



Quarterly Budget Statement

MFMA Section 52 Report

30 SEPTEMBER 2022

Govan Mbeki Municipality

Introduction

Purpose

To comply with section 52(d) of the Municipal Finance Management Act (MFMA), by submission of a report in a prescribed format to the Council on the implementation of the budget and financial state of affairs of the municipality.

The quarterly 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.

The report is tabled to council in order to ensure good governance and financial viability and to provide council with the necessary information to make informed decisions

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, Section 52 and Section 75(1)k
- 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.

Section 13: Quality Certification by Accounting Officer

QUALITY CERTIFICATE

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

The Quarterly budget statement report

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

Print Name: J.M. Mahlangu

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:

1. DISCUSSION:

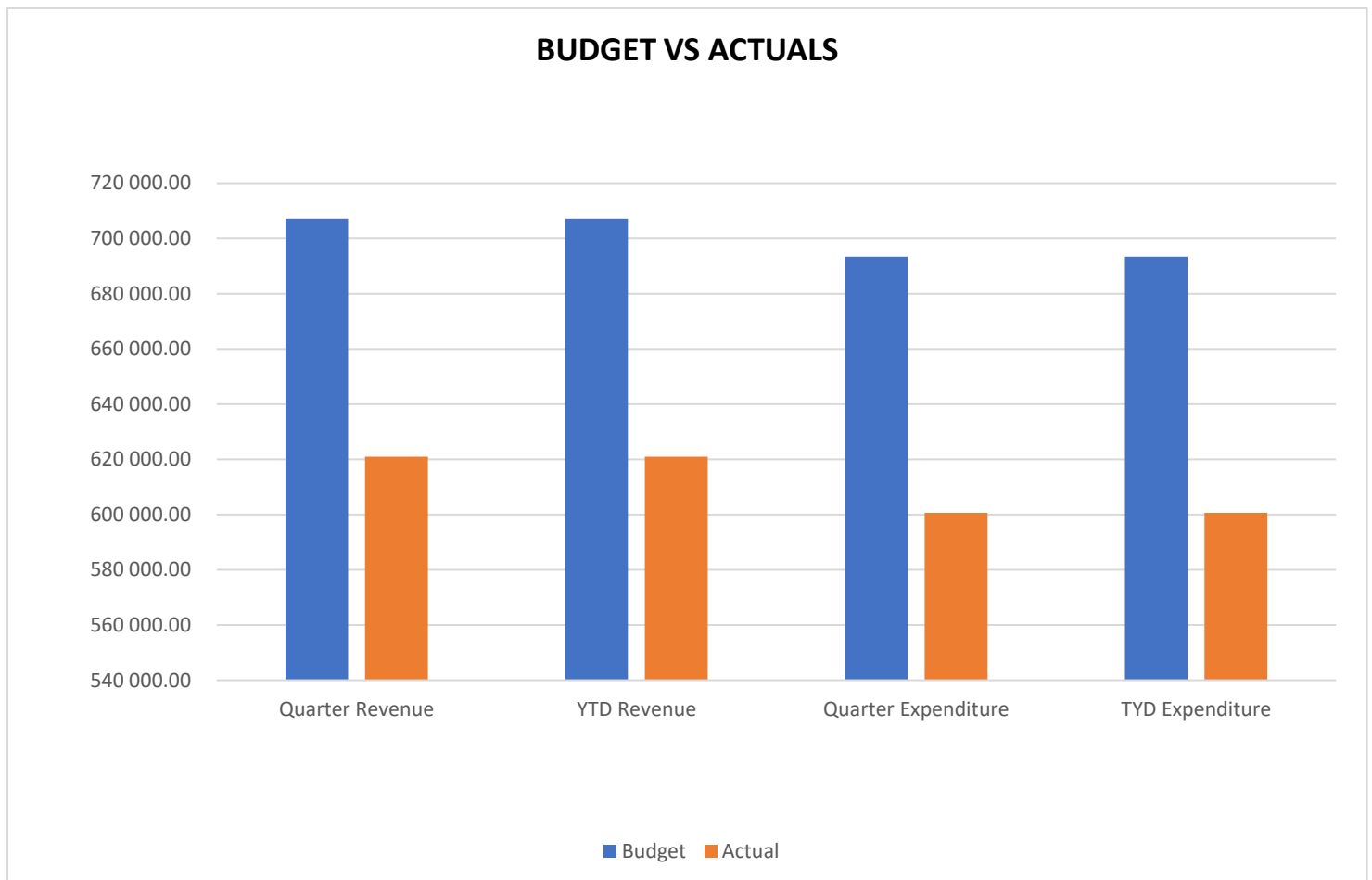
The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of 620 million and Operating Expenditure of 600 million which resulted in a surplus of R20 million before capital transfer of R11 million which resulted in overall surplus of R31 million.

Description	Original Budget 2022/2023	Adjustment Budget 2022/2023	Actual (Q1)	Year to Date Budget	Variance	YTD Variance
	R'000		R'000	R'000	R'000	R'000
Total Operating Revenue	2 828 608	-	620 920	707 152	(86 232)	-12%
Total Operating Expenditure	2 775 340	-	600 645	693 835	(93 190)	-13%
Surplus /(Deficit) for the year before grant capital revenue	53 268	-	20 276	13 317	6 959	-
Grant capital revenue	96 048	-	11 718	24 012	(12 294)	-
Surplus /(Deficit) for the year	149 317	-	31 994	37 329		
Total Capital Expenditure	163 882	-	16 932	40 970	(24 038)	-59%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at **30 September 2022**
MP307 Govan Mbeki - Table C1 Quarterly Budget Statement Summary – Q01
September

Description	2021/2022	Budget Year 2022/2023							
	Audited Outcome	Original Budget	Adjusted Budget	Quarter1 Actual	Year TD Actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	372 877	403 088	–	97 596	97 596	100 772	(3 176)	-3%	403 088
Service charges	1 313 517	1 718 565	–	306 824	306 824	429 641	(122 817)	-29%	1 718 565
Investment revenue	9 052	14 825	–	3 567	3 567	3 706	(139)	-4%	14 825
Transfers and subsidies	369 056	409 252	–	163 408	163 408	102 313	61 095	60%	409 252
Other own revenue	181 307	282 878	–	49 524	49 524	70 720	(21 1950)	-30%	282 878
Total Revenue (excluding capital transfers and contributions)	2 245 808	2 828 608	–	620 920	620 920	707 152	(86 232)	-12%	2 828 608
Employee costs	568 554	665 216	–	147 256	147 256	166 304	(19 048)	-11%	665 216
Remuneration of Councillors	24 398	32 100	–	6 917	6 917	8 030	(1 113)	-14%	32 120
Depreciation & asset impairment	168 353	196 589	–	48 173	48 173	49 147	(975)	-2%	196 589
Finance charges	186 690	133 798	–	33 276	33 276	33 450	(173)	-1%	133 798
Materials and bulk purchases	1 225 123	1 112 747	–	308 124	308 124	278 187	29 937	11%	1 112 747
Transfers and subsidies	30 810	27 883	–	-	-	6 971	(6 971)	-100%	27 883
Other expenditure	841 616	606 987	–	56 898	56 898	151 747	(94 849)	-63%	606 987
Total Expenditure	3 045 545	2 775 340	–	600 645	600 645	693 835	(93 190)	-13%	2 775 340
Surplus/(Deficit)	(799 736)	53 268	–	20 276	20 276	13 317	6 959	52%	53 268
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	88 096	80 932	–	11 718	11 718	20 233	(8 515)	-42%	80 932
Contributions & Contributed assets	4 670	15 116	–	-	-	3 779	(3 779)	-100%	15 116
Surplus/(Deficit) after capital transfers & contributions	(706 971)	149 317	–	31 994	31 994	37 329	(5 335)	-14%	149 317

Analysis of the performance

Operating Revenue

The overall performance variance on the revenue for the quarter is 12% below the target. The negative performance is mainly due to negative performance on service charges.

Operating Expenditure

The overall performance on the expenditure is at 13% below target, however bulk purchases and inventory consumed is 11% above target monitoring will be necessary in this line item as over expenditure will occur.

Capital Expenditure

Total Capital Expenditure to date is R 18 309 021 of this amount R 8 156 695 relates to MIG funding, R 9 128 630 relates to INEP whilst R 1 023 696 is from internally generated funds.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received Including rollover	YTD Expenditure (Quarter 1)	Available as at 30 Sep 2022
Municipal Infrastructure Grant	MIG	62 635 400	21 564 000	8 156 695	54 478 705
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	9 128 630	5 871 370
Own Funding	Revenue	71 130 000	71 130 000	1 023 696	70 106 304
Total		163 881 875	112 810 475	18 309 021	94 501 454

UNSPENT OPERATIONAL GRANTS AND CAPITAL GRANTS

Grants	Allocation per DoRA	Actual received Including rollover	YTD Expenditure (Quarter 1)	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000	658 000	2 200 334	-1 542 334	334%
Financial Management Grants	2 100 000	2 100 000	0	2 100 000	0%
Integrated National Electrification Programme Grant	15 000 000	5 000 000	9 128 630	-4 128 630	183%
Infrastructure Skills Development Grant	24 500 000	13 000 000	0	13 000 000	0%

Municipal Infrastructure Grant	65 932 000	21 564 000	8 156 695	13 407 305	38%
Sasol Grant-Electrification	15 116 475	15 116 475	0	15 116 475	0%
Total	125 277 475	57 438 475	19 485 659	37 952 816	34%

Year to date percentage on EPWP and INEP is above 100% because this is based on amount received to date.

Repairs and Maintenance Analysis

Repairs and maintenance spending to date (with percentage of budget spent)

Description	Total Budget	Total Actual	Total Unspent	% Spent
Community and Social Services	20 264 074.00	848 997.63	19 415 076.37	4.19
Energy Sources	41 624 987.00	3 362 942.00	38 262 045.00	8.08
Environmental Protection	-	-	-	-
Executive and Council	-	-	-	-
Finance and Administration	697 851.00	-1 836.00	699 687.00	-0.26
Planning and Development	48 407.00	501.00	47 906.00	1.03
Public Safety	2 073 803.00	-	2 073 803.00	0.00
Road Transport	20 966 107.00	930 250.00	20 035 857.00	4.44
Waste Management	9 040 000.00	1 382 867.00	7 657 133.00	15.30
Waste Water Management	25 540 780.00	2 007 631.00	23 533 149.00	7.86
Water Management	8 782 787.00	708 242.00	8 074 545.00	8.06
Total	129 038 796.00	9 239 594.63	119 799 201.37	7.16

CASH MANAGEMENT

As of 30 September 2022 (Quarter 1), Municipality had a positive bank statement balance of R 33 006 740 and a positive cash book balance of R 38 990 012.

INVESTMENT PORTFOLIO ANALYSIS

Supporting table SC5 displays the Council's investment portfolio and indicates that R 14.8 million is currently invested. No new investments were made. Accrued interest for the quarter amounts to R 245 thousand.

MP307 Govan Mbeki - Supporting Table SC5 Monthly Budget Statement - investment portfolio - Q1 September

Investments R thousands	Period of Investment	Type of Investment	Expiry date of investment	Quarter1	Quarter2	Quarter3	Quarter4
	Yrs/Months			R'000	R'000	R'000	R'000
Municipality							
ABSA	12 MONTHS	Fixed Deposit	23/06/2023	13 947	-	-	-
OLD MUTUAL		Shares		356	-	-	-
SANLAM		Shares		130	-	-	-
NEDBANK		Shares		215	-	-	-
QUILTER		Shares		186	-	-	-
TOTAL INVESTMENTS				14 834	-	-	-

DEBTORS MANAGEMENT

Debtors

Our Debtors book had a total balance of R 3 266 338 000 as at end of September 2022. The average debtors' payment rate for the quarter is 62%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q 1 September

Description	NT Code	Budget Year 2022/23			
		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
R thousands					
Debtors Age Analysis By Income Source					
Trade and Other Receivables from Exchange Transactions - Water	1200	1 002 588	–	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	399 322	–	–	–
Receivables from Non-exchange Transactions - Property Rates	1400	285 036	–	–	–
Receivables from Exchange Transactions - Waste Water Management	1500	372 179	–	–	–
Receivables from Exchange Transactions - Waste Management	1600	336 803	–	–	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–
Interest on Arrear Debtor Accounts	1810	527 896	–	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–
Other	1900	342 514	–	–	–
Total By Income Source	2000	3 266 338	–	–	–
Debtors Age Analysis By Customer Group					
Organs of State	2200	173 060	–	–	–
Commercial	2300	318 092	–	–	–
Households	2400	2 775 186	–	–	–
Other	2500	–	–	–	–
Total By Customer Group	2600	3 266 338	–	–	–

The following table indicates payment rate per region for the quarter:

Region	Payment Rate (Billing) June 2022	Payment Rate (Billing) July 2022	Variance June & July	Payment Rate (Billing) August 2022	Variance July & August	Payment Rate (Billing) September 2022	Variance August & September
0100 SECUNDA	89%	94%	5%	88%	-6%	108%	20%
0300 KINROSS	69%	77%	8%	72%	-5%	82%	10%
0400 TRICHARDT	81%	106%	25%	81%	-25%	92%	11%
0500 EVANDER	68%	82%	14%	76%	-6%	94%	18%
0900 EENDRACHT	44%	40%	-4%	41%	1%	31%	-10%
1000 LESLIE	80%	84%	4%	84%	0%	82%	-2%
1100 LEBOHANG	1%	1%	0%	2%	1%	2%	0%

1300 TERRA NOVA	28%	58%	30%	30%	-28%	38%	8%
Region 2	58%	68%	10%	59%	-9%	66%	7%
Region	Payment Rate (Billing) June 2022	Payment Rate (Billing) July 2022	Variance June & July	Payment Rate (Billing) August 2022	Variance July & August	Payment Rate (Billing) September 2022	Variance August & September
0200 EMBALENHLE	17%	18%	1%	16%	-2%	22%	6%
0600 CHARL CILLIERS	22%	27%	5%	20%	-7%	27%	7%
Region 3	20%	23%	3%	18%	-5%	25%	7%
Region	Payment Rate (Billing) June 2022	Payment Rate (Billing) July 2022	Variance June & July	Payment Rate (Billing) August 2022	Variance July & August	Payment Rate (Billing) September 2022	Variance August & September
0700 BETHAL	65%	59%	-6%	59%	0%	73%	14%
0701 BETHAL RDP	0%	0%	0%	0%	0%	0%	0%
0800 EMZINONI	6%	7%	1%	8%	1%	8%	0%
1400 BETHAL AH	21%	63%	42%	32%	-31%	112%	80%
1500 BETHAL RAND	31%	46%	15%	38%	-8%	69%	31%
1700 NEW BETHAL EAST	36%	59%	23%	41%	-18%	46%	5%
2000 SORRENTO PARK	3%	1%	-2%	1%	0%	0%	-1%
Region 1	23%	34%	10%	26%	-8%	44%	18%
Region	PaymentRate (Billing) June 2022	PaymentRate (Billing) July 2022	Variance June & July	PaymentRate (Billing) August 2022	Variance July & August	PaymentRate (Billing) September 2022	Variance August & September
1200 GOVAN MBEKI FARMS	64%	79%	15%	80%	1%	104%	24%
2100 FARM DIVISION - IR	37%	73%	36%	89%	16%	41%	-48%
2200 FARM DIVISION - IS	71%	81%	10%	107%	26%	73%	-34%
RES1 RESIDENTIAL	69%	48%	-21%	45%	-3%	49%	4%
Farms	60%	70%	10%	80%	10%	67%	-14%

The following table indicates payment rate per month.

Month	2020/21	2021/22	2022/23
July	68%	63%	65%
August	50%	57%	61%
September	69%	65%	61%
October	62%	60%	
November	21%	58%	
December	61%	61%	
January	66%	70%	
February	59%	58%	
March	59%	63%	
April	119%	69%	
May	57%	70%	
June	59%	59%	

Accounts owed by Councilors'

Account Holder	Account	Total	30> Days	60> Days	90 >Days	120> Days
Kubheka AM	2008379	R 8 679.36	R 1 236.93	R 1 236.93	R 1 162.33	R 5 043.17
Mabizela TM	2301068	R 1 739.46	R 1 739.46	R 0.00	R 0.00	R 0.00
Magagamela FF	2205558	R 13 975.59	R 3 130.72	R 967.86	R 638.83	R 9 238.18
Makhado TC	2204337	R 2 865.19	R 2 865.19	R 0.00	R 0.00	R 0.00
Maluka J	7001671	R 59 212.21	R 1 510.44	R 1 531.59	R 1 335.06	R 54 835.12
Maseko MA	7009206	R 5 847.22	R 457.55	R 354.62	R 352.23	R 4 682.82
Masinga AMP	2109271	R 1 449.49	R 1 366.20	R 83.29	R 0.00	R 0.00
Masiteng SM	2601472	R 38 511.48	R 1 057.83	R 1 095.06	R 1 007.96	R 35 350.63
Mazibuko TM	2004788	R 4 639.09	R 4 639.09	R 0.00	R 0.00	R 0.00
Mofokeng TS	2010079	R 74 731.82	R 1 471.40	R 1 471.40	R 2 504.39	R 69 284.63
Mthembu AP	2300001	R 50.63	R 50.63	R 0.00	R 0.00	R 0.00
Mtshali PD	6510278	R 44 689.17	R 1 131.94	R 1 229.95	R 1 174.46	R 41 152.82
Ngwenya NM	2109708	R 26 728.49	R 896.88	R 1 147.77	R 774.34	R 23 909.50
Nkabinde ER	4006463	R 4 524.81	R 1 294.72	R 2 096.94	R 1 133.15	R 0.00
Nkuna MM	7009035	R 103 968.02	R 1 549.65	R 1 639.29	R 1 784.28	R 98 994.80
Nkwanyana AL	2001414	R 7 146.26	R 1 237.90	R 1 192.63	R 1 129.23	R 3 586.50
Nsibande ME	7000472	R 3 310.12	R 570.14	R 570.14	R 570.14	R 1 599.70
Petterson J	8502782	R 2 738.01	R 496.35	R 509.28	R 504.92	R 1 227.46
Sehlalo MS	2109867	R 115 289.60	R 1 401.04	R 1 394.94	R 1 181.01	R 111 312.61
Sierana MR&N	2101798	R 47 189.32	R 1 844.94	R 1 833.45	R 1 744.20	R 41 766.73
Sindelo N	2206183	R 2 386.79	R 2 234.97	R 151.82	R 0.00	R 0.00
Thukwane KS	2204708	R 90 514.90	R 1 698.55	R 1 689.92	R 1 641.58	R 85 484.85
Vilakazi P	2601906	R 77 702.75	R 1 294.03	R 1 287.76	R 1 271.89	R 73 849.07
Ziwele LS	2103655	R 44 641.86	R 1 158.57	R 2 249.89	R 2 037.90	R 39 195.50
Total		R 782 531.64	R 36 335.12	R 23 734.53	R 21 947.90	R 700 514.09

Distribution losses

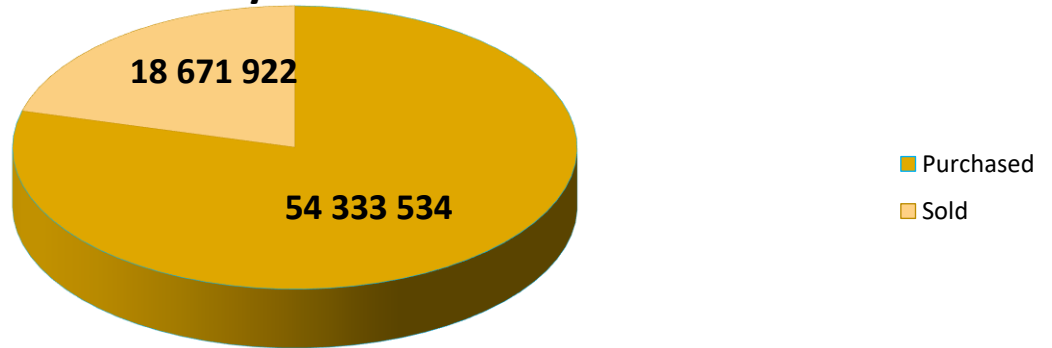
Water and Electricity Distribution Losses for September 2022. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	54,333,534	18,671,922	-65.63%	-60.50%	-72.60%
Water	2,793,649	1,878,312	-32.76%	-32.56%	-32.15%

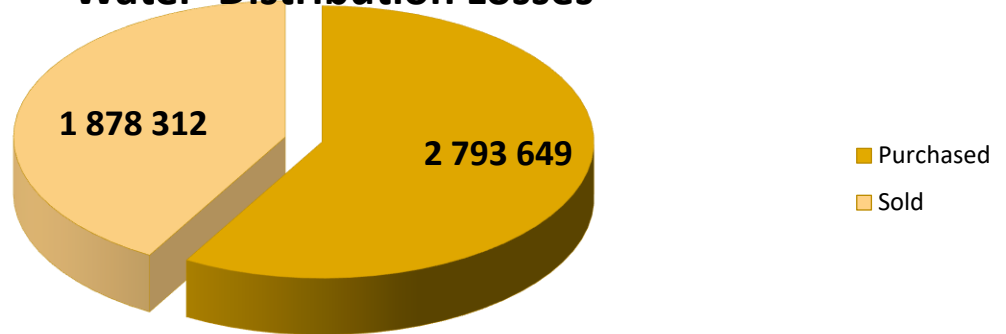
Water and Electricity Distribution Losses: Accumulated: July 2021 to September 2022 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	158,836,358	54,796,702	-65.50%	-64.46%	-70.15%
Water	8,157,053	5,583,290	-31.55%	-34.38%	-32.38%

Electricity Distribution Losses



Water Distribution Losses



LIABILITIES

Creditors

The total creditors balance for the quarter ended September 2022 (quarter1) amounted to R 3 858 561 680.

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the month of September 2022, R 3 858 billion was outstanding and of this 96% is outstanding for more than 30 days. The cash flow challenges continue to affect timeous payments to creditors.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - Quarter 1

Description	NT Code	Budget year 2022/2023			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
R thousands					
Creditors Age Analysis By Customer Type					
Bulk Electricity	0100	3 258 175	-	-	-
Bulk Water	0200	543 805	-	-	-
PAYE deductions	0300	-	-	-	-
VAT (output less input)	0400	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-
Loan repayments	0600	-	-	-	-
Trade Creditors	0700	56 582	-	-	-
Auditor General	0800	-	-	-	-
Other	0900	-	-	-	-
Total By Customer Type	1000	3 858 562	-	-	-

FINANCIAL RATIOS:

Current Ratio: 0.37

Formula: Current assets / Current Liabilities

The municipality will not be able to meet its short-term obligations as they fall due as current liabilities are not covered in full by our current assets. Ideally this ratio should always be greater than one to make sure we pay our creditors as they fall due.

Debt Ratio: 1.17

Formula: Total liabilities / Total assets

A lower debt ratio usually implies a more stable business with the potential of longevity, which means that lower ratio also has lower overall debt. The ratio is indicative of municipality's financial ability to pay loan commitments as they fall due using its assets.

Debt Service Coverage: 0.004

Formula: Operating surplus / Total debt service cost

The debt service coverage ratio is a financial ratio that measures a municipality's ability to service its current debts by comparing its net operating income with its total debt service obligations. The municipality is unable to service its debts when they become due hence the increase in creditors.

Cost Coverage Ratio: 1.54

Formula: Cash and cash equivalents (Available cash + investments) / fixed operating expenditure

The municipality will encounter difficulties in meeting its monthly obligation even though its cost coverage ratio is above 1. This is an indication that the municipality has cash constraints and that there isn't sufficient cash to cover expenditures.

Additional Reports Annexures

ANNEXURE A: C_Schedules

ANNEXURE B: Annexure is comprised of the following Appendices

Supply Chain Management that comprises of the following items

- ✓ Deviation from Supply Chain Management process in terms of Section 36 of the regulation. is attached as **Appendix "A"**:
- ✓ Disclosure of Supply Chain Management purchase above R100 000. **Appendix "B"**:
- ✓ Disclosure of irregular expenditure amounting to 15 426 737.78 as **Appendix "C"**
- ✓ Disclosure of tenders awarded as **Appendix "D"**

Insurance Claims

26 insurance has been lodged in the 1st quarter amounting to R 1 436 801, year to date amounts to R18 113 463
The details of insurance claims are attached as **Appendix "E"**.

Highest Debtors per Town Appendix "F" and Government Debt Appendix "G"

The table shows the 10 highest Outstanding Debtors per Town at the status as at the period ending 30 September 2022.

Fruitless and Wasteful Expenditure

For the quarter under review fruitless and wasteful expenditure is R148 243 125, details are attached as **Appendix "H"**. This relates to interest and penalty charged by Eskom and Rand Water for late payment.

Capital Expenditure

Disclosure of capital expenditure amounting to R 18 309 021 as **Appendix "I"**