



# Budget Statement

MFMA Section 71 Report

31 AUGUST 2023

**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 **AUGUST 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:** 12/09/2023

**Print Name: E.N. Maseko**

**Municipal Manager of Govan Mbeki Municipality (MP307)**

**Signature:** 

**Date:** 12/09/2023

## 1. DISCUSSION

### SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

#### Operating Revenue

The overall performance on the revenue component is 12% below target for the month.

#### Operating Expenditure

The overall monthly performance on the expenditure component is 13% above target.

Bulk purchases and finance charges are above monthly target by 96% and 250% 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 11 180 391.10, of this amount R 9 380 995.53 relates to MIG funding, whilst R 1 799 395.57 is from internally generated funds.

The grant spending is reported as a percentage of the entire allocation as per DoRA.

The MIG spent to date percentage of 14% is based on the overall allocation as per DoRA. The percentage of MIG spent on the allocation already received by the municipality is 42%.

Description	Funding	Allocation per DoRA/2024MTR EF	Actual received including rollover	YTD Expenditure	Available as at 31 AUGUST 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	9 380 995.53	56 025 554.47
Own Funding	Revenue	64 620 000.00	64 620 000.00	1 799 395.57	62 820 604.43
<b>Total</b>		<b>172 676 550.00</b>	<b>100 153 000.00</b>	<b>11 180 391.10</b>	<b>161 496 158.90</b>

#### Unspent Capital Grants

Grants	Allocation per DoRA	Received including rollover	YTD Expenditure August 2023	Unspent 2023/2024 as per Allocation	YTD %
Integrated National Electrification Programme Grant	42 650 000.00	13 000 000.00	0.00	42 650 000.00	0%
Municipal Infrastructure Grant	65 406 550.00	22 533 000.00	9 380 995.53	56 025 554.47	14%
Mining company: Sasol		77 554.38	0.00	0.00	0%
Water Services Infrastructure		3 047 400.85	0.00	0.00	0%
<b>Total</b>	<b>108 056 550.00</b>	<b>38 657 955.23</b>	<b>9 380 995.53</b>	<b>98 675 554.47</b>	<b>9%</b>

#### Unspent Operational Grants

Grants	Allocation per DoRA	Received including rollover	YTD Expenditure August 2023	Unspent 2023/2024 as per Allocation	YTD %
Extended Public works Programme	2 713 000.00	679 000.00	2 713 000.00	0.00	100%
Financial Management Grants	2 100 000.00	2 100 000.00	97 851.95	2 002 148.05	5%
Infrastructure Skills Development Grant	24 000 000.00	14 000 000.00	14 000 000.00	0.00	58%

Grants	Allocation per DoRA	Received Including rollover	YTD Expenditure August 2023	Unspent 2023/2024 as per Allocation	YTD %
Arts and Culture	493 887.00	493 887.00	0.00	0.00	0%
LG Seta	1 000 000.00	0.00	289 332.64	710 667.36	29%
Economic Development and Tourism		313 901.00	0.00	0.00	0%
Gert Sibande District Municipality		274 580.00	0.00	0.00	0%
Energy Efficiency Demand Grant		406 149.00	0.00	0.00	0%
Pre-Capacity grant		150 000.00	24 879.13	0.00	17%
Equitable share	426 701 000.00	177 792 000.00	177 792 000.00	0.00	42%
<b>Total</b>	<b>457 007 887.00</b>	<b>196 209 517.00</b>	<b>194 917 063.72</b>	<b>2 712 815.41</b>	<b>43%</b>

## Creditors

The total creditors balance for the month of AUGUST 2023 amounted to R 5 023 027 000.00 The major creditors are Eskom and Rand Water.

Description	NT Code	Budget Year 2023/24								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	
<b>R thousands</b>										
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100	195 529	155 069	145 248	3 755 842					4 251 687
Bulk Water	0200	48 890	10 662		665 706					725 258
PAYE deductions	0300									-
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500									-
Loan repayments	0600									-
Trade Creditors	0700	27 986	1 265	1 381	15 407					46 039
Auditor General	0800				43					43
Other	0900									-
<b>Total By Customer Type</b>	<b>1000</b>	<b>272 405</b>	<b>166 996</b>	<b>146 629</b>	<b>4 436 997</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 023 027</b>

## Debtors

Our Debtors book had a total balance of R 3 576 233 000 as at end of AUGUST 2023. The debtors' payment rate for the month is 82%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M02 - August

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		
<b>R thousands</b>											
<b>Debtors Age Analysis By Income Source</b>											
Trade and Other Receivables from Exchange Transactions - Water	1200	48 081	20 293	20 287	20 101	18 167	20 131	21 411	872 713	1 039 195	652 524
Trade and Other Receivables from Exchange Transactions - Electricity	1300	48 173	14 777	10 135	9 346	9 291	8 239	7 920	326 630	434 512	361 427
Receivables from Non-exchange Transactions - Property Rates	1400	28 840	11 679	9 194	8 506	8 349	8 171	7 522	245 632	327 893	278 180
Receivables from Exchange Transactions - Waste Water Management	1500	12 357	7 657	7 032	7 126	6 654	6 701	6 665	328 154	382 345	355 295
Receivables from Exchange Transactions - Waste Management	1600	11 200	7 567	6 812	6 664	6 536	6 427	6 339	299 282	350 627	325 245
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Ameer Debtors Accounts	1810	22 618	22 405	21 462	18 770	18 536	17 394	16 702	535 245	673 132	606 647
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	4 983	96 645	4 995	2 637	3 172	2 928	6 448	247 332	369 340	261 717
<b>Total By Income Source</b>	<b>2000</b>	<b>174 250</b>	<b>181 023</b>	<b>79 918</b>	<b>73 151</b>	<b>70 706</b>	<b>69 190</b>	<b>73 007</b>	<b>2 854 988</b>	<b>3 576 233</b>	<b>3 141 042</b>
<b>2022/23 - totals only</b>		<b>270 601</b>	<b>88 394</b>	<b>75 387</b>	<b>69 706</b>	<b>63 743</b>	<b>63 072</b>	<b>283 018</b>	<b>2 293 682</b>	<b>3 267 603</b>	<b>2 773 222</b>
<b>Debtors Age Analysis By Customer Group</b>											
Organs of State	2200	6 741	2 085	1 140	852	869	1 149	699	40 222	53 757	43 791
Commercial	2300	51 105	99 090	9 207	7 719	7 624	8 331	9 008	192 182	384 267	224 865
Households	2400	116 404	79 849	69 570	64 580	62 213	59 709	63 300	2 622 584	3 138 210	2 872 385
Other	2500	-	-	-	-	-	-	-	-	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>174 250</b>	<b>181 023</b>	<b>79 918</b>	<b>73 151</b>	<b>70 706</b>	<b>69 190</b>	<b>73 007</b>	<b>2 854 988</b>	<b>3 576 233</b>	<b>3 141 042</b>

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

Category	Actual Cash for the Month	Total Movement	Billing for July 2023	Adjustments
WATER	-21 719 250.68	36 891 145.48	37 837 574.76	-946 429.28
ELECTRICITY	-29 489 836.34	63 135 192.01	38 251 956.69	-902 422.96
RATES	-25 517 478.51	32 885 475.18	34 189 293.79	-1 303 818.61
REFUSE	-4 975 611.16	12 381 561.22	12 503 736.57	-122 175.35
SEWERAGE	-4 880 925.79	12 255 887.20	12 284 716.76	-28 829.56
MISCELLANEOUS	-239 368.50	218 120.78	205 870.82	12 249.96
MISCELLANEOUS (NO VAT)	-333 814.80	304 641.47	469 368.80	-164 727.33
INTEREST	-439 688.25	24 157 990.24	24 395 074.09	-237 083.85
PAYMENT ADVANCED	-2 935 800.91	0.00	0.00	0.00
<b>TOTAL</b>	<b>-90 531 774.94</b>	<b>182 230 013.58</b>	<b>160 137 592.28</b>	<b>-3 693 236.98</b>

Debtors Opening Balance	3,821,560,000.00
Add: Billing for the Month	197,894,720.29
Less: Debtors Write off	-315,330,185.01
Less: Debtors Closing Balance	3,576,233,000.00
	<b>127,891,535.28</b>
<b>Payment rate</b>	<b>82%</b>

### Cash Flows

As of 31 August 2023, we had a positive bank statement balance of R 6 627 244.62 and a negative cash book balance of R 11 022 866.03.

### Investments

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

Investment Type	Institution	01-Aug-23	31-Aug-23
Short term fixed deposits	Absa 3 Months Fixed Deposit	100 000 000.00	100 849 534.08
	Nedbank 3 Months Fixed Deposit	101 384 767.12	102 179 726.02
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	466 230.45	469 319.07
	Standard Bank Cheque MIG 38787024008	4 570 010.56	4 595 821.73
	Standard Bank Call Account 038787024009	56 615 102.11	32 999 091.12
	Standard Bank Current 030195276000	3 661 838.96	3 732 289.50
<b>Total Investments</b>		<b>267 584 000.17</b>	<b>245 774 968.27</b>

**Water and Electricity Distribution Losses for August 2023. (KL / Units)**

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	55,023,114	20,102,024	-63.47%	-62.51%	-60.50%
Water	2,539,400	1,450,452	-42.88%	-49.62%	-32.56%

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

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	101,065,302	38,392,988	-62.01%	-64.48%	-64.46%
Water	5,140,949	2,718,084	-47.13%	-38.38%	-34.38%

**Expenditure**

Electricity bulk purchases are 96% above monthly target.

Contracted services are 4% below monthly target.

Inventory consumed which include water purchases are 13% above monthly target.

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

Other expenditure is 50% below monthly target.

**Expenditure of Staff Benefits for the month of August 2023**

Salary bill for Councillors R 2 137 506.10

Salary bill for employee's R 54 179 431.12

Total staff compliment 1 164 (Full time)

Staff resignations 2

Staff Appointments 0

**Summary of staff processed.**

Company	Description	Number of Officials	Total
Company 1	Full time	1164	51 211 134.81
Company 2	EPWP	607	1 987 033.60
Company 3	Councillors	62	2 137 506.10
Company 4	Directors	6	756 856.10
Company 7	Temps	9	59 693.11
Company 8	Point Duty Officers	33	164 983.50
<b>TOTAL</b>		<b>1881</b>	<b>56 316 937.22</b>



**Attached to the report are the following appendices.**

APPENDIX A: C Schedules-M02

APPENDIX B: Deviations **R137 684.61**

APPENDIX C: Purchases above R100 000 – **R 56 759 819.74**

APPENDIX D: Insurances report – **R 17 096 777.12**

APPENDIX E: Capital Expenditure – **R 11 180 391.11**

APPENDIX F: Government Debtors – **R 13 874 730.32**

APPENDIX G: Fruitless and Wasteful Expenditure – **R 41 233 065.20**