



Budget Statement

MFMA Section 71 Report

31 JULY 2023

Govan Mbeki Municipality



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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 2023** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: M. Moloto

Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/08/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/08/2023

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 33% above target for the month. This is mainly due to equitable share grant received during the month.

Operating Expenditure

The overall monthly performance on the expenditure component is 11% above target.

Bulk purchases and finance charges are above monthly target by 74% and 183% 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.

Capital Expenditure

Total Capital Expenditure to date is R 5 769 381.17, of this amount R 5 637 648.67 relates to MIG funding, whilst R 131 732.50 is from internally generated funds.

Description	Funding	Allocation per DORA/2023-24 MTREF	Actual received including rollover	YTD Expenditure	Available as at 31 JULY 2023
Integrated National Electrification Programme Grant	INEP	42 650 000.00	13 000 000.00	0.00	42 650 000.00
Municipal Infrastructure Grant	MIG	65 406 550.00	22 533 000.00	5 637 648.67	59 768 901.33
Own Funding	Revenue	64 620 000.00	64 620 000.00	131 732.50	64 488 267.50
Total		172 676 550.00	100 153 000.00	5 769 381.17	166 907 168.83

Unspent Capital Grants

Grants	Allocation per DORA	Rollover	Received including rollover	Expenditure as at 31 JULY 23	2023/2024 unspent	YTD %
Integrated National Electrification Programme	42 650 000.00	-	13 000 000.00	-	42 650 000.00	0%
Municipal Infrastructure Grant	65 406 550.00	-	22 533 000.00	5 644 478.67	16 888 521.33	9%
Mining company: Sasol	-	77 554.38	77 554.38	-	77 554.38	0%
Water Services Infrastructure	-	3 047 400.85	3 047 400.85	-	3 047 400.85	0%
Gert Sibande District Municipality	-	274 580.00	274 580.00	-	274 580.00	0%
Total	108 056 550.00	3 399 535.23	38 932 535.23	5 644 478.67	62 938 056.56	5%

Unspent Operational Grants

Grants	Allocation per DORA/Budget 2023/24	Rollover	Received including rollover	Expenditure as at 31 JULY 23	Unspent 2023/2024	YTD %
Extended Public works Programme	2 713 000.00	-	-	1 775 812.30	937 187.70	65%
Financial Management Grants	2 100 000.00	-	-	55 351.95	2 044 648.05	3%
Infrastructure Skills Development Grant	24 000 000.00	-	14 000 000.00	-	14 000 000.00	0%

Grants	Allocation per DORA/Budget 2023/24	Rollover	Received Including rollover	Expenditure as at 31 JULY 23	Unspent 2023/2024	YTD %
Arts and Culture	-	234 858.14	234 858.14	-	234 858.14	0%
LG Seta	1 000 000.00	1 805 042.53	1 805 042.53	54 498.75	945 501.25	3%
Economic Development and Tourism	-	313 901.00	313 901.00	-	313 901.00	0%
Energy Efficiency Demand Grant	-	406 149.00	406 149.00	-	406 149.00	0%
Pre-Capacity grant	-	266 086.00	266 086.00	-	266 086.00	0%
Equitable share	426 701 000.00	-	177 792 000.00	177 792 000.00	-	42%
Total	456 514 000.00	3 026 036.67	194 818 036.67	179 677 663.00	19 148 331.14	39%

Creditors

The total creditors balance for the month of JULY 2023 amounted to R 4 827 831 000.00 The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M01 July										
Description	NT Code	Budget Year 2023-2024								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	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	189 519	150 614	21 624	3 736 842					4 098 599
Bulk Water	0200	49 521			665 706					715 227
PAYE deductions	0300									-
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500									-
Loan repayments	0600									-
Trade Creditors	0700	9 919	2 434	5	15 435					27 793
Auditor General	0800				43					43
Other	0900									-
Total By Customer Type	1000	248 959	153 048	21 629	4 418 026	-	-	-	-	4 841 662

Debtors

Our Debtors book had a total balance of R 3 821 560 000 as at end of JULY 2023. The debtors' payment rate for the month is 103%. This is attributable to the write-offs of indigent accounts approved in July 2023.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M01 - July											
Description	NT Code	Budget Year 2023/24								Total	Total over 90 days
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr		
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	41 052	24 598	24 098	21 244	23 079	25 239	20 690	951 101	1 131 101	1 041 354
Trade and Other Receivables from Exchange Transactions - Electricity	1300	41 941	13 686	11 242	10 655	9 574	9 001	8 885	352 641	457 726	390 857
Receivables from Non-exchange Transactions - Property Rates	1400	28 709	11 354	9 867	9 365	9 125	8 396	7 984	253 032	337 832	287 902
Receivables from Exchange Transactions - Waste Water Management	1500	12 918	9 000	8 806	8 049	7 951	7 830	7 690	352 049	424 353	393 579
Receivables from Exchange Transactions - Waste Management	1600	12 890	8 698	8 158	7 779	7 503	7 325	7 180	328 404	387 936	358 190
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	24 701	23 175	20 333	20 413	19 150	18 404	18 051	653 477	707 714	639 505
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	97 688	5 350	2 747	3 253	2 259	6 551	1 687	255 411	374 947	259 162
Total By Income Source	2000	259 900	95 860	85 250	80 758	78 752	82 747	72 178	3 066 116	3 821 560	3 380 550
2022/23 - totals only		-	-	-	-	-	-	-	-	-	-
Debtors Age Analysis By Customer Group											
Organs of State	2200	5 647	1 775	996	920	1 242	756	633	39 785	51 759	43 340
Commercial	2300	133 744	11 445	8 645	8 031	8 555	10 254	5 675	189 732	375 188	222 354
Households	2400	120 609	82 640	75 609	71 807	68 857	71 723	55 870	2 836 598	3 393 614	3 114 855
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	259 900	95 860	85 250	80 758	78 752	82 747	72 178	3 066 116	3 821 560	3 380 550

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

During the June reporting, a system error was encountered which resulted in the reporting on the collection rate for June being based on figures that were incorrectly captured resulting in the collection rate being 55%.

Revised June payment rate calculation:

Debtors Opening Balance	3 608 688 000.00
Add: Billing for the Month	168 104 633.00
Correction of Prior month duplicate	88 000 000.00
Less: Debtors Closing Balance	3 723 931 000.00
	127 213 669.00
Payment rate	82%

July Payment rate

Debtors Opening Balance	3 723 931 000.00
Add: Billing for the Month	204 939 909.00
Debtors Write off	103 780 000.00
Less: Debtors Closing Balance	3 821 560 000.00
	160 607 669.00
Payment rate	103%

Cash Flows

As of 31 JULY 2023, we had a positive bank statement balance of R 33 758 707.39 and a positive cash book balance of R 6 827 034.27.

Investments

The following table indicates the investments for the month of JULY 2023

Investment Type	Institution	01-Jul-23	31-Jul-23
Short term fixed deposits	Absa Fixed Deposit	14 669 670.82	-
	Absa 3 Months Fixed Deposit	-	100 000 000.00
	Nedbank 3 Months Fixed Deposit	100 589 808.22	101 384 767.12
Listed Investments	Old Mutual Shares	24 122.61	24 122.61
	Old Mutual Shares	332 003.00	332 003.00
	Sanlam	129 637.24	129 637.24
	Shares Nedbank	14 508.20	14 508.20
	Shares Nedbank	200 213.16	200 213.16
	Quilter PLC	12 554.88	12 554.88
	Quilter PLC	173 011.88	173 011.88
Short term Call Investment	Standard Bank Cheque 038787024003	463 162.16	466 230.45
	Standard Bank Cheque MIG 38787024008	4 544 344.35	4 570 010.56
	Standard Bank Call Account 038787024009	53 447 214.10	56 615 102.11
	Standard Bank Current 030195276000	3 561 267.70	3 661 838.96
Total Investments		178 161 518.32	267 584 000.17

Distribution losses

Water and Electricity Distribution Losses for JULY 2023 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	46,042,188	18,290,964	-60.27%	-62.51%	-60.50%
Water	2,601,548	1,267,632	-51.27%	-49.62%	-32.56%

Water and Electricity Distribution Losses: Accumulated: July 2023 to date (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	46,042,188	18,290,964	-60.27%	-64.48%	-64.46%
Water	2,601,548	1,267,632	-51.27%	-38.38%	-34.38%

Expenditure

Electricity bulk purchases are 74% above monthly target.

Contracted services are 28% above monthly target.

Inventory consumed which include water purchases are 9% above monthly target.

Depreciation and impairment of asset is 38% below monthly target.

Other expenditure is 55% below monthly target.

Expenditure of Staff Benefits for the month of July 2023

Salary bill for Councillors	R 2 179 001.89
Salary bill for employee's	R 54 256 712.19
Total staff compliment	1 170 (Full time)
Staff resignations	10
Staff Appointments	1

Summary of staff processed.

Company	Description	Number of Officials	Total
Company 1	Full time	1170	51 618 783.21
Company 2	EPWP	577	1 775 812.30
Company 3	Councillors	62	2 179 001.89
Company 4	Directors	5	758 537.70
Company 7	Temps	9	103 578.98
TOTAL		1823	56 435 714.08

Attached to the report are the following appendices.

APPENDIX A: C Schedules-M01

APPENDIX B: Purchases above R100 000 – **R 22 966 654.76**

APPENDIX C: Insurances report – **R 17 347 236.44**

APPENDIX D: Capital Expenditure – **R 5 769 381.17**

APPENDIX E: Government Debtors – **R 12 983 960.87**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 34 746 358.26**