



Budget Statement

MFMA Section 71 Report

30 SEPTEMBER 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 **September 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 12% below target. 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 13% below target.

Bulk purchases are above target by 20% and inventory consumed are below target by 1%. 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 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	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 and Capital Grants

Grants	Allocation per DoRA	Actual received Including rollover	Expenditure as at 30 September 2022	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.

Creditors

The total creditors balance for the month of September 2022 amounted to R 3 855 561 680. The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M03 September

Description R thousands	NT Code	Budget Year 2022/23									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	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	106 608	141 827	20 091	280 094	2 709 555	-	-	-	3 258 175	-
Bulk Water	0200	39 580	43 126	4 342	37 256	419 501	-	-	-	543 805	-
PAYE deductions	0300						-	-	-	-	-
VAT (output less input)	0400						-	-	-	-	-
Pensions / Retirement deductions	0500						-	-	-	-	-
Loan repayments	0600						-	-	-	-	-
Trade Creditors	0700	16 890	12 738	-	2 601	21 353	-	-	-	53 582	-
Auditor General	0800						-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	163 078	197 690	24 433	319 951	3 150 410	-	-	-	3 855 562	-

Debtors

Our Debtors book had a total balance of R 3 266 338 000 as at end of September 2022. The debtors' payment rate for the month is 61%

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

Description R thousands	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
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	1200	57 019	31 316	24 639	18 517	18 477	18 521	89 718	744 381	1 002 588
Trade and Other Receivables from Exchange Transactions - Electricity	1300	38 033	15 392	12 282	9 877	9 166	8 765	40 166	265 641	399 322
Receivables from Non-exchange Transactions - Property Rates	1400	23 291	12 705	11 211	9 132	8 402	7 836	35 388	177 071	285 036
Receivables from Exchange Transactions - Waste Water Management	1500	11 859	9 540	8 772	8 062	7 845	7 747	35 398	282 956	372 179
Receivables from Exchange Transactions - Waste Management	1600	11 404	9 071	8 695	8 132	7 613	7 351	33 397	251 140	336 803
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	15 156	15 296	14 966	12 993	12 745	11 744	52 482	392 514	527 896
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-
Other	1900	3 825	102 887	273	1 291	3 357	604	2 327	227 950	342 514
Total By Income Source	2000	160 587	196 207	80 838	68 004	67 605	62 568	288 876	2 341 653	3 266 338
2019/20 - totals only										-
Debtors Age Analysis By Customer Group										
Organs of State	2200	38 488	10 214	7 534	5 515	5 524	4 186	18 221	83 378	173 060
Commercial	2300	32 739	100 887	10 381	4 635	4 442	3 754	18 129	143 125	318 092
Households	2400	89 360	85 106	62 923	57 854	57 639	54 628	252 526	2 115 150	2 775 186
Other	2500	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	160 587	196 207	80 838	68 004	67 605	62 568	288 876	2 341 653	3 266 338

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

Category	Actual Cash For the Month	Total Movement	Billing for August 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
Payment	205 654.18	-	-		0%	0%
Deposits	-250 316.28	883 571.44	-	883 571.44	28%	0%
Agreements	-512 966.11	-982 990.99	-	-982 990.99	0%	0%
Indigent Flat Credit	-30 253.84	85 844 676.28	-	85 844 676.28	0%	0%
Water	-30 150 560.13	48 992 767.72	48 707 969.60	284 798.12	62%	62%
Electricity	-31 847 700.62	42 538 338.16	43 282 454.11	-744 115.95	75%	74%
Loans/Old Debt	-6 013.24	-	-		0%	0%
Rates	-23 494 624.27	31 900 168.07	32 166 500.63	-266 332.56	74%	73%
Annual Rates	-189 656.72	-	-		0%	0%
Refuse	-4 651 077.18	11 822 135.97	11 841 408.41	-19 272.44	39%	39%
Sewerage	-5 031 792.84	12 496 774.15	12 510 219.16	-13 445.01	40%	40%
Miscellaneous	-89 574.14	201 312.54	191 054.25	10 258.29	44%	47%
Miscellaneous(No Vat)	-243 927.76	420 533.60	420 533.60		58%	58%
Vat	-10 885 853.09	17 397 299.37	17 469 565.09	-72 265.72	63%	62%
Interest	-408 303.36	15 358 952.22	15 360 830.82	-1 878.60	3%	3%
Payment Advanced	-2 630 067.53	-	-		100%	100%
TOTALS	-110 217 032.93	266 873 538.53	181 950 535.67	84 923 002.86	41%	61%

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 30 September 2022, we had a positive bank statement balance of R 33 006 740 and a positive cash book balance of R 38 990 012.

Investments

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

		01-Sep-22	30-Sep-22
Fixed Deposits	ABSA Deposit 200644701346	13 867 186	13 947 133.08
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	438 213	440 149
	Standard Bank Cheque MIG 38787024008	93 297 433	87 636 699
	Standard Bank Call Account 038787024009	213 772 779	188 697 038
	Standard Bank Current 030195276000	2 670 855	2 792 513
Total Investments		324 932 516	294 399 583

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
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 2022 to September 2022 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
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%

Expenditure

Bulk purchases are above target by 20%.

Contracted services are below target by 39%.

Other expenditure is also underperforming by 52%.

Grants and transfers are 100% under target, this is due to indigent subsidy not granted to consumers because of annual review still pending.

Expenditure of Staff Benefits for the month of September

Salary bill for Councillors R 2 075 000
Salary bill for employee's R 49 754 000

Total staff compliment 1 251
Staff resignations 6
Staff Appointments 4

Attached to the report are the following appendixes

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 9 768 388**

APPENDIX C: Insurances report – **R 18 113 463**

APPENDIX D: Capital Expenditure – **R 18 309 021**

APPENDIX E: Government Debtors – **R 14 930 392**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 17 976 151**