



Budget Statement

MFMA Section 71 Report

31 JULY 2024

Govan Mbeki Municipality

1. Introduction

1.1 Purpose

To comply with section 71(1) of the Municipal Finance Management Act (MFMA), by submission of a report in a prescribed format to the Mayor within 10 working days after the end of each month on the state of the Municipality's budget.

The monthly Budget Statement also aims to provide an update on indicators critical to the municipality's viability and serve as an early warning indicator where remedial action is required. The consolidated performance is a high-level overview of the municipality's viability and sustainability.

1.2 Background

The Municipal Budget and Reporting Regulations (MBRR) are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating sustainability and better medium-term planning and policy choices on service delivery.

The report has been prepared in terms of the following legislative framework:

- i. The Municipal Finance Management Act – No.56 of 2003
- ii. And the Municipal Budget and Reporting Regulations

The MBRR highlights the format of the monthly budget statements.

"28. the monthly budget statement of a municipality must be in the format specified in Schedule C and includes all the required tables, charts, and explanatory information, taking into account any guidelines issued by the Minister in terms of Section 168 (1) of the Act."

The objective of these Regulations is to ensure sound and sustainable management of the budgeting and reporting practices of Municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability, and appropriate lines of responsibility in the budgeting and reporting process and other relevant matters as required by the Act.

2. Section 13: Quality Certification by Accounting Officer

QUALITY CERTIFICATE

I **E.N. Maseko**, the Municipal Manager of **Govan Mbeki Municipality**, hereby certify that: -

- The monthly budget statement report; and
- The supporting documentation for the month of **JULY 2024** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: ABM Mavimbela

Acting Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/08/2024

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/08/2024

1. SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Summary of the Budget Performance for the month of JULY 2024

Description	Original Budget 2024/2025	Monthly Actual	Year TD Actual	Year to Date Budget	Variance	YTD Variance %
	R'000	R'000		R'000	R'000	R'000
Total Operating Revenue	3 300 378	431 846	431 846	275 031	156 815	57%
Total Operating Expenditure	3 988 528	253 111	253 111	332 377	-79 266	-24%
Surplus /(Deficit) for the year before grant capital revenue	-688 150	178 735	178 735	-57 346	236 081	-412%
Grant capital revenue	117 651	16 120	16 120	9 804	6 316	64%
Surplus /(Deficit) for the year	-570 499	194 855	194 855	-47 542		
Total Capital Expenditure	273 903	19 636	19 636	22 825	-3 189	-14%

Operating Revenue

The overall performance on the revenue component is 57% above target for the month.

Operating Expenditure

The overall monthly performance on the expenditure component is 24% below target.

Bulk purchases and inventory consumed are above monthly target by 116% and 34% respectively, should the trend continue at the same rate there will be an unauthorised expenditure in these line items at the end of the financial year.

Finance charges is on target by 21% above target.

Capital Expenditure

Total Capital Expenditure to date is R 19 636 556.25 of this amount R 11 802 945.93 relates to INEP funded projects, R4 139 074.81 relates to MIG funded projects, R 449 493.60 relates to MDRG funded projects, whilst R 3 245 041.91 is from internally funded projects.

Grants	Funding	Allocation per DoRA	Received Including rollover	YTD Actual	Overspent/ Underspent	YTD %
Integrated National Electrification Programme Grant	INEP	32 240 000.00	15 000 000.00	11 802 945.93	20 437 054.07	37%
Municipal Infrastructure Grant	MIG	77 528 000.00	30 011 000.00	4 139 074.81	73 388 925.19	5%
Financial Management Grants	FMG	250 000.00			250 000.00	0%
Municipal Disaster Recovery Grant	MDRG	7 883 000.00		449 493.60	7 433 506.40	6%
Own Funding	Revenue	159 600 000.00		3 245 041.91	156 354 958.09	2%
Total		277 501 000.00	45 011 000.00	19 636 556.25	257 864 443.76	7%

Performance of Capital Grants

Grants	Allocation per DoRA	Received Including rollover	YTD Expenditure	Unspent 2023/2024	YTD %
Integrated National Electrification Programme Grant	32 240 000.00	15 000 000.00	11 802 945.93	20 437 054.07	37%
Municipal Infrastructure Grant	77 528 000.00	30 011 000.00	4 139 074.81	73 388 925.19	5%
Regional Bulk Infrastructure Grant	10 000 000.00	0.00	0	10 000 000.00	0%
Municipal Disaster Recovery Grant	7 883 000.00	0.00	449 493.60	7 433 506.40	6%
Total	127 651 000.00	45 011 000.00	16 391 514.34	111 259 485.66	13%

Performance of Operational Grants

Grants	Allocation per DoRA	Received Including rollover	Expenditure as at 31 July 2024	Unspent 2024/2025	YTD %
Extended Public works Programme	1 597 000.00	-	1 476 852.30	120 147.70	92%
Financial Management Grants	3 500 000.00	-	178 191.30	3 321 808.70	5%
Infrastructure Skills Development Grant	24 400 000.00	14 000 000.00	-	24 400 000.00	0%
Arts and Culture	-	91 608.25	-	91 608.25	0%
LG Seta	1 000 000.00	353 684.11	25 999.00	327 685.11	3%
Economic Development and Tourism	-	313 901.00	-	313 901.00	0%
Gert Sibande District Municipality	-	274 580.00	-	274 580.00	0%
Energy Efficiency Demand Grant	-	3 469.83	-	3 469.83	0%
Point Duty Officer (SASOL)	3 400 000.00	44 051.44	44 051.44	3 355 948.56	1%
Pre-Capacity grant	-	165 007.63	65 439.00	99 568.63	0%
Equitable share	458 066 000.00	190 861 000.00	190 861 000.00	267 205 000.00	42%
Total	491 963 000.00	459 510 144.00	192 651 533.04	299 311 466.96	39%

Economic Development and tourism grant will be spent during the first quarter of 2024-25 financial year. The grant shall be utilised for the support of local SMMEs. SMMEs will be invited through a public advertisement to submit proposals, based on submissions and assessments support will be provided to the identified SMMEs.

The Sasol grant for the project Embalenhle substation had a saving of R77 554 which was reallocated to acquire mobile offices for the Energy department during the month of June 2024.

Creditors

The total creditors balance for the month of July 2024 amounted to R 5 632 426 000 Creditors that are above 30 days are 96 %. The major creditors are Eskom and Rand Water.

Description	NT Code	Budget Year 2024/25								Over 1 Year	Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year		
Creditors Age Analysis By Customer Type											
Bulk Electricity	100	183 403 777.00	173 479 303.00	41 917 373.00	4 383 041 424.00	-	-	-	-	-	4 781 841 977.00
Bulk Water	200	41 757 126.00	37 841 838.00	7 655 774.00	698 446 847.00	-	-	-	-	-	785 701 785.00
PAYE deductions	300										
VAT (output less input)	400										
Pensions / Retirement deductions	500										
Loan repayments	600										
Trade Creditors	700	8 669 526.00	35 509 917.00	5 160 586.00	15 458 570.00	-	-	-	-	-	64 801 999.00
Auditor General	800		1 341		78 098.00						80 239.00
Other	900										
Total By Customer Type	1000	233 830 429.00	246 832 399.00	54 733 733.00	5 097 024 939.00	0	0	0	0	0	5 632 426 000.00

Debtors

The total debtors book balance for the month of July 2024 amounted to R 4 185 534 000. The debtors' payment rate for the month is 69%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M01 - July

Description	MT Code	Budget Year 2024/25							Total	Total over 90 days	
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dns-1 Yr			Over 1Yr
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	44 018	21 530	21 258	21 825	19 264	18 460	19 670	1 010 135	1 176 150	1 089 344
Trade and Other Receivables from Exchange Transactions - Electricity	1300	49 310	12 726	10 288	9 606	9 329	8 900	8 780	367 091	476 830	403 706
Receivables from Non-exchange Transactions - Property Rates	1400	26 046	12 774	9 707	9 080	8 625	9 259	7 728	280 277	362 474	313 947
Receivables from Exchange Transactions - Waste Water Management	1500	14 318	9 005	8 855	8 486	7 734	7 591	7 687	388 895	452 571	420 392
Receivables from Exchange Transactions - Waste Management	1600	12 927	8 454	7 917	7 643	7 434	7 201	6 992	355 261	413 830	384 531
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	25 484	25 153	24 774	24 445	24 133	23 835	23 447	734 957	906 227	830 816
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1920	-	-	-	-	-	-	-	-	-	-
Other	1900	904	2 560	5 796	7 621	12 082	4 270	7 831	357 189	398 253	388 993
Total By Income Source	2000	173 008	92 201	88 595	88 695	88 590	78 506	82 134	3 493 805	4 185 534	3 831 729
2023/24 - totals only											
Debtors Age Analysis By Customer Group											
Organs of State	2200	6 749	2 111	1 314	1 162	1 163	1 102	1 089	39 975	54 654	44 496
Commercial	2300	47 949	10 036	11 931	13 091	14 479	9 731	13 169	344 693	465 058	395 141
Households	2400	119 311	80 055	75 350	74 452	72 957	67 673	67 877	3 109 147	3 665 823	3 392 108
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	173 008	92 201	88 595	88 695	88 590	78 506	82 134	3 493 805	4 185 534	3 831 729

The following table indicates the consumer debtor's payment rate for the month:

Type Of Service	Total Movement	Billing	Credit Notes	Debit Notes	Other Adjustments
DEPOSITS	605 139.03	-	-	-	605 139.03
AGREEMENTS	396 584.37	-	-	-	396 584.37
INDIGENT FLAT CREDIT	-3 300 462.13	-	-1 242.00	6 732.00	-3 305 952.13
WATER	29 898 849.62	38 239 513.77	-5 124 943.41	60 104.95	-3 275 825.69
ELECTRICITY	48 400 486.79	49 997 279.03	-1 829 797.83	215 776.74	17 228.85
RATES	32 119 014.05	32 469 490.28	-797 802.96	447 326.73	-
REFUSE	12 890 975.64	13 047 173.64	-257 645.99	101 447.99	-
SEWERAGE	13 218 185.59	13 659 976.36	-512 642.59	70 851.82	-
MISCELLANEOUS	584 066.16	295 214.34	-	278 602.13	10 249.69
MISCELLANEOUS(NO VAT)	354 456.34	354 683.64	-227.3	-	-
VAT	15 728 511.19	17 264 862.23	-1 158 115.47	109 012.23	-487 247.80
INTEREST	25 143 493.78	25 496 976.88	-359 125.43	5 642.33	-
Total	176 039 300.43	190 825 170.17	-10 041 542.98	1 295 496.92	-6 039 823.68

The municipality received payments amounting to R125 046 170 against billing of R190 825 170.17 resulting to a payment rate of 69% for the current reporting period. For breakdown of payment rate per town refer to Appendix I of Annexure B.

Debtors Opening Balance	4 119 755 000.00
Add: Billing for the Month	190 825 170.17
Debtors Write off	
Less: Debtors Closing Balance	4 185 534 000.00
	125 046 170.17
Payment rate	69%

Cash Flows

As of 31 July 2024, we had a positive bank statement balance of R 32 470 113.55 and a positive cash book balance of R 1 612 895.03

Investments

The following table indicates the investments for the month of JULY 2024

Investment Type	Institution	01-Jul-24	31-Jul-24
Listed Investments	Old Mutual Shares	27 096.93	27 096.93
	Old Mutual Shares	372 939.00	372 939.00
	Sanlam	198 415.84	198 415.84
	Shares Nedbank	17 948.70	17 948.70
	Shares Nedbank	247 692.06	247 692.06
	Quilter PLC	17 228.64	17 228.64
	Quilter PLC	237 418.39	237 418.39
Short term Call Investment	Absa Fixed Deposit	-	30 170 695.89
	Standard Bank Cheque MIG 38787024008	500 821.06	504 052.38
	Standard Bank Call Account 038787024009	10 463 753.19	15 636 208.95
	Standard Bank Cheque 038787024003	5 527 843.70	35 740 799.01
Total Investments		17 611 157.51	83 170 495.79

Water and Electricity Distribution Losses for July 2024. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 23/24	Average 22/23
Electricity	54,548,640	23,831,774	-56.31%	-58.92%	-62.51%
Water	2,754,628	1,224,190	-55.56%	-46.92%	-49.62%

Water and Electricity Distribution Losses: Accumulated: July 2024 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 23/24	Average 22/23
Electricity	54,548,640	23,831,774	-56.31%	-58.92%	-64.48%
Water	2,754,628	1,224,190	-55.56%	-46.92%	-38.38%

Revenue

Electricity service charges is above the target by 37%

Water service charges and waste water service charges are below the target by 32% and 8% respectively,

Fines & penalties are below target by 62%, due to traffic fines subsystem not integrated to the main financial system, and only recording traffic fines settled not the total traffic fines issued.

Expenditure

Employee related cost amounting to R58 316 608.12 was not journalised for the month of July due to system challenges – integration of quick code between Payday and Munsoft. The matter is receiving attention by Payday System Administrator

Electricity bulk purchases are 116% above monthly target due to winter season invoices that are higher than normal.

Contracted services are 74% below monthly target

Operational costs are below target by 57%

Transfers and subsidies are 40% above monthly target due to increase in indigent customers.

Inventory consumed which include water purchases are 34% above monthly target.

Depreciation and impairment of asset is 16% below monthly target.

Progress on the budget funding plan

Council approved the 2024/25 Budget Funding Plan (BFP) together with the budget on the 31st of May 2024. The progress reported at the 31 July 2024 is 1.93%. The total anticipated revenue is R1 926 713 000.00 of which an amount of R37 107 858.89 has been collected during the month of July.

Expenditure of Staff Benefits for the month of July 2024

Salary bill for Councillors R 2 531 365.40
Salary bill for Employees R 53 253 215.79

Total staff compliment 1154 (Full time)

Staff resignations 6

Staff Appointments 4

Summary of staff processed.

Company	Description	Number of Officials	Total Amount as at 31 July 2024
Company 1	Full time	1154	53 253 215.79
Company 2	EPWP	439	1 476 852.30
Company 3	Councillors	61	2 531 365.40
Company 4	Directors	6	759 558.18
Company 7	Interns	5	47 395.95
Company 8	Point Duty Officers	35	174 780.50
Company 9	Temps	12	73 440.00
TOTAL		1712	58 316 608.12

Attached to the report are the following appendices.

- APPENDIX A: C Schedules-July 2024 M01
- APPENDIX B: Deviations –No deviations for the month
- APPENDIX C: Purchases above R100 000 – **R 35 867 483.59**
- APPENDIX D: Insurances report – **R 2 369 489.00**
- APPENDIX E: Capital Expenditure – **R19 636 556.25**
- APPENDIX F: Government Debtors – **R 13 127 340.07**
- APPENDIX G: Fruitless and Wasteful Expenditure – **R 14 132 169.15**
- APPENDIX H: Budget Funding Plan
- APPENDIX I: Payment Rate Per Town