

# Chief Executive Statement on Financial Report



## **Chief Executive Statement on Financial Report**

### **1.0 Introduction**

Lilongwe City Council (LCC) has an approved budget of MWK 6,948,169,407 for 2020-2021 financial year of which MWK 6,218,470,708 is for Locally Generated Revenues and MWK 729,698,699 is for Government Transfers.

### **2.0 Performance for August 2020**

LCC has continued implementing revenue collection strategies for property rates, business licenses, and other locally generated revenues sources from which revenues have been collected to finance municipal services in the month. Government funding has been received late in the month leading to having most of the funds not used at the end of the month.

New projects for CDF and IDF have not commenced yet and there no expenditure under capital outlay. ORT expenditure for the period was towards routine operations of LCC and included refuse management, development control, payment of electricity bills for street lighting, and revenue collection exercises.

#### **2.1 Revenues**

A total of MWK504 million revenues have been realized in the month of August 2020 representing a 17% performance against the budget. Total cash collected and received in the month is at MWK501 million with MWK412 million locally generated revenues and MWK89 million government transfers.

LCC has also received from Central Government, a second tranche of MWK40m for covid-19 activities.

In the month of August 2020, automation of market fees collections has been rolled out to all 34 markets in the City which has brought in improvements in revenue collection.

#### **2.2 ORT Expenditures**

LCC was able to deliver a number of municipal services in the year. Highest expenditures for service delivery have been recorded under routine maintenance of motor vehicles for refuse collection, and payment of water bills for offices and roundabouts, and electricity bills for street lighting in the city, and office sites.

## **2.3 Capital Outlay**

Procurement for works to be funded under capital outlay is underway, hence no expenditures under capital outlay. Expenditure is expected to commence October 2020 giving time for contractors to mobilize.

## **3.0 Outlook for September 2020**

LCC is continuing with implementation of its various strategies towards collection of property rates and business licenses. The Covid 19 committee will continue to intensify its Covid mitigation activities so as to keep the city's economic activities going. LCC will also continue to prioritize expenditures on critical municipal services.

**John Chome**

**Chief Executive**

## August 2020 Financial Report Table

Government Transfers	Not e	Budget	August 2020 Actuals	Actual to 31st August 2020	Balance on budget	August 2020 Performanc e	Cumulative Performanc e
General Resource Funds	4.1	122,185,769	10,172,618	20,345,237	101,840,532	8%	17%
Development Fund	4.2	48,000,000	8,000,000	8,000,000	40,000,000	17%	17%
Sector Funds	4.3	268,278,542	22,356,311	44,712,622	223,565,921	8%	17%
Constituency Development Fund	4.4	120,000,000	20,000,000	20,000,000	100,000,000	17%	17%
Infrastructure Development Fund	4.5	171,234,388	28,539,065	28,539,065	142,695,323	17%	17%
<b>Sub-Total: Government Transfers</b>		<b>729,698,699</b>	<b>89,067,994</b>	<b>121,596,923</b>	<b>608,101,776</b>	12%	17%
<b>Total Government Transfers</b>		<b>729,698,699</b>	<b>89,067,994</b>	<b>121,596,923</b>	<b>608,101,776</b>	12%	17%
<b>Locally Generated Revenues</b>							
Central Government Property Rates	4.6	199,832,060	19,683,075	39,366,150	160,465,910	10%	20%
Other Property Rates	4.6	2,590,205,848	253,815,870	540,937,083	2,049,268,764	10%	21%

Income from Market Establishments	4.7	446,256,800	16,389,300	28,703,100	417,553,700	4%	6%
Fees and Service Charges	4.8	1,528,176,000	47,517,301	155,396,384	1,372,779,616	3%	10%
Licenses and Permits	4.9	1,200,000,000	78,378,931	245,558,076	954,441,924	7%	20%
<b>Total Locally Generated Revenues</b>		<b>5,964,470,708</b>	<b>415,784,477</b>	<b>1,009,960,794</b>	<b>4,954,509,914</b>	7%	17%
<b>TOTAL REVENUE</b>		<b>6,694,169,407</b>	<b>504,852,471</b>	<b>1,131,557,717</b>	<b>5,562,611,690</b>	8%	17%
<b>Expenditure</b>							
<b>Personal Emoluments</b>							
Direct Staff	5.4	3,069,495,691	183,946,978	358,480,153	2,711,015,538	6%	12%
<b>Sub Total: Personal Emoluments</b>		<b>3,069,495,691</b>	<b>183,946,978</b>	<b>358,480,153</b>	<b>2,711,015,538</b>	6%	12%
<b>Other Recurrent Transactions</b>	<b>5.5</b>						
Internal Travel		184,242,718	6,495,887	27,293,555	156,949,163	4%	15%

External Travel		35,960,000		-	35,960,000	0%	0%
Public Utilities		226,903,922	25,111,344.49	33,712,497	193,191,425	11%	15%
Office supplies & Services		248,438,205	14,307,532.69	17,339,504	231,098,701	6%	7%
Medical supplies		23,565,500		-	23,565,500	0%	0%
Education supplies		24,819,604		722,420	24,097,184	0%	3%
Training expenses		75,044,658		-	75,044,658	0%	0%
Acquisition of Technical Services		238,524,250	14,716,357.76	17,008,988	221,515,262	6%	7%
Agriculture inputs		3,210,000	950,000	950,000	2,260,000	30%	30%
Food and rations		14,124,288	795,933.83	1,598,199	12,526,089	6%	11%
Other goods and services		29,884,598	421,500	1,637,663	28,246,936	1%	5%
Motor Vehicle Running Expenses		258,932,064	11,312,026	28,174,080	230,757,984	4%	11%
Routine Maintenance of assets		150,874,463	15,847,792.64	22,055,628	128,818,835	11%	15%
Subscriptions		7,680,000	42,000	3,808,198	3,871,802	1%	50%

Grants & Subvention		69,742,643		-	69,742,643	0%	0%
Formation and maintenance of capital assets		145,603,606	2,524,862.50	15,491,416	130,112,190	2%	11%
Council & functions		115,546,400	4,212,894	6,438,414	109,107,986	4%	6%
HIV/AIDS Intervention		16,708,416	810,025	1,470,025	15,238,391	5%	9%
Debt Servicing		1,517,633,993	29,000,000	29,000,000	1,488,633,993	2%	2%
<b>Sub Total: ORT</b>	<b>5.5</b>	<b>3,387,439,328</b>	<b>126,548,156</b>	<b>206,700,586</b>	<b>3,180,738,742</b>	4%	6%
<b>Capital Outlay</b>							
Own capital contribution	5.6	152,000,000			152,000,000	0%	0%
Constituency Development Fund	4.4	120,000,000			120,000,000	0%	0%
Infrastructure Development Fund	4.5	171,234,388		-	171,234,388	0%	0%
Development Fund	4.2	48,000,000		-	48,000,000	0%	0%
<b>Sub Total: Own Capital</b>		<b>491,234,388</b>	-	-	<b>491,234,388</b>	0%	0%
<b>TOTAL EXPENDITURE</b>		<b>6,948,169,407</b>	<b>310,495,133</b>	<b>565,180,740</b>	<b>6,382,988,668</b>	4%	8%

<b>Surplus/Deficit</b>		<b>(254,000,000)</b>	<b>194,357,337</b>	<b>566,376,977</b>	<b>(820,376,977)</b>		
<b>Commercial Undertakings</b>							
Income from Commercial Undertakings	4.10	254,000,000	12,319,105	29,233,305	224,766,695	5%	12%
<b><i>Contribution from Commercial undertakings</i></b>		<b><i>254,000,000</i></b>	<b><i>12,319,105</i></b>	<b><i>29,233,305</i></b>	<b><i>224,766,695</i></b>	<b><i>5%</i></b>	<b><i>12%</i></b>
<b>Operating Surplus/Deficit</b>		<b>(0)</b>	<b>206,676,442</b>	<b>595,610,282</b>	<b>(595,610,282)</b>		
<b>Donor Funds</b>							
Donor Receipts b/d	6.0	80,892,774		22,018,658			
Less: Donor Expenditure		80,892,774	12,960,192	20,229,333			
<b>Donor Surplus/Deficit</b>		<b>-</b>		<b>1,789,325</b>			

## Notes to Financial Report

### 4.0 Government Transfers

Total government transfers are budgeted at MWK729,698,699. Funding performance against this budget is presented below:

#### 4.1 General Resource Fund

8% of the budget totaling MWK 10,172,618 has been funded in the month of August 2020. Cumulatively MWK 20,345,237 representing 17% has been funded.

#### 4.2 Development funds

Development funds are funds for provision of water resources for the four constituencies of the city

The budget provision for 2020-2021 Financial year is MWK48 million. LCC has received MWK 8 million to August 2020 representing 13% budget performance. No expenditure has been incurred under water resources fund in the month of August 2020.

#### 4.3 Sector Funds

Sector funds are government grants to Education, Sports, Youth, Environment, Gender and Community development devolved sectors of the council. Total sector funds budget for the year is MWK268 million and 16% of the budget has been received.

##### 4.3.1 Education urban sector

The sector has been funded MWK41 million to date of its budget of MWK 260 million representing 16.12%

##### 4.3.2 Sports sector

Sports sector has received MWK1,083,410.96 to date, representing 16.67% of the total budget.

##### 4.3.3 Youth sector

MWK 1 million has been received to date of against an annual budget of MWK6 million representing 16.67% of the budget

#### **4.3.4 Environment sector**

The sector has been funded MWK 527,673.74 to date of its MWK3 million total budget representing 16.67% of the budget.

#### **4.3.5 Gender and community development**

The sector has been funded MWK 62,246.28 to date of its MWK373,479.17 total budget representing 16.67% of the budget.

### **4.4 Constituency Development Fund (CDF)**

These are contract funds for the four constituencies of the Lilongwe City. The Constituency Development Fund received to date amount to MWK20 million of the total budget of MWK 120 million representing 17% performance. There is no expenditure on this budget line to date because procurement processes have not been finalized.

### **4.5 Infrastructure Development Fund (IDF)**

The total budget for the year 2020/2021 is MWK171 million and LCC has received MWK 28,539,064.72 representing 17% performance. MWK40,992,623 was carried forward balance from 2019-20 funding. In August 2020 MWK29,826,912.50 has been used leaving a carry forward balance of MWK11,165,710.50.

## **Locally Generated Revenues**

### **4.6 Property Rates**

These are property rates charged on land and improvements for private plots in industrial, commercial, and residential housing areas and ground rents. Total budgeted billing for the 2020/2021 financial year is MWK2.5 billion. Of the total billing, MWK 253,815,870 is the amount realized in the month of August 2020 for other property rates; and MWK19,683,075 for government properties.

### **4.7 Incomes from market establishments**

The automated revenue collection system has rolled out to all 34 city markets and the expectation is that revenues will increase through this automated. The amount in August 2020 is MWK16,389,300 representing 4% performance against annual budget. Cumulatively, collections are at 6% of the budget.

#### **4.8 Fees and Service Charges**

The major fees under this category include development charges, planning fees, advertisements, and car park fees. The revenue collected in the month of August 2020 amount to MWK47million registering a 3%-month performance against the annual budget.

#### **4.9 Licenses and Permits**

The license collection campaign is ongoing and there is a proposal to introduce a target bonus system of revenue collection so as to boost collections. Total collection for August 2020 is MWK78,268,930.84 representing 7% of annual budget provision. Cumulatively, performance is at 20%.

#### **4.10 Income from Commercial undertakings**

These are incomes from property rentals, and hall hire. Properties being let out by LCC include, Wenela complex, Chidzanja house, Mchesi carpentry, town hall rooms, and community Centre rooms.

The challenge with managing these property rentals is that, some tenants who were evicted last financial year still owe LCC in rentals. LCC is now ensuring strict adherence to the rental agreements where rentals are paid three months in advance. A total of MWK12 million has been collected in the month of August 2020.

### **5.0 Debtors**

LCC main debtors are property rate debtors, refuse collection debtors and property rentals debtors.

#### **5.1 Property rate debtors**

The outstanding property rates as at 1<sup>st</sup> August 2020 was MWK **13,921,043,122.71** The total debt collected for the month of August 2020 is MWK **259,954,633.65**

To reduce the property rate debt, LCC is continuing with the seal and seize property exercise. Notices to seal and seize property are given out but LCC has put on hold the ceiling of properties due to the Covid-19 pandemic, which has negatively affected the response from the property owners.

Table 1- Property rate debtors

AREA	Balance 31 <sup>st</sup> July 2020	Collection for the month of August 2020
1	433,474,895.43	1,044,255.21
2	763,277,547.63	12,742,305.00
3	402,956,705.44	20,352,470.38
4	375,592,216.60	15,936,497.20
5	156,056,379.01	5,282,997.82
6	87,588,828.34	3,217,581.50
7	399,408,748.59	1,893,698.87
8	596,466,400.65	1,429,730.00
9	180,058,846.74	18,219,093.58
10	650,255,991.47	8,277,416.39
11	78,753,936.59	202,570.00
12	266,574,863.51	2,469,274.60
13	192,840,327.82	25,597,152.00
14	178,804,520.17	9,599,642.82
15	144,443,595.56	985,797.00
16	14,886,791.64	-
17	2,698,039.32	-
18	629,217,438.00	4,139,737.65
19	86,890,040.65	-
20	70,345,872.16	-

21	565,667,089.04	1,318,188.48
22	396,985,094.94	243,350.00
23	295,800,909.36	1,158,955.42
24	161,714,925.71	64,952.80
25	977,158,742.08	4,022,371.90
26	155,339,345.92	12,280,500.00
27	105,505,643.98	-
28	198,976,139.66	5,739,113.93
29	365,096,698.74	37,295,559.06
30	1,438,650.00	-
31	90,361,660.00	-
32	61,512,905.59	669,268.54
33	290,817,347.39	-
34	17,214,523.29	-
35	30,673,888.41	-
36	264,850,842.55	113,600.00
37	120,158,409.86	305,334.34
39	69,955,798.63	2,047,263.50
40	395,269,957.68	-
41	127,438,985.56	276,000.00
42	16,290,589.82	-
43	641,008,108.42	11,314,403.45

44	134,204,129.83	1,274,550.00
45	41,697,666.21	-
46	247,216,429.81	157,000.00
47	1,384,167,998.46	45,593,769.80
49	600,045,684.43	4,596,817.41
50	86,101,964.29	-
51	35,877,592.74	-
52	114,410,652.05	91,415.00
53	51,305,262.76	-
54	188,640.00	-
55	165,998,860.18	-
<b>TOTAL</b>	<b>13,921,043,122.71</b>	<b>259,954,633.65</b>

## 5.2 Property rental debtors

As at 31<sup>st</sup> August 2020, the total outstanding debt from the various properties that the LCC lets out was MWK80,661,306.98. Some of the debt for property rentals is long outstanding and LCC has filed the cases with the courts. Other former tenants left the premises unceremoniously and cannot be traced. The figure is likely to reduce once the bad debts have been confirmed and written off.

Table 2-Property rental debtors

LOCATION	Balance as 31 <sup>st</sup> July 2020	Receipts for August 2020	Balance as at 31 <sup>st</sup> August 2020
Area 13	3,851,500.00	72,000.00	3,779,500.00
Area 47	7,701,500.00	540,000.00	7,161,500.00
Community			

Centre	8,196,600.00	-	8,196,600.00
Chidzanja	148,200.00	100,000.00	48,200.00
CM/KW/LZ	2,104,650.00	100,000.00	2,004,650.00
Mchesi	4,982,500.00	460,000.00	4,522,500.00
Town Hall	3,099,250.00	527,500.00	2,571,750.00
Wenela	60,706,286.98	8,329,680.00	52,376,606.98
<b>Total</b>	<b>90,790,486.98</b>	<b>10,129,180.00</b>	<b>80,661,306.98</b>

### 5.3 Refuse collection debtors

The council has a number of registered companies that get their garbage collected and billed monthly according to tonnage of waste collected. The total outstanding debt as ta 31<sup>st</sup> August 2020 was MWK 37,377,650.00

Table 3-Refuse collection debtors

<b>Debtor</b>	<b>Balance as at 31<sup>st</sup> July 2020</b>	<b>Total Invoice</b>	<b>Total Receipts</b>	<b>Bal as at 31<sup>st</sup> August 2020</b>
SOBO	30,830,350.00	-		30,830,350.00
Alliance One	1,241,400.00	-	1,241,400.00	-
Reserve Bank	2,353,300.00	-		2,353,300.00
KTPL	2,097,000.00	-		2,097,000.00
Pacific Hotel	2,097,000.00	-		2,097,000.00
Central Poultry	1,398,000.00	-	1,398,000.00	-

Rain ball Paint	335,500.00	-	335,500.00	-
	<b>40,352,550.00</b>	-	<b>2,974,900.00</b>	<b>37,377,650.00</b>

#### **5.4 Personal emoluments**

The total budget for LCC is MWK 3 billion and MWK183 million has been used in August 2020. Cumulatively 12% of the annual budget has been used. LCC has no unpaid net salaries, wages and leave grants for its staff. There are however accrued liabilities from unremitted payroll deductions such as PAYE, TEVET levy, pension as well as other liabilities inform of severance pay and death gratuities.

#### **5.5 Other Recurrent Expenditures**

A total of MWK126,548,156 has been spent in the month of August 2020 representing a 4% utilization of the total budget. Total cumulative expenditures amount to MWK206,700,586 representing a 6% budget utilization. Highest budget utilization is under public utilities (11%), agriculture inputs (30%), and subscriptions (11%).

#### **5.6 Own Capital Contribution**

No expenditure has been incurred in the month of August 2020 against this budget line.

### **6.0 Donor Funds**

#### **6.1 Lilongwe and Sanitation Project**

Government of Malawi secured financing from World Bank/IDA for implementation of priority sanitation improvements in the City as part of the Lilongwe Water and Sanitation Project (LWSP). The objective of LWSP is to increase access to improved water services and safely managed sanitation services in Lilongwe city.

The total funding for the project is amounting to US\$102million. This cost is financed through an IDA credit of US\$75 million (LWB), an IDA grant of US\$25 million (LCC), and a GoM contribution of US\$2 million. The project is for a period of 5 years. The project was declared effective on March 26, 2018 and project start date was July 1, 2018.

Funds for project investments are channeled through Lilongwe Water board. LCC manages office operation funds. Opening cash balance on 1<sup>st</sup> July was MWK22,018,658,.99. July 2020 expenditure amounted to MWK7,269,140.78, and August 2020 expenditure is MWK12,960,192.39 leaving a balance of MWK1,789,325.82.

## **6.2 Corona virus treasury fund**

LCC had balance brought forward funding from last financial year amounting to MWK18,750,566.83. Additionally, MWK40m funding has been received in August 2020. A total of MWK8,846,000 has been spent for July and August leaving a cash balance of MWK9,904,566.83 Some of the activities planned for this second tranche include:

- 1) Equipping Covid-19 isolation center with necessary equipment as required by WHO guidelines
- 2) Conduct COVID 19 Case follow ups and contact tracing
- 3) Disinfection of public places
- 4) Procurement of personal protective wear