



Quarterly Budget Statement

MFMA Section 52 Report

31 MARCH 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.

Section 13: Quality Certification by Accounting Officer

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 **MARCH 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: 14/04/2024

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/04/2024

1. DISCUSSION:

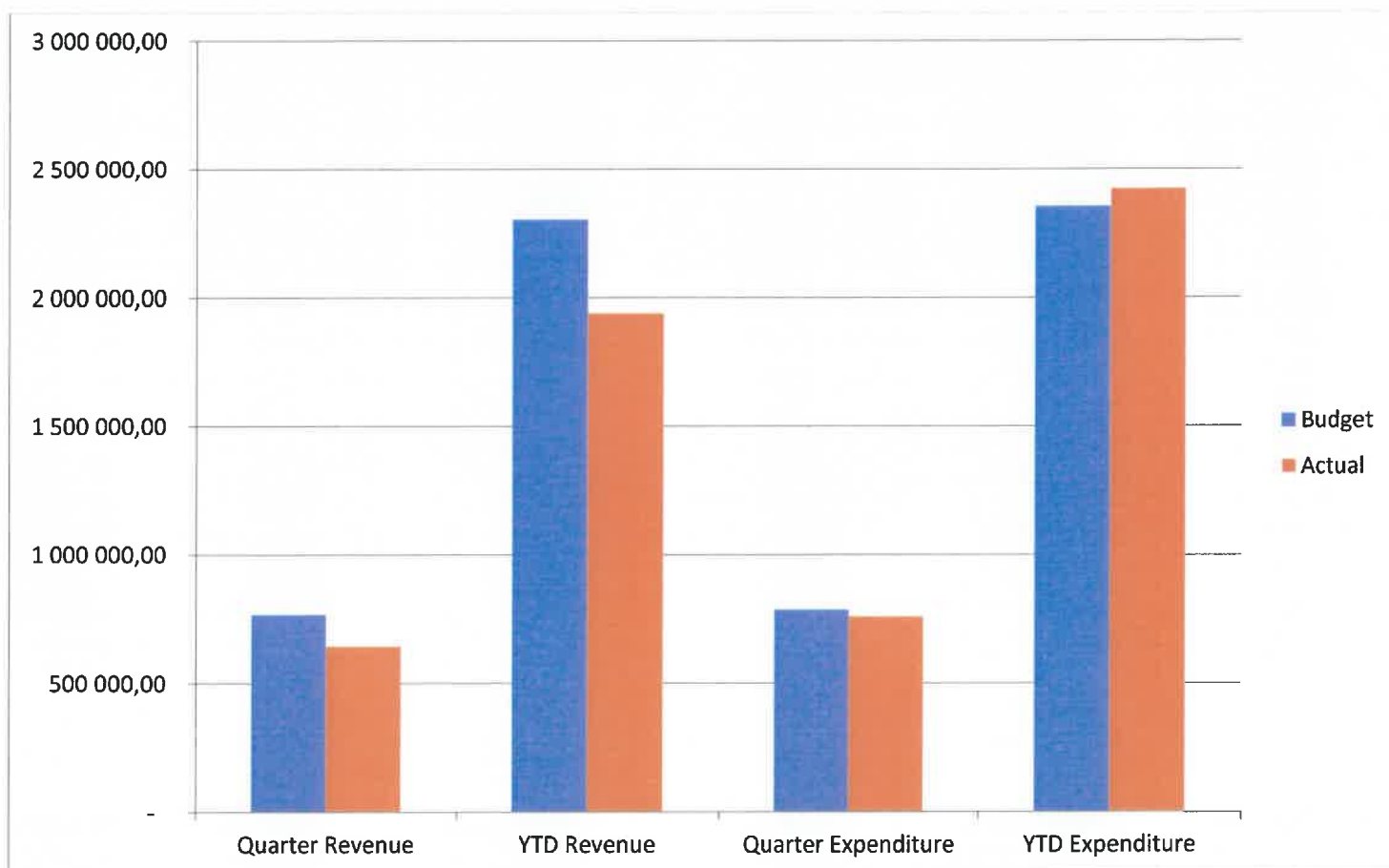
The overall financial performance indicators for the period under review are attached as ANNEXURE "A".

EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of R 1.941 billion and Operating Expenditure of R 2.425 billion which resulted in a deficit of R 484 million before capital transfer of R 115.2 million which resulted in overall deficit of R 368.8 million.

Description	Original Budget 2023/2024	Adjustment Budget 2023/2024	Actual (Q1)	Actual (Q2)	Actual (Q3)	Year TD Actual	Year to Date Budget	Variance	YTD Variance
	R'000	R'000	R'000	R'000		R'000	R'000	R'000	R'000
Total Operating Revenue	3 087 553	3 071 842	639 775	655 380	646 117	1 941 272	2 311 694	(370 422)	-16%
Total Operating Expenditure	3 019 754	3 140 957	880 096	785 039	760 224	2 425 360	2 297 613	127 747	6%
Surplus /(Deficit) for the year before grant capital revenue	67 799	(69 115)	(240 322)	(129 660)	(114 107)	(484 088)	14 081	(498 169)	-3538%
Grant capital revenue	111 490	146 258	18 840	52 976	43 426	115 242	85 984	29 259	34%
Surplus /(Deficit) for the year	179 289	77 221	(221 482)	(76 683)	(70 681)	(368 846)	100 084	(468 930)	469%
Total Capital Expenditure	172 677	217 093	48 663	38 309	45 503	132 474	144 393	(11 919)	-8%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at 31 March 2024

MP307 Govan Mbeki - Table C1 Monthly Budget Statement Summary - M09 - Quarter 3

Description	2022/23				Budget Year 2023/24				Full Year Forecast
	Audited Outcome	Original Budget	Adjusted Budget	Quarter 3	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands									
Financial Performance									
Property rates	380 366	424 452	424 452	101 770	291 231	318 339	(27 108)	-9%	424 452
Service charges	1 406 333	1 900 537	1 900 537	312 231	931 867	1 425 402	(493 535)	-35%	1 900 537
Investment revenue	17 937	15 610	15 610	3 010	12 748	11 708	1 040	9%	15 610
Transfers and subsidies - Operational	412 330	457 114	461 402	116 326	458 304	343 864	114 440	33%	461 402
Other own revenue	275 437	289 841	269 841	112 780	247 122	212 381	34 742	16%	-
Total Revenue (excluding capital transfers and contributions)	2 492 402	3 087 553	3 071 842	646 117	1 941 272	2 311 694	(370 422)	-16%	3 071 842
Employee costs	611 264	680 420	680 420	161 083	476 034	510 315	(34 281)	-7%	680 420
Remuneration of Councilors	25 691	33 822	33 822	7 717	28 128	25 367	2 761	11%	33 822
Depreciation and amortisation	131 248	205 829	205 829	31 368	94 996	154 372	(59 376)	-38%	205 829
Interest	365 477	140 087	140 087	40 168	256 172	105 065	151 107	144%	140 087
Inventory consumed and bulk purchases	1 295 907	1 262 306	1 321 961	402 972	1 214 338	965 719	248 619	26%	1 321 961
Transfers and subsidies	23 010	28 461	36 361	10 379	29 019	23 345	5 674	24%	36 361
Other expenditure	929 918	668 830	722 477	106 536	326 672	513 430	(186 757)	-36%	722 477
Total Expenditure	3 352 515	3 019 754	3 140 957	760 224	2 425 360	2 297 613	127 747	6%	3 140 957
Surplus/(Deficit)	(890 113)	67 799	(69 115)	(114 107)	(484 088)	14 081	(498 169)	-3538%	(69 115)
Transfers and subsidies - capital (monetary allocations)	137 055	111 490	146 258	43 426	115 242	85 984	29 259	34%	146 258
Transfers and subsidies - capital (in-kind)	5 987	-	78	-	-	19	(19)	-100%	78
Surplus/(Deficit) after capital transfers & Share of surplus/ (deficit) of associate	(747 070)	179 289	77 221	(70 681)	(368 846)	100 084	(468 930)	-469%	77 221
Surplus/ (Deficit) for the year	(747 070)	179 289	77 221	(70 681)	(368 846)	100 084	(468 930)	-469%	77 221

Analysis of the performance

Operating Revenue

The overall performance on the revenue component is 16% 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 6% above target.

Bulk purchases, finance charges and transfers and subsidies are above target by 35%, 144% and 24% 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 150 937 898.62 of this amount R 43 445 551.45 relates to INEP funding, R 79 312 311.49 relates to MIG funding, R 1 075 023.10 relates to WSIG, R 7 556 961.05 relates to Provincial Treasury funding whilst R 19 548 051.53 is from internally generated funds.

Grants	Funding	Allocation per DoRA	Received Including rollover	YTD Expenditure (Quarter 1)	YTD Expenditure (Quarter 2)	YTD Expenditure (Quarter 3)	YTD %
Integrated National Electrification Programme Grant	INEP	41 080 000.00	41 080 000.00	23 879 968.68	31 465 198.28	43 445 551.45	106%
Municipal Infrastructure Grant	MIG	80 802 550.00	80 802 550.00	22 107 409.66	52 997 893.35	79 312 311.49	98%
Water Services Infrastructure	WSIG	-	3 047 401.00	-	1 075 023.11	1 075 023.10	35%
Provincial Treasury Grant	PT Grant	-	10 020 000.00	-	914 393.15	7 556 961.05	75%
Municipal Disaster Recovery Grant	MDRG	7 875 000.00	7 875 000.00	-	-	-	0%
Sasol	Sasol	-	77 554.00	-	-	-	0%
Own Funding	Revenue	74 190 000.00	74 190 000.00	9 477 493.53	12 164 241.07	19 548 051.53	26%
Total		203 947 550.00	217 092 505.00	55 464 871.87	98 616 748.96	150 937 898.62	70%

Performance of Capital Grants

Grants	Allocation per DoRA	Received Including rollover	YTD Expenditure (Quarter 1)	YTD Expenditure (Quarter 2)	YTD Expenditure (Quarter 3)	Unspent 2023/2024	YTD %
Integrated National Electrification Programme Grant	41 080 000.00	41 080 000.00	23 879 968.68	31 465 198.28	43 445 551.45	-2 365 551.45	106%
Municipal Infrastructure Grant	80 802 550.00	80 802 550.00	22 107 409.66	52 997 893.35	79 312 311.49	1 490 238.51	98%
Mining company: Sasol	0.00	77 554.38	0.00	0.00	0	77 554.38	0%
Water Services Infrastructure	0.00	3 047 401.00	0.00	1 075 023.11	1 075 023.10	1 972 377.90	35%
Disaster Recovery Grant	0.00	7 875 000.00	0.00	0.00	0	0.00	0%
Provincial Treasury Grant	0.00	10 020 000.00	0.00	914 393.15	7 556 961.05	2 463 038.95	75%
Total	121 882 550.00	135 027 505.38	45 987 378.34	86 452 507.89	131 389 847.09	3 637 658.29	97%

Performance of Operational Grants

Grants	Allocation per DoRA & Revised Gazette & MOU	Received Including rollover	YTD Expenditure (Quarter 1)	YTD Expenditure (Quarter 2)	YTD Expenditure (Quarter 3)	Unspent 2023/2024	YTD %
Extended Public works Programme	1 900 000.00	1 900 000.00	2 713 000.00	2 713 000.00	15 651 071.10	- 13 751 071.10	824%
Financial Management Grants	2 100 000.00	2 100 000.00	163 656.39	936 000.33	1 079 316.38	1 020 683.62	51%
Infrastructure Skills Development Grant	23 000 000.00	23 000 000.00	14 000 000.00	14 000 000.00	23 000 000.00	-	0%
Arts and Culture	-	234 858.00	0.00	0.00	-	234 858.00	0%
LG Seita	1 000 000.00	2 805 043.00	534 425.00	916 138.94	1 007 131.55	1 797 911.45	36%
Economic Development and Tourism	-	313 901.00	0.00	0.00	-	313 901.00	0%
Gert Sibande District Municipality	-	274 580.00	0.00	0.00	-	274 580.00	0%
Energy Efficiency Demand Grant	-	406 149.00	0.00	0.00	-	406 149.00	0%
Point Duty Officer (SASOL)	3 400 000.00	1 140 088.00	0.00	0.00	1 338 149.00	-198 061.00	117%
Pre-Capacity grant	-	266 086.00	55 119.00	55 119.00	69 545.87	196 540.13	26%
Equitable share	426 701 000.00	426 701 000.00	177 792 000.00	320 026 000.00	426 701 000.00	-	100%
Total	458 101 000.00	459 141 705.00	195 258 200.39	338 646 258.27	468 846 213.90	-9 704 508.90	102%

Repairs and Maintenance Analysis

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

Description	Total Budget	Total Actual	Total Unspent	% Spent
Community and Social Services	20 052 382.00	7 422 108.52	12 630 273.48	37.01%
Energy Sources	48 881 360.00	16 792 413.52	32 088 946.48	34.35%
Environmental Protection	-	8 270.37	- 8 270.37	
Finance and Administration	1 230 650.00	227 742.62	1 002 907.38	18.51%
Planning and Development	50 682.00	-	50 682.00	0.00%
Public Safety	2 378 820.00	599 074.69	1 779 745.31	25.18%
Road Transport	20 951 513.00	11 900 489.18	9 051 023.82	56.80%
Sport and Recreation	764 103.00	80 439.86	683 663.14	10.53%
Waste Management	18 600 000.00	5 904 218.15	12 695 781.85	31.74%
Waste Water Management	29 520 266.00	15 658 654.09	13 861 611.91	53.04%
Water Management	9 195 111.00	4 094 085.06	5 101 025.94	44.52%
Grand Total	151 624 887.00	62 687 496.06	88 937 390.94	41.34%

CASH MANAGEMENT

As at 31 March (Quarter 3), we had a positive bank statement balance of R 22 931 563.95 and a negative cash book balance of R 9 553 154.00 compared to positive bank statement balance of R 6 170 601.39 and a negative cash book balance of R 32 492 138.75 in December 2023 (Quarter 2).

INVESTMENT PORTFOLIO ANALYSIS

The following table displays the investments portfolio and indicates that R 189.3 million was invested in the quarter ended March 2024 (Quarter 3) compared R 124.1 million in December 2023 (Quarter 2).

Investment Type	Institution	Quarter 1	Quarter 2	Quarter 3
Short term fixed deposits	Absa 3 Months Fixed Deposit	101 645 972.44	104 079 293.04	106 463 155.95
	Nedbank 3 Months Fixed Deposit	102 910 077.60		
Listed Investments	Old Mutual Shares	26 506.44	26 506.44	26 506.44
	Old Mutual Shares	364 812.00	364 812.00	364 812.00
	Sanlam	143 147.76	143 147.76	143 147.76
	Shares Nedbank	16 000.60	16 000.60	16 000.60
	Shares Nedbank	220 808.28	220 808.28	220 808.28
	Quilter PLC	12 036.96	12 036.96	12 036.96
	Quilter PLC	165 874.71	165 874.71	165 874.71
Short term Call Investment	Standard Bank Cheque 038787024003	472 327.86	481 879.44	491 311.10
	Standard Bank Cheque MIG 38787024008	4 620 941.36	4 700 532.00	53 048 238.65
	Standard Bank Call Account 038787024009	25 222 720.72	9 642 004.40	23 911 223.09
	Standard Bank Current 030195276000	4 088 696.47	4 287 158.33	4 514 456.33
Total Investments		239 909 923.20	124 140 053.96	189 377 571.87

DEBTORS MANAGEMENT

The total debtors balance for the quarter ended March 2024 (quarter 3) amounted to R 3 926 728 000 compared to R 3 776 654 000 in December 2023 (quarter 2). The debtors' payment rate for the quarter is 72%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - Q3 March

R thousands	Description	NT Code	Budget Year 2023/24			
			QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
	Debtors Age Analysis By Income Source					
	Trade and Other Receivables from Exchange Transactions - Water	1200	1 044 567	1 087 229	1 119 051	-
	Trade and Other Receivables from Exchange Transactions - Electricity	1300	443 476	437 054	438 477	-
	Receivables from Non-exchange Transactions - Property Rates	1400	335 345	337 282	344 960	-
	Receivables from Exchange Transactions - Waste Water Management	1500	390 530	411 851	425 033	-
	Receivables from Exchange Transactions - Waste Management	1600	359 039	375 814	390 678	-
	Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-
	Interest on Arrear Debtor Accounts	1810	694 624	747 306	814 228	-
	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-
	Other	1900	370 367	380 119	394 300	-
	Total By Income Source	2000	3 637 948	3 776 654	3 926 728	-
	Debtors Age Analysis By Customer Group					
	Organs of State	2200	54 993	45 342	45 729	-
	Commercial	2300	373 937	433 585	446 693	-
	Households	2400	3 209 018	3 297 727	3 434 307	-
	Other	2500	-	-	-	-
	Total By Customer Group	2600	3 637 948	3 776 654	3 926 728	-

The following table indicates the consumer debtor's payment rate at the end of quarter 3 compared to Quarter 2:

	Quarter 1	Quarter 2	Quarter 3
Debtors Opening Balance	3 677 337 665.46	3 637 948 000.00	3 776 654 000.00
Add: Billing for the Quarter	551 167 983.09	561 674 277.18	537 057 250.74
Debtors Write off			
Less: Debtors Closing Balance	3 637 948 000.00	3 776 654 000.00	3 926 728 000.00
	590 557 648.55	422 968 277.18	386 987 250.74
Payment rate	89%	75%	72%

The following table indicates payment rate per month.

Month	2021/22	2022/23	2023/24
July	63%	65%	103%
August	57%	61%	82%
September	65%	61%	83%
October	60%	35%	82%
November	58%	63%	98%
December	61%	56%	67%
January	70%	56%	82%
February	58%	55%	69%
March	63%	60%	70%
April	69%	57%	
May	70%	76%	
June	59%	56%	

Accounts owed by Councillors'

ACCOUNT	COUNCILLOR'S NAME	AMOUNT	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 + DAYS
2001414	NKWANYANA SE	5 871.24	-	1 542.89	2 077.36	1 883.01	367.98
2004788	MAZIBUKO TM	2 298.52	-	1 440.48	858.04	-	-
2008379	KUBHEKA MA	36 646.33	-	1 632.79	1 632.79	1 632.79	31 747.96
2010079	MOFOKENG TS	12 282.90	-	1 386.74	1 752.57	1 353.47	7 790.12
2101798	SIERANA GC	80 105.55	-	2 485.13	2 373.15	2 119.79	73 127.48
2103655	ZIWELE L	-23 513.69	-2 645.75	-	-	-368.93	-20 499.01
2109271	MASINGA MM	5 111.85	-	1 150.25	1 266.49	1 411.83	1 283.28
2109708	NGWENYA LP	1 082.87	-	1 076.52	6.35	-	-
2109867	SEHLALO MS	92 018.74	-	1 500.66	1 490.68	1 131.09	87 896.31
2204337	MAKHADO TC	9 527.58	-	4 076.50	4 029.08	1 422.00	-
2204708	THUKWANE KS	61 680.28	-	1 251.63	1 251.63	1 251.63	57 925.39
2205558	MAGAGAMELA FF	6 143.04	-	1 018.49	1 050.59	954.29	3 119.67
2206183	SINDELO S	-1 356.63	-1 356.63	-	-	-	-
2300001	MTHEMBU BE	-918.78	-918.78	-	-	-	-
2301068	MABIZELA TM	2 168.55	-	344.51	627.36	303.50	893.18
2601472	MASITENG SM	2 111.87	-	979.78	1 011.94	120.15	-
2601906	VILAKAZI P	17 908.61	-	911.52	911.52	911.52	15 174.05
4006463	NKABINDE ER	978.95	-	978.95	-	-	-
6510278	MTSHALI PD	1 858.39	-	1 287.57	570.82	-	-
7000472	NSIBANDE ME	783.00	-	767.28	15.72	-	-
7001671	MALUKA JM	33 916.91	-	1 146.94	1 443.27	1 201.85	30 124.85
7009035	NKUNA MM	22 935.32	-	1 039.90	1 039.90	1 039.90	19 815.62
7009206	MASEKO TM	1 222.21	-	355.74	354.98	329.84	181.65
8502782	PETTERSON MR	-967.63	-967.63	-	-	-	-
		369 895.98	-5 888.79	26 374.27	23 764.24	16 697.73	308 948.53

Distribution losses

Water and Electricity Distribution Losses: Accumulated: July 2023 to March 2024 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	416,387,294	165,956,233	-60.14%	-64.48%	-64.46%
Water	23,552,919	12,631,583	-46.37%	-38.38%	-34.38%

LIABILITIES

Creditors

The total creditors balance for the quarter ended March 2024 (quarter 3) amounted to R 5 627 939 000 compared to R 5 361 888 000 in December 2023 (quarter 2).

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the quarter ended in March 2024 R 5 627.9 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 - Quarter 3

Description	NT Code	Budget year 2023/2024			
		Quarter 1 R'000	Quarter 2 R'000	Quarter 3 R'000	Quarter 4 R'000
R thousands					
Creditors Age Analysis by Customer Type					
Bulk Electricity	0100	4 360 072	4 553 091	4 751 886	–
Bulk Water	0200	750 858	730 722	818 063	–
PAYE deductions	0300	0	–	–	–
VAT (output less input)	0400	0	–	–	–
Pensions / Retirement deductions	0500	0	–	–	–
Loan repayments	0600	0	–	–	–
Trade Creditors	0700	47 881	75 299	57 912	–
Auditor General	0800	43	2 775	78	–
Other	0900	–	–	–	–
Total By Customer Type	1000	5 158 854	5 361 888	5 627 939	–

FINANCIAL RATIOS:

Current Ratio: 0.38:1

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: 0.77:1

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: 0.58:1

Formula: Cash and cash equivalents (Available cash +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 51 644 743.37 as **Appendix "C"**;
- ✓ Disclosure of irregular expenditure amounting to R 13 764 747.23 as **Appendix "C"**
- ✓ Disclosure of tenders awarded amounting to R 4 926 709.25 as **Appendix "D"**

Insurance Claims

23 insurances have been lodged in the 3rd quarter, outstanding claims year to date amounts to **R 2 442 439.70**. The details of insurance claims are attached as **Appendix "E"**.

Highest Debtors per Town Appendix "F" and Government Debt Appendix "G"

The table shows the 10 highest Outstanding Debtors per Town at the status as at the period ending 31 March 2024.

Fruitless and Wasteful Expenditure

For the quarter under review fruitless and wasteful expenditure is **R 40 340 626.93**, details are attached as **Appendix "H"**. This relates to interest and penalty charged by Eskom and Rand Water for late payment.

Capital Expenditure

Disclosure of capital expenditure amounting to **R 150 937 898.62** as **Appendix "I"**