2011

Type	Total
Water	246 105.25
Electricity	781 407.43
Sewerage	161 401.60
Refuse	130 934.89
Property Tax	283 319.01
Sundry	27 690.78
VAT	197 137.94
Sundry(VAT excl)	3 291.73
Ander/Other	3 171.28
Total	1 834 464.91

Nketoana Mid Term report 2011

6. Investments as at December 2011

Institution	Amount	Interest received	Deposit/Withdrawal	Total	Maturity date
Standard Bank	3 369 221.25	14 135.56	0	3 411 004.97	2014/11/02
Standard Bank	21 988.50	63.75	0	22 052.07	Call account
Absa	10,182.70	0	0	10,182.70	2012/03/26
Absa	3 714 119.54	15 622.81	11 000 000.	14 729 742.35	Call account
FNB	3 000 000.00			3 000 000.00	Call
Total				21 172 982.09	

7. Cash and Bank

INSTITUTION NAME	ACCOUNT NAME	AMOUNT
ABSA	Cheque	864 483.64
ABSA	Banktel	156 310.67
Total		1 020 794.31

ABSA fraud case is still the same way as reported in the previous quarterly report, we are still waiting for ABSA to inform and report to us what is the progress in this regard

8. Cash flow forecast for 31 December 2011

Description	Six month forecast					
	'000	'000	'000	'000	'000	'000
Opening bal	Oct 2 696	- Nov - 9 316	Dec 3 824	Jan 2012 -2 764	Feb 2012 564	Mar 2012 -2 016
Grants		21 545	0	6 310	178	21 175
Services	2 875	2 166	1 603	5 316	5 316	5 316
Other	59	60	247	12	12	12
Total Receipts	238	14 455	5 674	8 874	6 070	24 487
Salary Cost	4 520	4 285	4 253	4 125	4 125	4 125
Capital Projects	493	412	785	785	785	785
Creditors	4 541	2 815	3 288	3 288	3 288	3 288

Nketoana Mid Term report 2011

Other		3 119	112	112	112	112
Total Payments	9 554	10 631	5 438	5 438	5 438	5 438
Closing Balance	-9 316	3 824	-2 764	564	- 2 016	16 177

Cash flow reflects a negative balance in this quarter, the municipality will be liquid for the next quarter.

9. Loans

Loans	Vote number	Opening Bal	Interest accrued	Repayment	Total
101390/1	0303/0082/0000	8 420 453	217 134	(291 875)	8 272 421
10390/2	0303/0081/0000	1 408 086	31 913	(45 704)	1 383 507
Total		9 744 465	249 047	(337 579)	9 655 928

10. VAT

SARS owes us an amount of +- R2M, The matter was raised with SARS, there's an audit that is being conducted, and documents are requested and we have submitted them. We'll make a follow up on this matter to why the outstanding amount is not paid.

11. Fixed Assets

The Fixed Assets register is that is line with GRAP is completed, and was submitted to AG for audit, and there were only control issues raised, and we are working on it.

We are also waiting to upload our FAR on the new financial system, a meeting has been arranged with our service provider Munsoft to do so.

12. Audit report

Annual Financial Statements 2011 were submitted on time on the 31 August 2011, an audit was conducted by Auditor General from August 2011 until November, and the municipality has obtained an Unqualified Audit report

13. Challenges

- Lack of communication within the departments
- Lack of co-operation within the departments

14. Recommendations

- That management meets and communicate and educate the importance of the Assets and the movement thereof
- Meet our deadlines as per Budget time lines
- Implement what the AG has recommended
- That the committee takes note of this report

Reviewed by:
V.B. Mkhafa
CHIEF FINANCIAL OFFICER

Approved by:
S. Thomas
MUNICIPAL MANAGER
