



Quarterly Budget Statement

MFMA Section 52 Report

30 September 2024

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 to 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.

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 2024** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: A.B.M. Mavimbela

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:

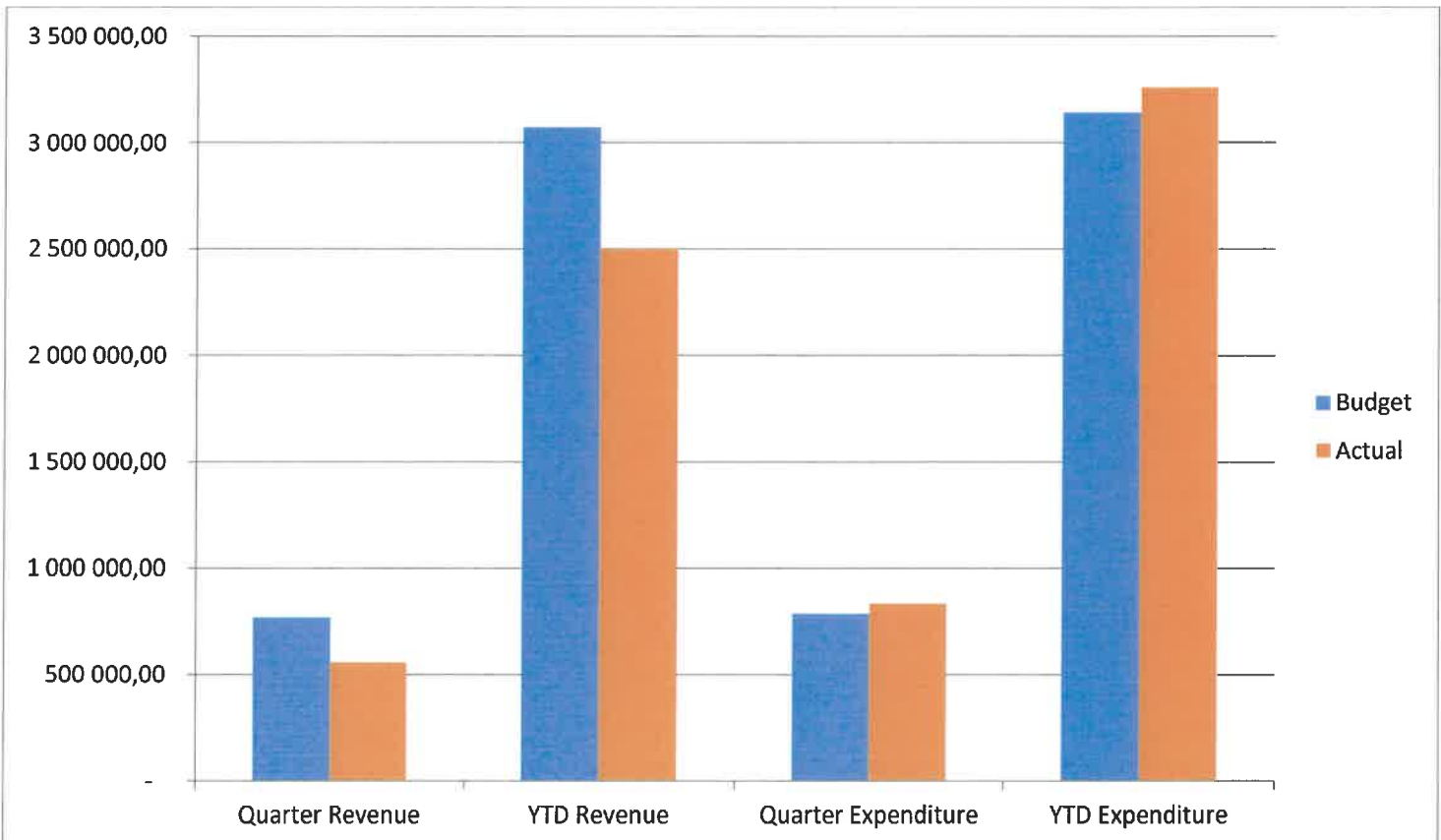
The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of R 777 492 billion and Operating Expenditure of R 917 276 billion which resulted in a deficit of R 139 784 million before capital transfer of R 36 million which resulted in overall deficit of R 103 million.

Description	Original Budget 2024/2025	Quarter 1	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	777 492	777 492	825 095	-47 602	-6%
Total Operating Expenditure	3 988 528	917 276	917 276	997 132	-79 856	-8%
Surplus /(Deficit) for the year before grant capital revenue	-688 150	-139 784	-139 784	-172 037	32 254	-19%
Grant capital revenue	117 651	36 326	36 326	29 413	6 913	24%
Surplus /(Deficit) for the year	-570 499	-103 458	-103 458	-142 624		
Total Capital Expenditure	273 903	46 889	46 889	68 476	-18 845	-28%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at 30 September 2024

MP307 Govan Mbeki - Table C1 Monthly Budget Statement Summary - M03 - Quarter 1

R thousands	Description	2023/24				Budget Year 2024/25				YTD variance	YTD variance %	Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Quarter 1	YearTD actual	YearTD budget	YearTD budget	YearTD budget			
	Financial Performance											
	Property rates	396 103	445 250	-	96 861	96 861	111 313	(14 451)	-13%	445 250		
	Service charges	1 309 477	2 070 934	-	403 710	403 710	517 733	(114 024)	-22%	2 070 934		
	Investment revenue	14 911	16 375	-	1 650	1 650	4 094	(2 444)	-60%	16 375		
	Transfers and subsidies - Operational	459 861	492 163	-	196 342	196 342	123 041	73 302	60%	492 163		
	Other own revenue	319 599	275 656	-	78 929	78 929	68 914	10 015	15%	275 656		
	Total Revenue (excluding capital transfers and contributions)	2 499 952	3 300 378	-	777 492	777 492	825 094	(47 602)	-6%	3 300 378		
	Employee costs	636 744	787 368	-	169 598	169 598	196 842	(27 244)	-14%	787 368		
	Remuneration of Councilors	35 846	35 480	-	7 706	7 706	8 870	(1 164)	-13%	35 480		
	Depreciation and amortisation	126 208	165 837	-	32 522	32 522	41 459	(8 938)	-22%	165 837		
	Interest	279 604	140 087	-	48 044	48 044	35 022	13 022	37%	140 087		
	Inventory consumed and bulk purchases	1 669 211	1 369 246	-	576 051	576 051	342 312	233 740	68%	1 369 246		
	Transfers and subsidies	38 490	28 361	-	9 619	9 619	7 090	2 529	36%	28 361		
	Other expenditure	474 457	1 462 150	-	73 736	73 736	365 537	(291 802)	-80%	1 462 150		
	Total Expenditure	3 260 561	3 988 528	-	917 276	917 276	997 132	(79 856)	-8%	3 988 528		
	Surplus/(Deficit)	(760 609)	(688 150)	-	(139 784)	(139 784)	(172 038)	32 254	-19%	(688 150)		
	Transfers and subsidies - capital (monetary allocations)	118 018	117 651	-	36 326	36 326	29 413	6 913	24%	117 651		
	Share of surplus/ (deficit) of associate	(642 591)	(570 499)	-	(103 458)	(103 458)	(142 625)	39 167	-27%	(570 499)		
	Surplus/ (Deficit) for the year	(642 591)	(570 499)	-	(103 458)	(103 458)	(142 625)	39 167	-27%	(570 499)		
	Capital expenditure & funds sources											
	Capital expenditure	162 852	273 903	-	49 631	49 631	68 476	(18 845)	-28%	273 903		
	Capital transfers recognised	109 407	114 053	-	38 294	38 294	28 513	9 781	34%	114 053		
	Borrowing	-	-	-	-	-	-	-	-	-	-	-
	Internally generated funds	48 844	159 600	-	11 337	11 337	39 900	(28 563)	-72%	159 600		
	Total sources of capital funds	158 251	273 653	-	49 631	49 631	68 413	(18 783)	-27%	273 653		
	Financial position											
	Total current assets	2 726 135	1 244 845	-	-	-	-	-	-	1 244 845		
	Total non current assets	3 066 279	2 936 479	-	3 191 437	3 191 437	2 936 479	254 958	8%	2 936 479		
	Total current liabilities	7 550 469	4 141 563	-	7 587 486	7 587 486	4 141 563	3 445 923	83%	4 141 563		
	Total non current liabilities	373 318	369 440	-	421 190	421 190	369 440	51 750	14%	369 440		
	Community wealth/Equity	(2 131 373)	(329 679)	-	(2 424 087)	(2 424 087)	-	-	-	(329 679)		
	Cash flows											
	Net cash from (used) operating	752 945	491 806	-	294 801	294 801	122 951	(171 849)	-140%	491 806		
	Net cash from (used) investing	181 843	(192 253)	-	(56 249)	(56 249)	(48 063)	8 186	-17%	(192 253)		
	Net cash from (used) financing	-	-	-	-	-	-	-	-	-		
	Cash/cash equivalents at the month/year end	1 085 332	555 936	-	264 303	264 303	331 334	67 030	20%	325 303		
	Debtors & creditors analysis											
	Debtors Age Analysis	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days-1 Yr	Over 1Yr	Total		
	Total By Income Source	182 249	87 908	81 703	76 922	73 419	72 657	71 043	2 947 344	3 593 244		
	Creditors Age Analysis											
	Total Creditors	219 868	254 257	212 523	224 413	38 248	91 753	97 074	4 841 056	5 979 192		

Analysis of the performance

Operating Revenue

The overall performance on the revenue component is 6% below target. Property rates, service charges and other own revenue are the main items to contribute in this negative performance.

Operating Expenditure

The overall performance on the expenditure component is 8% below target.

Bulk purchases, finance charges and transfers and subsidies are above target by 104%, 37% and 36% respectively. Should the trend continue at the same rate there will be an unauthorized expenditure in these line items at the end of the financial year.

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 recorded as at 30 September 2024 is at 11%. The total anticipated revenue is R1 926 713 000 of which an amount of **R213 740 478.22** has been collected to date.

Capital Expenditure

Total Capital Expenditure to date amounts to R 53 922 537.17 R 17 072 419.74 relates to INEP funding, R 26 407 922.53 relates to MIG funding, R449 493.60 relates to MDRG funding whilst R9 992 701 is from internally generated funds.

Grants	Funding	Approved Budget	Received Including rollover	Q1 Actual	Balance on Approved Budget	YTD %
Integrated National Electrification Programme Grant	INEP	32 240 000.00	15 000 000.00	17 072 419.74	15 167 580.54	53%
Municipal Infrastructure Grant	MIG	77 528 000.00	30 011 000.00	26 407 922.53	51 120 077.47	34%
Financial Management Grants	FMG	250 000.00	250 000.00	0.00	250 000.00	0%
Municipal Disaster Recovery Grant	MDRG	7 883 000.00	9 451 000.00	449 493.60	7 433 506.40	6%
Own Funding	Revenue	159 600 000.00		9 992 701.30	149 607 298.70	6%
Total		277 501 000.00	54 712 000.00	53 922 537.17	223 578 463.10	19%

Performance of Operational Grants

Grants	Approved Allocation	Received Including rollover	Expenditure as at 30 September 2024	Unspent Portion	YTD % on Approved Budget
Extended Public works Programme	1 597 000.00	400 000.00	1 597 000.00	-1 197 000.00	100%
Financial Management Grants	3 250 000.00	3 250 000.00	820 660.25	2 679 339.75	23%
Infrastructure Skills Development Grant	24 400 000.00	14 000 000.00	-	14 000 000.00	0%
Arts and Culture	-	91 608.25	-	91 608.25	0%
LG Seta	1 000 000.00	353 684.11	231 545.61	122 138.50	19%
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	379 623.94	659 457.00	-279 833.06	19%
Pre-Capacity grant	-	165 007.63	65 439.00	99 568.63	40%
Equitable share	458 066 000.00	190 861 000.00	190 861 000.00	0.00	42%
Total	491 963 000.00	210 342 874.76	194 235 101.86	16 107 772.90	39%

Repairs and Maintenance Analysis

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

Description	Total Budget	Q1 Actual	Balance	% Spent
Community and Social Services	20 252 382.00	2 401 421.80	17 850 960.20	11.86%
Energy Sources	34 581 360.00	10 803 401.88	23 777 958.12	31.24%
Finance and Administration	2165257	11 100.00	2 154 157.00	0.51%
Planning and Development	50 682.00	0.00	50 682.00	0.00%
Public Safety	1 473 820.00	0.00	1 473 820.00	0.00%
Road Transport	21 951 513.00	641 618.56	21 309 894.44	2.92%
Sport and Recreation	2 464 103.00	69 528.82	2 394 574.18	2.82%
Waste Management	16 500 000.00	1 275 313.12	15 224 686.88	7.73%
Waste Water Management	29 820 266.00	1 464 117.40	28 356 148.60	4.91%
Water Management	7 595 111.00	1 531 680.00	6 063 431.00	20.17%
Grand Total	136 854 494.00	18 198 181.58	118 656 312.42	13.30%

CASH MANAGEMENT

As at 30 September 2024 (Quarter 1) Municipality had a positive bank statement balance amounting to R7 809 009.16 with a negative cash book balance of (R25 656 029.73).

INVESTMENT PORTFOLIO ANALYSIS

The following table displays the investments portfolio and indicates a closing balance of R83 442 823.89 invested as at quarter ended September 2024 (Quarter 1)

Description	Account Nr	01/07/2024	30/09/2024
Long-Investments			
Old Mutual Shares C0777197766	Share nr C0777197766	27 096.93	27 096.93
Old Mutual Shars C0777027950	Share nr C0777027950	372 939.00	372 939.00
Sanlam U0063349159	Share nr U0063349159	198 415.84	198 415.84
Nedbank (70) Withdrawal	70 Shares	17 948.70	17 948.70
Nedbank (966) Withdrawal	966Shares	247 692.06	247 692.06
Quilter plc (624)	Share nr 1521061685	17 228.64	17 228.64
Quilter plc (8599)	Share nr 1521053495	237 418.39	237 418.39
		1 118 739.56	1 118 739.56
Short-term Investments			
ABSAFixed Deposit	2081676199	0	30 643 989.04
Standard Bank MoneyMarket Call Account	038787024(003)	497 525.13	510 652.06
Standard Bank TieredRate Call Account	038787024(008)	10 238 342.74	29 958 272.46
Standard Bank MoneyMarket Call Account	038787024(009)	5 345 784.26	21 211 170.77
		16 081 652.13	82 324 084.33
		17 200 391.69	83 442 823.89

DEBTORS MANAGEMENT

The total debtors balance for the quarter ended September 2024 (quarter 1) amounted to R 3 593 244 000. The debtors' payment rate for the quarter is 62%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M03 - Quarter 1

R thousands	Description	NT Code	Budget Year 2024/25								Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts I.t.o Council Policy
			0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dys-1 Yr	Over 1Yr				
	Debtors Age Analysis By Income Source													
	Trade and Other Receivables from Exchange Transactions - Water	1200	53 121	21 170	20 055	17 777	17 859	18 712	16 748	536 778	1 007 913	(1)	-	
	Trade and Other Receivables from Exchange Transactions - Electricity	1300	53 130	14 805	11 640	9 089	8 905	8 552	8 502	345 805	380 850	(0)	-	
	Receivables from Non-exchange Transactions - Property Rates	1400	27 184	10 370	9 549	10 706	8 193	7 825	7 542	272 116	305 371	(0)	-	
	Receivables from Exchange Transactions - Waste Water Management	1500	14 216	8 477	8 084	7 309	7 153	6 526	6 526	339 811	368 120	(0)	-	
	Receivables from Exchange Transactions - Waste Management	1600	12 362	7 949	7 512	6 937	6 754	6 636	6 520	313 016	339 863	(0)	-	
	Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	-	
	Interest on Arrear Debtor Accounts	1810	21 637	24 558	24 348	23 644	23 644	23 330	23 016	7 111 797	805 782	-	-	
	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	
	Other	1900	259	438	515	1 202	724	449	2 069	28 020	32 484	-	-	
	Total By Income Source	2000	182 249	87 908	81 703	76 922	73 419	72 657	71 043	2 947 344	3 593 244	(1)	-	
	2023/24 - totals only													
	Debtors Age Analysis By Customer Group													
	Organs of State	2200	7 840	2 853	1 978	1 597	1 493	1 386	1 370	34 937	40 773	-	-	
	Commercial	2300	60 548	8 872	7 523	7 981	5 197	5 721	5 906	191 027	216 823	-	-	
	Households	2400	113 851	76 173	72 202	67 853	65 738	85 549	63 767	2 721 380	2 983 788	(1)	-	
	Other	2500	-	-	-	-	-	-	-	-	-	-	-	
	Total By Customer Group	2600	182 249	87 908	81 703	76 922	73 419	72 657	71 043	2 947 344	3 593 244	(1)	-	

The following table indicates the consumer debtor's payment rate at the end of quarter 1

	Quarter 1
Debtors Opening Balance	3 514 410 000.00
Add: Billing for the Quarter	201 530 782.54
Debtors Write off	
Less: Debtors Closing Balance	3 593 244 000.00
	122 696 782.54
Payment rate	62%

The following table indicates payment rate per month.

Month	2024/2025
July	69%
August	64%
September	62%
October	
November	
December	
January	
February	
March	
April	
May	
June	

Accounts owed by Councilors'

September 2024

ACCOUNT	COUNCILLOR'S NAME	TOTAL AMOUNT	CURRENT	30 DAYS	60 DAYS	90 DAYS
2001414	NKWANYANA SE	5 369.41	5 369.41	0.00	0.00	0
2004788	MAZIBUKO TM	1 554.09	1 525.00	29.09	0.00	0
2008379	KUBHEKA MA	43 255.19	353.80	353.80	1 002.89	1632.79
2010079	MOFOKENG TS	8 417.70	1 825.89	1 825.89	1 880.19	1519.76
2101798	SIERANA GC	96 554.93	2 901.35	3 110.31	3 116.98	2457.92
2109271	MASINGA MM	834.85	834.85	0.00	0.00	0
2109708	NGWENYA LP	333.42	333.42	0.00	0.00	0
2109867	SEHLALO MS	96 627.32	1 512.90	1 514.68	1 521.77	1527.11
2204337	MAKHADO TC	2 779.91	1 322.51	1 457.40	0.00	0
2204708	THUKWANE KS	67 247.80	1 334.15	1 334.15	1 302.89	1251.63
2205558	MAGAGAMELA FF	11 965.59	745.49	1 051.43	1 034.36	1018.49
2206183	SINDELO S	650.67	558.50	73.78	18.39	0
2300001	MTHEMBU BE	1 064.31	873.94	160.43	29.94	0
2301068	MABIZELA TM	5 269.90	623.87	551.95	888.22	354.12
2601472	MASITENG SM	3 065.32	1 044.50	1 010.75	1 010.07	0
2601906	VILAKAZI P	4 321.35	975.08	975.08	967.50	911.52
4006463	NKABINDE ER	981.39	924.62	56.77	0.00	0
6510278	MTSHALI PD	1 307.29	1 307.29	0.00	0.00	0
7000472	NSIBANDE ME	926.38	926.38	0.00	0.00	0
7001671	MALUKA JM	25 127.07	1 912.93	1 234.27	1 236.58	1149.5
7009035	NKUNA MM	5 935.80	1 111.06	1 111.06	1 095.88	1039.9
7009206	MASEKO TM	262.73	87.76	47.70	47.63	45.3
8502782	PETTERSON MR	365.81	321.52	44.29	0.00	0
		384 218.23	28 726.22	15 942.83	15 153.29	12 908.04

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 23/24	Average 22/23
Electricity	169,910,128	71,266,776	-58.06%	-58.92%	-64.48%
Water	7,385,378	4,174,125	-43.48%	-46.92%	-38.38%

LIABILITIES

Creditors

The total creditors balance for the quarter ended September 2024 (quarter 1) amounted to R 5 979 191 643

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the quarter ended in September 2024, R5 979 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 - M03 Q1

Description	NT Code	Budget Year 2024/25								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	149 140	192 456	183 404	1 682	6 288	54 693	24 091	4 462 895	5 074 649
Bulk Water	200	45 446	27 946	28 191	72 361	19 491	13 510	10 092	608 163	825 200
PAYE deductions	300									0
VAT (output less input)	400									0
Pensions / Retirement deductions	500									0
Loan repayments	600									0
Trade Creditors	700	25 281	33 854	928	19 223					79 286
Auditor General	800				55					55
Other	900									0
Total By Customer Type	1000	219 867	254 257	212 523	93 321	25 779	68 203	34 183	5 071 058	5 979 192

FINANCIAL RATIOS:

Current Ratio: 0.32:1

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: 1.43:1

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 indicates the municipality is financial unable to pay commitments as they fall due using its assets.

Cost Coverage Ratio: 0.27:1

Formula: *Cash and cash equivalents (Available cash – Unspent grants + short-term investments) / fixed operating expenditure*

The municipality will encounter difficulties in meeting its monthly obligation as the cost coverage ratio is below 1. This is an indication that the municipality has cash constraints and that there isn't sufficient cash to cover expenditures. Good practice will be to have a cost coverage ratio of 3:1.

Additional Reports Annexures

ANNEXURE B: Annexure is comprised of the following Appendices

C SCHEDULES as Appendix "A".

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 "B"**;
- ✓ Disclosure of Supply Chain Management purchase above R100 000 amounting to R **112 225 620.31** as **Appendix "C"**;
- ✓ Disclosure of irregular expenditure amounting to R **30 497 705.92** as **Appendix "D"**
- ✓ Disclosure of tenders awarded for the quarter ending 30 September 2024 are as **Appendix "E"**

Insurance Claims

- 23 insurances have been lodged in the 1st quarter, outstanding claims year to date amounts to R **1 979 373.80** The details of insurance claims are attached as **Appendix "F"**.

Highest Debtors per Town Appendix "G"

- The table shows the 10 highest Outstanding Debtors per Town at the status as at the period ending 30 September 2024.
- Government Debtors for the quarter ending 30 September 2024 amount to R**46 258 237.48** **Appendix "H"**

Fruitless and Wasteful Expenditure

- For the quarter under review fruitless and wasteful expenditure is **R 47 989 600.26**, details are attached as **Appendix “I”**. This relates to interest and penalty charged by Eskom and Rand Water for late payment.

Capital Expenditure

- Disclosure of capital expenditure amounting to **R 53 992 536.00** as **Appendix “J”**

Budget Funding Plan

- Council approved the 2023/24 Budget Funding Plan (BFP) together with the budget on the 31st of May 2024
- The progress recorded as at 30 September 2024 is at **11%**. The total anticipated revenue is R1 926 713 000 of which an amount of **R213 740 478.22** has been collected to date.
Appendix “K”