



Budget Statement

MFMA Section 71 Report

30 JULY 2022

Govan Mbeki Municipality

Monthly Budget Statement

FILE NUMBER : **10/2/27**

RESPONSIBLE DEPARTMENT : **Finance**

DELEGATED AUTHORITY : **Non-delegated**

1. STRATEGIC INTENT:

Financial Sustainability	✓
Sustainable Physical Infrastructure and Improve Customer Care Services	
Economic Growth and Development	
Institutional Transformation	
Spatial Integration and Safe Protected Environment	
Governance and Stakeholder Participation	

2. PURPOSE OF THE REPORT:

To comply with section 71(1) of the Municipal Finance Management Act (MFMA), by submission of a report in a prescribed format to the Executive 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.

3. 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.

QUALITY CERTIFICATE

I **E.N. Maseko** , the acting municipal manager of **Govan Mbeki Municipality**, hereby certify that: -

☞ The monthly budget statement report

And supporting documentation for the month of **JULY 2022** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: V. Nkhata

Acting Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature:

Date:

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature:

Date:

DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 34% above target. The performance is mainly due to equitable Share grant received during the month, there is also a negative performance on service charges, Investment revenue and other income.

Operating Expenditure

The overall performance on the expenditure component is 65% below target. Bulk purchases, and inventory consumed are below target by 100% and 87% respectively. The performance is mainly due to Eskom and Rand water invoices that were received late after the system was closed for reporting.

Capital Expenditure

Total Capital Expenditure to date is R 9 779 082 of this amount R 5 077 835 relates to MIG funding, R 4 671 546 relates to INEP whilst R 29 700 is from internally generated funds.

Description	Funding	Allocation per DoRA	Actual received including rollover	YTD Expenditure	Available as at 31 July 2022
Municipal Infrastructure Grant	MIG	62 635 400	21 564 000	5 077 835	16 486 165
Sasol Grant - Electrification	Sasol	15 116 475	15 116 475	0	15 116 475
Integrated National Electrification Programme Grant	INEP	15 000 000	5 000 000	4 671 546	328 454
Own Funding	Revenue	71 130 000		29 700	71 100 300
Total		163 881 875	41 680 475	9 779 081	103 031 394

Unspent Operational and Capital Grants

Grants	Allocated 2022/2023	Actual Received 2022/2023	Expenditure as at 31 JULY 2022	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000	-	710 323	-710 323	-100%
Financial Management Grant	2 100 000	-	-	0	-
Integrated National Electrification programme Grant	15 000 000	5 000 000	4 671 546	328 454	93%
Infrastructure Skills Development Grant	24 500 000	13 000 000	-	13 000 000	0%
Municipal Infrastructure Grant	65 932 000	21 564 000	5 077 835	16 486 165	24%
Sasol Grant-Electrification	15 116 475	-	-	0	-
Total	125 277 475	39 564 000	10 459 705	29 104 296	26%

Creditors

The total creditors balance for the month of July 2022 amounted to R 3 764 691 824. The major creditors are Eskom and Rand Water.

Description	NT Code	Budget Year 2020/21									Prior year totals for chart (same period)	
		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	Total		
R thousands												
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100	0	26 830	290 716	110 830	2 669 179	0	0	0	3 097 554		
Bulk Water	0200	39 076	7 398	50 078	18 563	508 064	0	0	0	623 179		
PAYE deductions	0300											
VAT (output less input)	0400											
Pensions / Retirement deductions	0500											
Loan repayments	0600											
Trade Creditors	0700	3 608	11 919	4 318	228	22 495		0	0	42 567		
Auditor General	0800					1 391		0	0	1 391		
Other	0900											
Total By Customer Type	1000	42 685	46 147	345 111	129 620	3 201 128	0	0	0	3 764 692	-	

Debtors

Our Debtors book had a total balance of R 3 014 383 908 as at end of July 2022. The debtors' payment rate for the month is 65%

Description	NT Code	Budget Year 2020/21									
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	53 021	29 580	28 332	25 323	24 395	21 879	103 511	837 011	1 123 052	1 012 119
Trade and Other Receivables from Exchange Transactions - Electricity	1300	44 081	14 975	12 474	11 466	10 514	10 589	45 555	289 033	438 688	367 157
Receivables from Non-exchange Transactions - Property Rates	1400	29 575	12 023	10 347	9 306	8 636	8 441	40 740	183 771	302 839	250 894
Receivables from Exchange Transactions - Waste Water Management	1500	14 406	10 092	9 611	9 256	9 152	8 534	39 682	325 152	425 885	391 777
Receivables from Exchange Transactions - Waste Management	1600	14 244	10 217	9 415	8 950	8 554	8 207	38 090	286 433	384 110	350 234
Receivables from Exchange Transactions - Property Rental Debtors	1700	544	399	527	329	270	270	1 777	5 452	9 568	8 097
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	11 990	2 403	3 186	2 072	967	120	8 931	297 573	330 243	312 663
Total By Income Source	2000	167 861	79 689	73 893	66 702	63 488	60 040	278 286	2 224 425	3 014 384	2 692 941
2019/20 - totals only											
Debtors Age Analysis By Customer Group											
Organs of State	2200	43	9 445	6 442	5 727	5	5	21	127	223	164

		224				515	024	315	068	761	650
		35	11	10		4	4	18	139	232	174
Commercial	2300	164	796	265	7 187	608	850	996	355	220	994
Households	2400	89	58	57	53	53	50	237	1 958	2 558	2 353
Other	2500	472	447	186	789	366	166	975	003	403	298
										-	-
Total By Customer Group	2600	167	79	73	66	63	60	278	2 224	3 014	2 692
		861	689	893	702	488	040	286	425	384	941

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

Category	Actual Cash For the Month	Total Movement	Billing for June 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
Payment	926 211.62	0.00	0.00	0.00	0%	0%
Deposits	-228 649.31	330 161.55	0.00	330 161.55	69%	0%
Agreements	-241 940.10	499 273.49	0.00	499 273.49	48%	0%
Indigent Flat Credit	-22 747.48	-90 896 118.98	0.00	-3 025 130.41	0%	0%
Water	-26 303 036.52	18 372 793.28	41 226 772.03	-22 853 978.75	143%	64%
Electricity	-27 840 014.13	35 680 300.13	35 856 134.62	-175 834.49	78%	78%
Loans/Old Debt	-3 224.84	0.00	0.00	0.00	0%	0%
Rates	-25 861 367.23	30 335 507.53	31 373 285.28	-1 037 777.75	85%	82%
Annual Rates	-45 254.81	0.00	0.00	0.00	0%	0%
Refuse	-4 747 432.46	10 711 614.40	11 336 955.14	-625 340.74	44%	42%
Sewerage	-4 564 535.79	11 074 167.03	11 115 133.90	-40 966.87	41%	41%
Miscellaneous	-226 663.96	384 710.34	377 947.32	6 763.02	59%	60%
Miscellaneous(No Vat)	-338 819.33	424 435.59	424 435.59	0.00	80%	80%
Vat	-9 718 175.27	11 433 800.16	14 987 206.89	-3 553 406.73	85%	65%
Interest	-496 271.72	13 061 589.18	13 131 040.03	-69 450.85	4%	4%
Payment Advanced	-3 959 735.00	0.00	0.00	0.00	100%	100%
Totals	-103 671 656.33	41 412 233.70	159 828 910.80	-30 545 688.53	250	65

Reason for revenue decline

- Poor Enforcement of credit control and debt collection policy
- Cut off action not done continuously
- Insourcing of services that was being done by external service providers on meter reading and meter installation
- Pre-paid meters inspection not done on a continuous bases, based on Low purchases (to Identify ghost vending) and zero purchases (identify meter tempering);
- Ghost vending and broken and faulty meters not replaced in time.

- Inaccurate billing data
- Loss of revenue through vending

Cash Flows

At the 31st of July 2022, we had a positive bank statement balance of R 32 189 935 and a positive cash book balance of R 82 028 975.

Investments

The following table indicates the investments for the month of July 2022

		01-July-22	31-July-22
Fixed Deposits	ABSA Deposit 200644701346	13 701 961	13 784 573
Listed Investments	Old Mutual Shares 2,187	24 123	24 123
	Old Mutual Shares 30,100	332 003	332 003
	Sanlam Shares 2,452	129 637	129 637
	Nedbank Shares 70	14 508	14 508
	Nedbank Shares 966	200 213	200 213
	Quilter	12 555	12 555
	Quilter	173 012	173 012
Short term Investment	Standard Bank Cheque 038787024003	434 563	436 348
	Standard Bank Cheque MIG 38787024008	71 122 574	92 961 244
	Standard Bank Call Account 038787024009	164 085 703	212 845 588
	Standard Bank Current 030195276000	2 482 239	2 582 208
Total Investments		252 713 090	323 496 013

Distribution losses

Water and Electricity Distribution Losses for July 2022. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	53,949,724	18,040,618	-66.56%	-60.50%	-72.60%
Water	2,722,875	1,824,638	-32.99%	-32.56%	-32.15%

Water and Electricity Distribution Losses: Accumulated: July 2021 to July 2022 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	53,949,724	18,040,618	-66.56%	-64.46%	-70.15%
Water	2,722,875	1,824,638	-32.99%	-34.38%	-32.38%

Expenditure

Bulk purchases, inventory consumed and finance charges are below target by 100%, 87% and 100% respectively. The performance is mainly due to Eskom and Rand water invoices that were received late after the system was closed for reporting.

Contracted services are below target by 72%.

Other expenditure is also underperforming by 48%.

Expenditure of Staff Benefits for the month of July

Salary bill for Councillors R 2 035 000

Salary bill for employee's R 48 438 000

Total staff compliment 1 254

Staff resignations 2

Staff Appointments 4

Attached to the report are the following appendixes

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 - **R 17 037 934**

APPENDIX C: Insurances report – **R 139 360**

APPENDIX D: Capital Expenditure – **R 9 779 082**

APPENDIX E: Government Debtors – **R 14 218 733**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 26 548 141**

6. RECOMMENDATION

1. That the Portfolio Committee **TAKE NOTE** of the monthly budget statement at the end July 2022