



Budget Statement

MFMA Section 71 Report

31 AUGUST 2022

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 supporting documentation for the month of **August 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:

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 5% above target. Even though the overall performance is positive but there is a negative performance on service charges, Investment revenue and other income.

Operating Expenditure

The overall performance on the expenditure component is 22% below target.

Bulk purchases are above target by 2% and inventory consumed are below target by 2%. Close monitoring in these line items will be necessary as there is a possibility of unauthorised expenditure

Capital Expenditure

Total Capital Expenditure to date is R 11 965 825 of this amount R 6 029 799 relates to MIG funding, R 4 931 254 relates to INEP whilst R 1 004 772 is from internally generated funds.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received Including rollover	YTD Expenditure	Available as at 31 Aug 2022
Municipal Infrastructure Grant	MIG	65 932 000	21 564 000	6 029 799	15 534 201
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	4 931 254	68 746
Own Funding	Revenue	71 130 000	71 130 000	1 004 772	70 125 228
Total		167 178 475	112 810 475	11 965 825	100 844 650

Sasol grant budget to be amended through adjustment budget to be in line with the unspent Grant as per expenditure in June 2022.

Unspent Operational and Capital Grants

Grants	Allocation per DoRA	Actual received Including rollover	Expenditure as at 31 August 2022	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000	658 000	1 631 588	-973 588	248%
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	4 931 254	68 746	99%
Infrastructure Skills Development Grant	24 500 000	13 000 000	0	13 000 000	0%
Municipal Infrastructure Grant	65 932 000	21 564 000	6 029 799	15 534 201	28%
Sasol Grant-Electrification	15 116 475	15 116 475	0	15 116 475	0%
Total	125 277 475	57 438 475	12 592 642	44 845 833	22%

Creditors

The total creditors balance for the month of August 2022 amounted to R 3 786 230 982. The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M02 August

Description	NT Code	Budget Year 2022/23								
		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
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	141 827	26 830	285 802	94 838	2 636 745	-	-	-	3 186 041
Bulk Water	0200	81 845	7 342	37 256	18 563	400 938	-	-	-	545 945
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	20 576	6 828	2 728	228	22 495	-	-	-	52 854
Auditor General	0800	-	-	-	-	1 391	-	-	-	1 391
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	244 248	41 000	325 786	113 629	3 061 569	-	-	-	3 786 231

Debtors

Our Debtors book had a total balance of R 3 207 603 000 as at end of August 2022. The debtors' payment rate for the month is 61%

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

Description	NT Code	Budget Year 2022/23										
		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	53 305	27 302	23 841	19 172	18 792	20 238	86 876	729 380	978 906	874 458	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	44 253	15 098	10 845	9 711	9 138	8 712	39 780	259 535	397 072	326 876	
Receivables from Non-exchange Transactions - Property Rates	1400	27 648	12 509	9 700	8 937	8 134	7 630	35 537	171 389	281 484	231 627	
Receivables from Exchange Transactions - Waste Water Management	1500	13 121	9 120	8 253	7 993	7 840	7 820	34 525	276 930	365 602	335 108	
Receivables from Exchange Transactions - Waste Management	1600	12 294	9 043	8 319	7 734	7 444	7 166	32 742	245 452	330 194	300 538	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	
Interest on Arrear Debtor Accounts	1810	15 402	15 007	13 026	12 773	11 768	11 156	51 112	383 229	513 473	470 038	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	
Other	1900	104 578	315	1 403	3 386	627	350	2 446	227 767	340 872	234 576	
Total By Income Source	2000	270 601	88 394	75 387	69 706	63 743	63 072	283 018	2 293 682	3 207 603	2 773 221	
2019/20 - totals only										-	-	
Debtors Age Analysis By Customer Group												
Organs of State	2200	45 447	9 467	6 622	6 147	4 491	4 445	18 138	81 013	175 770	114 234	
Commercial	2300	121 306	13 852	9 836	4 999	3 972	3 893	18 360	140 538	316 756	171 762	
Households	2400	103 848	65 075	58 929	58 560	55 280	54 734	246 520	2 072 131	2 715 077	2 487 225	
Other	2500	-	-	-	-	-	-	-	-	-	-	
Total By Customer Group	2600	270 601	88 394	75 387	69 706	63 743	63 072	283 018	2 293 682	3 207 603	2 773 221	

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

Category	Actual Cash For the Month	Total Movement	Billing for July 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
Payment	71 054.41	-	-		0%	0%
Deposits	-188 260.48	79 228.00	-	79 228.00	238%	0%
Agreements	-344 250.69	-370 292.93	-	-370 292.93	0%	0%
Indigent Flat Credit	-3 790.55	-	-	-	0%	0%
Water	-28 130 406.16	43 730 076.23	44 082 743.88	-352 667.65	64%	64%
Electricity	-31 186 634.91	40 279 148.96	40 477 200.58	-198 051.62	77%	77%
Loans/Old Debt	-1 888.02	-	-	-	0%	0%
Rates	-22 783 690.18	33 219 889.65	33 238 202.81	-18 313.16	69%	69%
Annual Rates	-64 524.82	-	-	-	0%	0%
Refuse	-4 644 655.20	11 524 038.19	11 843 014.32	-318 976.13	40%	39%
Sewerage	-4 650 514.51	11 795 495.43	11 820 038.47	-24 543.04	39%	39%
Miscellaneous	-77 520.31	203 089.04	191 554.25	11 534.79	38%	40%
Miscellaneous(No Vat)	-223 689.80	381 624.87	421 608.49	-39 983.62	59%	53%
Vat	-10 499 001.56	16 119 329.11	16 251 769.66	-132 440.55	65%	65%
Interest	-236 751.70	15 067 994.12	15 069 894.79	-1 900.67	2%	2%
Payment Advanced	-2 291 464.61	-	-	-	100%	100%
TOTALS	-105 255 989.09	172 029 620.67	173 396 027.25	-1 366 406.58	61	61

Reason for revenue decline

- 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 illegal vending by the previous service provider whose contract was terminated

Cash Flows

At the 31st of August 2022, we had a positive bank statement balance of R 28 544 150 and a positive cash book balance of R 79 170 596.

Investments

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

		01-Aug-22	31-Aug-22
Fixed Deposits	ABSA Deposit 200644701346	13 784 573	13 867 186
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	436 348
Standard Bank Cheque MIG 38787024008		92 961 244	93 297 433
Standard Bank Call Account 038787024009		212 845 588	213 772 779
Standard Bank Current 030195276000		2 582 208	2 670 855
Total Investments		323 496 013	324 932 516

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	104,502,824	36,124,781	-65.43%	-60.50%	-72.60%
Water	2,640,529	1,880,340	-28.79%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	50,553,100	18,084,163	-64.23%	-64.46%	-70.15%
Water	5,363,404	3,704,978	-30.92%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 2%, inventory consumed and finance charges are below target by 2% and 24% respectively.

Contracted services are below target by 56%.

Other expenditure is also underperforming by 54%.

Expenditure of Staff Benefits for the month of August

Salary bill for Councillors R 2 806 000
Salary bill for employee's R 49 065 000

Total staff compliment 1 253
Staff resignations 1
Staff Appointments 0

Attached to the report are the following appendixes

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 - **R 24 440 327**

APPENDIX C: Insurances report – **18 154 352**

APPENDIX D: Capital Expenditure – **R 11 965 825**

APPENDIX E: Government Debtors – **R 11 888 019**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 103 718 832**