



Budget Statement

MFMA Section 71 Report

30 SEPTEMBER 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 **SEPTEMBER 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: 12/10/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 12/19/2023.

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 17% below target for the month.

Operating Expenditure

The overall monthly performance on the expenditure component is 17% above target.

Bulk purchases, inventory consumed, and finance charges are above monthly target by 51%, 11% and 235% 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 55 464 871.87, of this amount R 23 879 968.68 relates to INEP funding, R 22 107 409.66 relates to MIG funding, whilst R 9 477 493.53 is from internally generated funds.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received Including rollover	YTD Expenditure	Available as at 30 September 2023
Integrated National Electrification Programme Grant	INEP	42 650 000.00	13 000 000.00	23 879 968.68	18 770 031.32
Municipal Infrastructure Grant	MIG	65 406 550.00	40 814 000.00	22 107 409.66	43 299 140.34
Own Funding	Revenue	64 620 000.00	64 620 000.00	9 477 493.53	55 142 506.47
Total		172 676 550.00	118 434 000.00	55 464 871.87	117 211 678.13

Unspent Capital Grants

Grants	Allocation per DoRA	Received Including rollover	Expenditure as at 30 September 23	Unspent 2023/2024	YTD %
Integrated National Electrification Programme Grant	42 650 000.00	13 000 000.00	23 879 968.68	18 770 031.32	56%
Municipal Infrastructure Grant	65 406 550.00	40 814 000.00	22 107 409.66	43 299 140.34	34%
Mining company: Sasol	0.00	77 554.38	0.00	77 554.38	0%
Water Services Infrastructure	0.00	3 047 400.85	0.00	3 047 400.85	0%
Total	108 056 550.00	56 938 955.23	45 987 378.34	65 194 126.89	43%

The grant spending is reported as a percentage on the total allocation as per DoRA.

The MIG spent to date of 34% is based on the overall allocation as per DoRA. The percentage of MIG spent on the allocation already received is 54%.

The percentage of INEP spent over the total allocation is 56%. Expenditure percentage based on the actual allocation already received is 184%.

Unspent Operational Grants

Grants	Allocation per DoRA	Received Including rollover	Expenditure as at 30 September 23	Unspent 2023/2024	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	163 656.39	1 936 343.61	8%
Infrastructure Skills Development Grant	24 000 000.00	14 000 000.00	14 000 000.00	10 000 000.00	58%
Arts and Culture	0.00	493 887.00	0.00	493 887.00	0%

Grants	Allocation per DoRA	Received Including rollover	Expenditure as at 30 September 23	Unspent 2023/2024	YTD %
LG Seta	1 000 000.00	0.00	534 425.00	465 575.00	53%
Economic Development and Tourism	0.00	313 901.00	0.00	313 901.00	0%
Gert Sibande District Municipality	0.00	274 580.00	0.00	274 580.00	0%
Energy Efficiency Demand Grant	0.00	406 149.00	0.00	406 149.00	0%
Pre-Capacity grant	0.00	150 000.00	55 119.00	94 881.00	37%
Equitable share	426 701 000.00	177 792 000.00	177 792 000.00	248 909 000.00	42%
Total	456 514 000.00	196 209 517.00	195 258 200.39	262 894 316.61	43%

Creditors

The total creditors balance for the month of SEPTEMBER 2023 amounted to R 5 158 854 000.00. 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	
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	148 232	161 295	155 069	3 895 476					4 360 072
Bulk Water	0200	44 446	30 045	10 662	665 706					750 859
PAYE deductions	0300									()
VAT (output less input)	0400									()
Pensions / Retirement deductions	0500									()
Loan repayments	0600									()
Trade Creditors	0700	27 887	1 980	1 265	16 748					47 880
Auditor General	0800				43					43
Other	0900									0
Total By Customer Type	1000	220 565	193 321	166 996	4 577 973	0	0	0	0	5 158 854

Debtors

Our Debtors book had a total balance of R 3 637 948 000 as at end of September 2023. The debtors' payment rate for the month is 83%.

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

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 Days	151-180 Days	181 Days-1 Yr	Over 1Yr		
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	52 512	23 460	17 500	18 464	18 180	16 452	17 211	800 378	1 044 567	556 564
Trade and Other Receivables from Exchange Transactions - Electricity	1300	50 254	16 367	11 540	9 410	8 825	8 541	8 014	300 511	443 478	365 310
Receivables from Non-exchange Transactions - Property Rates	1400	30 369	12 276	10 414	8 348	8 055	7 942	7 851	249 765	335 545	262 256
Receivables from Exchange Transactions - Waste Water Management	1500	14 688	8 601	7 391	6 856	7 001	6 572	6 638	332 844	390 530	359 511
Receivables from Exchange Transactions - Waste Management	1600	19 246	7 774	7 216	6 872	6 561	6 458	6 356	304 758	355 035	330 302
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debt Accounts	1810	22 877	22 482	22 308	21 260	18 729	18 498	17 357	551 089	554 524	526 657
Recoverable unauthorised regular refuse and waste disposal expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	4 620	3 315	36 515	4 892	2 557	3 122	2 105	259 201	370 367	255 917
Total By Income Source	2000	188 571	94 276	173 223	76 225	69 949	67 591	65 579	2 902 533	3 637 948	3 181 877
2022/23 - totals only		150 587	166 287	80 838	58 004	67 605	62 568	288 876	2 341 653	3 258 332	2 828 707
Debtors Age Analysis By Customer Group											
Organs of State	2200	6 886	2 244	1 543	1 125	850	825	1 143	40 278	54 563	44 220
Commercial	2300	56 341	10 783	88 787	7 124	5 813	5 841	5 431	108 705	373 627	211 015
Households	2400	125 344	81 246	75 783	67 976	63 185	60 925	58 005	2 675 550	3 205 016	2 526 642
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	188 571	94 276	173 223	76 225	69 949	67 591	65 579	2 902 533	3 637 948	3 181 877

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

Type of Service	Total Settlements	Total Movement	Billing	Credit Notes	Debit Notes	Other Adjustment	Payment Rate Movement
Water	34 654 941.28	43 804 710.37	45 386 551.51	-1 949 333.70	57 060.32	310 432.24	79%
Electricity	37 269 566.07	47 626 183.25	48 774 897.50	-26 363 466.14	110 151.92	104 599.97	78%
Rates	24 375 716.23	31 247 086.17	34 212 346.93	-3 478 539.01	504 038.92	9 239.33	78%
Refuse	4 969 564.40	10 071 294.46	12 494 197.86	-2 472 771.74	49 868.34	0.00	49%
Sewerage	5 258 444.17	11 403 711.15	13 577 478.61	-2 215 858.72	42 091.26	0.00	46%
Miscellaneous	185 277.07	231 678.60	223 093.62	-1 523.57	66.02	10 042.53	80%
Miscellaneous(No Vat)	322 675.22	487 906.50	482 501.50	0.00	5 405.00	0.00	66%
Interest	550 095.36	20 961 707.13	24 688 762.30	-3 727 055.17	0.00	0.00	3%
Payment Advanced	2 490 088.73	0.00	0.00	0.00	0.00	0.00	
Total	110 148 281.55	165 834 277.63	179 839 829.83	-40 208 548.05	768 681.78	434 314.07	66%

Debtors Opening Balance	3 576 233 000.00
Add: Billing for the Month	198 816 593.83
Debtors Write off	0.00
Less: Debtors Closing Balance	3 637 948 000.00
	137 101 593.83
Payment rate	83%

Cash Flows

As of 30 September 2023, we had a positive bank statement balance of R 23 611 707.12 and a negative cash book balance of R 31 127 265.79.

Investments

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

Investment Type	Institution	01-Sep-23	30-Sep-23
Short term fixed deposits	Absa 3 Months Fixed Deposit	100 849 534.08	101 645 972.44
	Nedbank 3 Months Fixed Deposit	102 179 726.02	102 910 077.60
Listed Investments	Old Mutual Shares	26 506.44	26 506.44
	Old Mutual Shares	364 812.00	364 812.00
	Sanlam	143 147.76	143 147.76
	Shares Nedbank	16 000.60	16 000.60
	Shares Nedbank	220 808.28	220 808.28
	Quilter PLC	12 036.96	12 036.96
	Quilter PLC	165 874.71	165 874.71
Short term Call Investment	Standard Bank Cheque 038787024003	469 319.07	472 327.86
	Standard Bank Cheque MIG 38787024008	4 595 821.73	4 620 941.36
	Standard Bank Call Account 038787024009	32 999 091.12	25 222 720.72
	Standard Bank Current 030195276000	3 732 287.50	4 088 696.47
Total Investments		245 774 966.27	239 909 923.20

Water and Electricity Distribution Losses for September 2023 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	53,050,454	20,566,970	-61.23%	-62.51%	-60.50%
Water	2,875,581	1,555,278	-45.91%	-49.62%	-32.56%

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

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	154,115,756	58,959,959	-61.74%	-64.48%	-64.46%
Water	8,016,529	4,273,362	-46.69%	-38.38%	-34.38%

Expenditure

Electricity bulk purchases are 77% above monthly target.

Contracted services are on target.

Inventory consumed which include water purchases are 11% above monthly target.

Depreciation and impairment of asset is 39% below monthly target.

Other expenditure is 44% below monthly target.

Expenditure of Staff Benefits for the month of September 2023

Salary bill for Councillors	R 2 147 318.93
Salary bill for employee's	R 54 936 912.08
Total staff compliment	1 168 (Full time)
Staff resignations	2
Staff Appointments	11

Summary of staff processed.

Company	Description	Number of Officials	Total
Company 1	Full time	1168	52 128 762.83
Company 2	EPWP	630	1 816 353.7
Company 3	Councillors	62	2 147 318.93
Company 4	Directors	6	778 460.44
Company 7	Temps	5	65 804.41
Company 8	Point Duty Officers	36	147 530.7
TOTAL		1907	57 084 231.01

Attached to the report are the following appendices.

APPENDIX A: C Schedules-M03

APPENDIX B: Deviations –No deviations for the month

APPENDIX C: Purchases above R100 000 – **R 21 615 324.22**

APPENDIX D: Insurances report – **R 13 578 708.90**

APPENDIX E: Capital Expenditure – **R 55 464 871.87**

APPENDIX F: Government Debtors – **R 14 417 399.82**

APPENDIX G: Fruitless and Wasteful Expenditure – **R 39 279 148.51**

Annexure A2 - Monthly



Municipal Debt Relief
MFMA Circular No. 124
Municipal Finance Management Act No. 56 of 2003

Select Assessor

Certificate of Compliance: Municipal Debt Relief Conditions for Application

Period:
 National Financial Year:
 Demarcation Code of Municipality being assessed:

District:
 Demarcation Description:

I, name and surname of HOD _____, hereby certify that the provincial treasury monitored the compliance against the conditions of Municipal Debt Relief as set-out in MFMA Circular No. 124 and that the Provincial Treasury is satisfied and certifies that the said municipality fully complies with the conditions as set-out in the table below.

Municipal Debt Relief Conditions (Monthly reporting)

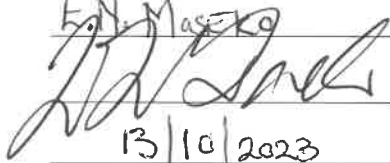
Choose from drop down list

Condition	Description	Response
6.12.2	- Has the municipality paid its bulk water current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros)? <i>Note - refer condition 6.12.2</i>	Yes
6.12.2	- Has the municipality submitted the supporting evidence of the bulk water current account payment to the National Treasury, the Water Board and/ or Water Trading Entity within 1 day of making any such payment (in PDF format) via the GoMuni Upload Portal https://guploadportal.treasury.gov.za ?	Yes
6.12.2	- Does the amount of the bulk water current account payment as per the proof of payment reconcile to the amount recorded on the financial system as per the mSCOA data string and the section 41(2) MFMA statement of the Water Board and/ or Water Trading Entity?	No
6.3.1	- Has the municipality paid its Eskom bulk current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros)? <i>Note - current account in terms of municipal debt relief approval means the total Eskom charges for the billing period plus VAT plus any component that may be due in terms of a payment arrangement of "New arrears" (March 2023 and / or subsequent current account(s) up to the date of NT approval of the application.</i>	Yes
6.3.2	- Has the municipality submitted the supporting evidence of the bulk Eskom current account payment to the National Treasury and Eskom within 1 day of making any such payment (in PDF format) via the GoMuni Upload Portal https://guploadportal.treasury.gov.za ?	Yes
6.3.4	- Does the amount as per the proof of payment reconcile to the amount recorded on the financial system as per the mSCOA data string and the section 41(2) MFMA statement of Eskom?	Yes
6.4	Compliance with a funded MTREF (Choose from drop down list: the MTREF assessor)	Select
6.4.1	- Is the municipality's MTREF funded and aligning to the National Treasury's Budget Funding Guidelines - http://mfma.treasury.gov.za/Guidelines/Pages/Funding.aspx ?	No
6.4.1	- Has the municipality budgeted for any operating surplus on the A1 Schedule (Table A4 – Budgeted Financial Performance) of the Municipal Budget- and Reporting Regulations?	Yes
6.4.1	- Has the municipality made adequate provision for debt impairment (considering the actual collection of revenue and property rates during the 12 months immediately preceding the tabling of the budget) on the A1 Schedule (Table A4 - Budgeted Financial Performance) of the Municipal Budget- and Reporting Regulations? <i>Note - The objective of the municipal debt relief is to ensure that the municipality is able to meet its obligations to its creditors and to the public. It is not intended to provide a blanket exemption from the provisions of the MFMA. The objective of the municipal debt relief is to ensure that the municipality is able to meet its obligations to its creditors and to the public. It is not intended to provide a blanket exemption from the provisions of the MFMA.</i>	Yes
6.4.1	- Has the municipality made adequate provision for depreciation and asset impairment (considering its asset register and physical state of assets) on the A1 Schedule) Table A4 - Budgeted Financial Performance) of the Municipal Budget- and Reporting Regulations? <i>Note - If the municipality has not provided for depreciation and asset impairment, the assessor should select "No".</i>	Yes
6.4.2	- If the municipality's MTREF is not funded, has it tabled and adopted a credible Budget Funding Plan as part of the MTREF budget (refer item 9.3 of MFMA Budget Circular no. 122, 09 December 2022)? <i>Note - If the municipality has not tabled and adopted a credible Budget Funding Plan, the assessor should select "No".</i>	Yes
6.4.2	- If the municipality's MTREF is not funded and it has an FRP per the legislative framework, does the existing FRP incorporate a credible Budget Funding Plan (will the FRP give effect to a funded MTREF over the period of the FRP) - aligning with the principles of a budget funding plan as envisaged in item 9.3 of MFMA Budget Circular no. 122, 09 December 2022)? <i>Note - only if the municipality does not have an FRP may "N/A" be selected from the dropdown list.</i>	Yes
6.4.2	- Does the municipality's annual and monthly cashflow projections included on the A1 Schedule (Table A7 - Budgeted Cash Flows and Supporting Table SA 30 – Budgeted Monthly Cash Flows) of the Municipal Budget and Reporting Regulations aligns with and gives effect to the municipality's Budget Funding Plan strategy (or the FRP strategy) and related seasonal trends (For example higher winter Eskom tariffs, lower January collection rates, etc.)?	No
6.5	Cost reflective tariffs – (excluding metros) has the municipality included its completed tariff tool (refer MFMA Circular no. 98 and item 5.2 of MFMA Budget Circular no. 122) as part of the municipality's annual tabled and adopted MTREF submissions with effect the tabling of the 2023/24 MTREF?	Yes
6.6	Electricity and Water as collection tools – Has the municipality, with effect from the tabling of the 2023/24 MTREF, demonstrated, through its by-laws and budget related policies that:	
6.6.1	- the municipality issues a consolidated monthly bill to all consumers/property owners in terms of which all partial payments received are allocated in the following order of priority: firstly, to property rates, thereafter to water, wastewater, refuse removal and lastly to electricity?	Yes

Notes/Comments

6.12.2	- has the municipality during the month first applied the revenue in the sub-account (required per paragraph 6.12.1) to pay its current Eskom account and then secondly its bulk water current account before it applied the revenue in the sub-account for any other purpose?	No
<small>Note: If you are unable to provide the required information, you must indicate the reason for this in the comments section of the form.</small>		
6.13	<p>Supporting evidence: Has the municipality submitted a copy of the monthly bank statement of its ring-fenced bank account to the National Treasury and provincial treasury aligning to its MFMA 5.71 statement collected revenue.</p> <p>Accounting Treatment - has the municipality fully accounted for and correctly reported on the write-off of its Eskom arrear debt (debt existing as on 31 March 2023) as per any written instruction of the National Treasury; Office of the Accountant General issued for Municipal Debt Relief to date?</p> <p><i>Note - to include accounting for any related benefit (e.g. interest suppression, etc.) and alignment with mSCOA.</i></p>	No
6.14	NERSA License - has the municipality during the month failed to comply with any condition of the Municipal Debt Relief?	No
<small>Note: If you are unable to provide the required information, you must indicate the reason for this in the comments section of the form.</small>		

PT: HOD/ NT / MM Name:

E.N. MASEKO


E.N. MASEKO

Signature of HOD/ NT/ MM:

Date:

13/10/2023

**Note - If the official is signing on behalf of the Head of the Provincial Treasury (HOD) / Municipal Manager, the written procurement of the HOD / MM must be attached as an Annexure to this Certificate of Compliance