



Quarterly Budget Statement

MFMA Section 52 Report

30 SEPTEMBER 2023

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 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 **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:

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature:

Date:

1. DISCUSSION:

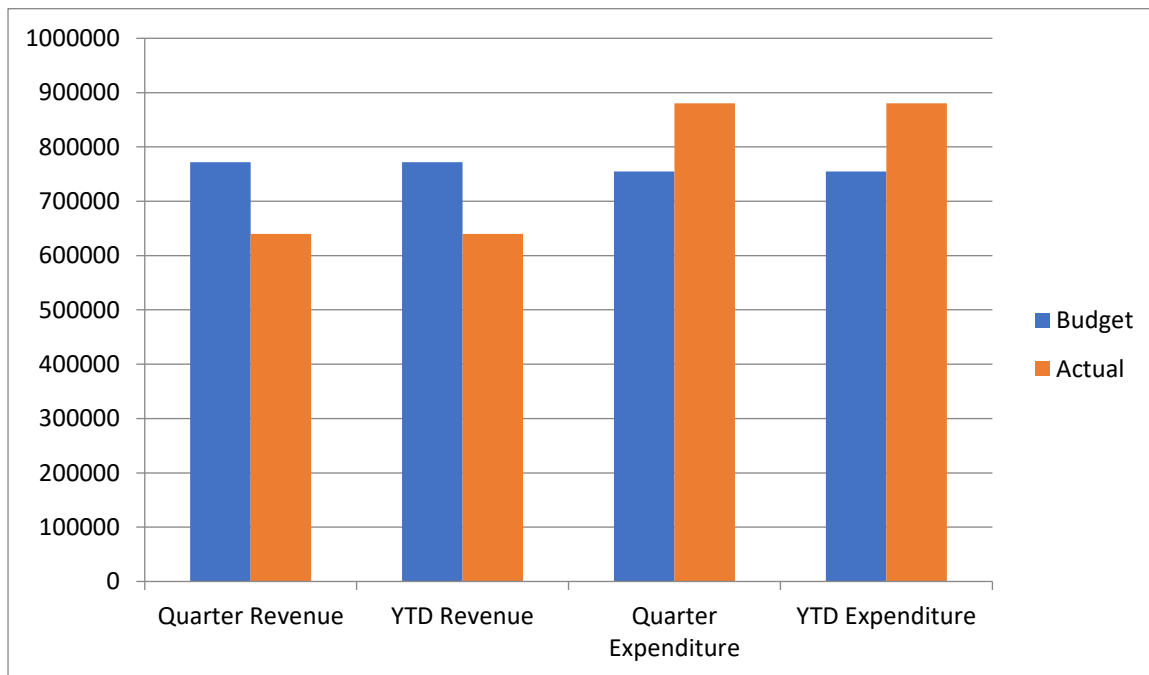
The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of R639.7 million and Operating Expenditure of R880 million which resulted in a deficit of R 240.3 million before capital transfer of R18.8 million which resulted in overall deficit of R221. million.

Description	Original Budget 2023/2024	Adjustment Budget 2023/2024	Actual (Q1)	Year TD Actual	Year to Date Budget	Variance	YTD Variance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Total Operating Revenue	3 087 553	-	639 775	639 775	771 888	(132 114)	-17%
Total Operating Expenditure	3 019 754	-	880 096	880 096	754 939	125 158	17%
Surplus /(Deficit) for the year before grant capital revenue	67 799	-	(240 322)	(240 322)	16 950	(257 271)	(1518%)
Grant capital revenue	111 490	-	18 840	18 840	27 872	(9 0330)	-32%
Surplus /(Deficit) for the year	179 289	-	(221 482)	(221 482)	44 822		
Total Capital Expenditure	172 677	-	48 663	48 663	43 169	5 493	13%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at **30 September 2023**

MP307 Govan Mbeki - Table C1 Monthly Budget Statement Summary - M03 - Quarter 1									
Description	2022/23	Budget Year 2023/24							
	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands									
Financial Performance									
Property rates	372 877	424 452	–	97 766	97 766	106 113	(8 347)	-8%	424 452
Service charges	1 311 687	1 900 537	–	267 378	267 378	475 134	(207 756)	-44%	1 900 537
Investment revenue	9 038	15 610	–	5 111	5 111	3 903	1 209	31%	15 610
Transfers and subsidies - Operational	369 056	457 114	–	198 124	198 124	114 278	83 846	73%	457 114
Other own revenue	176 421	289 841	–	71 395	71 395	72 460	(1 065)	-1%	–
Total Revenue (excluding capital transfers and contributions)	2 239 079	3 087 553	–	639 775	639 775	771 888	(132 114)	-17%	3 087 553
Employee costs	568 554	680 420	–	156 158	156 158	170 105	(13 946)	-8%	680 420
Remuneration of Councillors	24 398	33 822	–	2 179	2 179	8 456	(6 277)	-74%	33 822
Depreciation and amortisation	168 353	205 829	–	31 646	31 646	51 457	(19 811)	-39%	205 829
Interest	187 290	140 087	–	117 183	117 183	35 022	82 161	235%	140 087
Inventory consumed and bulk purchases	1 227 010	1 262 306	–	474 949	474 949	315 577	159 373	51%	1 262 306
Transfers and subsidies	30 810	28 461	–	4 802	4 802	7 115	(2 313)	-33%	28 461
Other expenditure	712 546	668 830	–	93 179	93 179	167 207	(74 028)	-44%	668 830
Total Expenditure	2 918 960	3 019 754	–	880 096	880 096	754 939	125 158	17%	3 019 754
Surplus/(Deficit)	(679 882)	67 799	–	(240 322)	(240 322)	16 950	(257 271)	-1518%	67 799
Transfers and subsidies - capital (monetary)	88 096	111 490	–	18 840	18 840	27 872	(9 033)	-32%	111 490
Transfers and subsidies - capital (in-kind)	4 670	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & Share of surplus/ (deficit) of associate	(587 116)	179 289	–	(221 482)	(221 482)	44 822	(266 304)	-594%	179 289
Surplus/ (Deficit) for the year	(587 116)	179 289	–	(221 482)	(221 482)	44 822	(266 304)	-594%	179 289
Capital expenditure & funds sources									
Capital expenditure	(67 409)	172 677	–	48 663	48 663	43 169	5 493	13%	172 677
Capital transfers recognised	108 909	115 557	–	39 917	39 917	28 889	11 028	38%	115 557
Borrowing	–	–	–	–	–	–	–	–	–
Internally generated funds	8 049	7 870	–	6 631	6 631	1 967	4 663	237%	7 870
Total sources of capital funds	116 958	123 427	–	46 548	46 548	30 857	15 692	51%	123 427
Financial position									
Total current assets	1 695 597	853 075	–	–	2 247 396	–	–	–	853 075
Total non current assets	2 843 987	2 810 848	–	–	3 046 936	–	–	–	2 810 848
Total current liabilities	4 812 424	3 873 373	–	–	6 528 874	–	–	–	3 873 373
Total non current liabilities	369 440	369 440	–	–	377 355	–	–	–	369 440
Community wealth/Equity	(763 928)	(578 890)	–	–	(1 611 897)	–	–	–	(578 890)
Cash flows									
Net cash from (used) operating	911 375	111 269	–	291 824	291 824	27 817	(264 007)	-949%	111 269
Net cash from (used) investing	112 415	(172 677)	–	(92 365)	(92 365)	(43 169)	49 195	-114%	(172 677)
Net cash from (used) financing	295	–	–	–	–	–	–	–	–
Cash/cash equivalents at the month/year end	1 227 285	195 038	–	–	322 190	241 094	(81 096)	-34%	61 323
Debtors & creditors analysis	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									
Total By Income Source	188 571	94 276	173 223	76 225	69 949	67 591	65 579	=====	3 637 948
Creditors Age Analysis									
Total Creditors	207 355	196 189	166 996	140 976	21 624	74 718	96 396	=====	5 148 513

Analysis of the performance

Operating Revenue

The overall performance on the revenue component is 17% below target. Service charges and other own revenue are the main items to contribute in this negative performance.

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 22 107 409.66 relates to MIG funding, R 23 879 968.68 relates to INEP 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 Operational Grants

- The EPWP grant is at 206% as the allocation has been fully spend and own funds are utilized to subsidise the EPWP expenses, hence the 206% spending.

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	0.00	0%
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	262 400 429.61	43%

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%

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	20 252 382.00	1 588 816.14	18 663 565.86	7.85
Energy Sources	39 581 360.00	10 416 451.08	29 164 908.92	26.32
Finance and Administration	730 650.00	5 450.00	725 200.00	0.75
Planning and Development	50 682.00	-	50 682.00	0.00
Public Safety	3 078 820.00	413 829.57	2 664 990.43	13.44
Road Transport	21 951 513.00	1 683 105.95	20 268 407.05	7.67
Sport and Recreation	964 103.00	3 420.00	960 683.00	0.35
Waste Management	20 500 000.00	1 870 507.16	18 629 492.84	9.12
Waste Water Management	25 019 801.00	2 003 748.09	23 016 052.91	8.01
Water Management	9 195 576.00	1 159 400.00	8 036 176.00	12.61
Total	141 324 887.00	19 144 727.99	122 180 159.01	13.55

CASH MANAGEMENT

As at 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.

INVESTMENT PORTFOLIO ANALYSIS

The following table indicates the investments at the end of the first quarter

Investment Type	Institution	30 September 2023
Short term fixed deposits	Absa 3 Months Fixed Deposit	101 645 972.44
	Nedbank 3 Months Fixed Deposit	102 910 077.60
Listed Investments	Old Mutual Shares	26 506.44
	Old Mutual Shares	364 812.00
	Sanlam	143 147.76
	Shares Nedbank	16 000.60
	Shares Nedbank	220 808.28
	Quilter PLC	12 036.96
	Quilter PLC	165 874.71
Short term Call Investment	Standard Bank Cheque 038787024003	472 327.86
	Standard Bank Cheque MIG 38787024008	4 620 941.36
	Standard Bank Call Account 038787024009	25 222 720.72
	Standard Bank Current 030195276000	4 088 696.47
Total Investments		239 909 923.20

DEBTORS MANAGEMENT

Our Debtors book had a total balance of R 3 637 948 000.00 as at end of September 2023. The debtors' payment rate for the month is 89%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M03 - Quarter 1

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			
R thousands												
Debtors Age Analysis By Income Source												
Trade and Other Receivables from Exchange Transactions - Water	1200	52 512	23 460	17 900	18 464	18 180	16 458	17 217	880 376	1 044 567	950 694	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	50 259	16 367	11 540	9 418	8 825	8 541	8 014	330 511	443 476	365 310	
Receivables from Non-exchange Transactions - Property Rates	1400	30 369	12 276	10 414	8 593	8 095	7 942	7 891	249 765	335 345	282 286	
Receivables from Exchange Transactions - Waste Water Management	1500	14 688	8 601	7 331	6 856	7 001	6 572	6 638	332 844	390 530	359 911	
Receivables from Exchange Transactions - Waste Management	1600	13 246	7 774	7 216	6 672	6 561	6 458	6 359	304 753	359 039	330 802	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	
Interest on Arrear Debtor Accounts	1810	22 877	22 482	22 308	21 290	18 729	18 498	17 357	551 083	694 624	626 957	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	
Other	1900	4 620	3 315	96 515	4 932	2 557	3 122	2 105	253 201	370 367	265 917	
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		160 587	196 207	80 838	68 004	67 605	62 568	288 876	2 341 653	3 266 338	2 828 707	
Debtors Age Analysis By Customer Group												
Organs of State	2200	6 886	2 244	1 643	1 125	850	825	1 143	40 278	54 993	44 220	
Commercial	2300	56 341	10 783	95 797	7 124	5 913	5 841	5 431	186 705	373 937	211 015	
Households	2400	125 344	81 249	75 783	67 976	63 186	60 925	59 005	2 675 550	3 209 018	2 926 642	
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 at the end of quarter 1:

Debtors Opening Balance	3 677 337 665.46
Add: Billing for the Quarter	551 167 983.09
Debtors Write off	
Less: Debtors Closing Balance	3 637 948 000.00
	590 557 648.55
Payment rate	89%

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%	
November	58%	63%	
December	61%	56%	
January	70%	56%	
February	58%	55%	
March	63%	60%	
April	69%	57%	
May	70%	76%	
June	59%	56%	

Accounts owed by Councilors'

ACCOUNT	EMPLOYEE NAME	AMOUNT	CURRENT	30>DAYS	60>DAYS	90>DAYS	120>DAYS
1003869	NGXONONO YT	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
2003056	MAHLANGU MJ	R88 556.80	R1 606.44	R1 597.15	R1 576.65	R1 499.59	R82 276.97
2004788	MAZIBUKO TM	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
2010079	MOFOKENG TS	R99 008.01	R1 619.55	R1 486.51	R1 854.41	R1 471.40	R92 576.14
2010766	MTHEMBU BE	R74 507.44	R2 334.24	R5 846.59	R4 039.68	R3 916.10	R58 370.83
2105266	MASITENG SM	R71 868.41	R921.81	R915.23	R908.62	R841.93	R68 280.82
2109348	ZUMA NG	R11 095.01	R3 621.20	R2 630.91	R1 800.77	R1 570.00	R1 472.13
2109867	SEHLALO MS	R132 816.32	R1 515.55	R1 763.29	R1 885.05	R1 518.87	R126 133.56
2204337	MAKHADO TC	R483.57	R483.57	R0.00	R0.00	R0.00	R0.00
2204708	THUKWANE KS	R112 887.53	R2 097.20	R2 084.94	R2 037.03	R1 962.16	R104 706.20
2205558	MAGAGAMELA FF	R5 005.50	R1 050.59	R1 050.59	R1 026.55	R967.86	R909.91
2206183	SINDELO S	R3 148.04	R799.26	R765.09	R1 489.76	R93.93	R0.00
2208666	MASINA NA	R1 035.86	R1 035.86	R0.00	R0.00	R0.00	R0.00
2301068	MABIZELA TM	R20 869.14	R336.12	R333.25	R330.35	R5 793.61	R14 075.81
2402301	CHAUKE EW	R3 799.56	R254.34	R282.81	R276.18	R237.43	R2 748.80
2601906	VILAKAZI P	R95 257.18	R1 611.25	R1 602.31	R1 584.73	R1 508.04	R88 950.85
4006463	NKABINDE ER	R15 482.43	R1 782.80	R1 782.81	R1 754.39	R1 743.41	R8 419.02
4007258	VAN HUYSSTEEN NC	R10 282.49	R69.46	R69.46	R69.46	R69.46	R10 004.65
5506664	MASANGO SJ	R858.62	R858.62	R0.00	R0.00	R0.00	R0.00
6503170	ERASMUS D	R4 486.94	R36.97	R36.97	R36.97	R36.97	R4 339.06
6510278	MTSHALI PD	R45 470.42	R1 469.87	R1 508.95	R1 400.51	R1 368.82	R39 722.27
7000472	NSIBANDE ME	R3 799.56	R891.02	R767.28	R785.58	R800.78	R554.90
7001671	MALUKA JM	R76 887.16	R1 607.32	R1 597.45	R1 583.24	R1 499.81	R70 599.34
7009035	NKUNA MM	R112 033.83	R1 887.02	R1 886.31	R1 806.90	R1 798.35	R104 655.25
8500134	MASEKO JM	R2 982.70	R749.65	R73.59	R171.08	R353.45	R1 634.93
	TOTAL	R992 622.52	R28 639.71	R28 081.49	R26 417.91	R29 051.97	R880 431.44

Distribution losses

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%

LIABILITIES

Creditors

The total creditors balance for the quarter ended September 2023 (quarter 1) amounted to R 5 158 854 000.

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the month of September 2023, R 5 158 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 1

Description	NT Code	Budget year 2022/2023			
		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	–	–	–
Bulk Water	0200	750 858	–	–	–
PAYE deductions	0300	0	–	–	–
VAT (output less input)	0400	0	–	–	–
Pensions / Retirement deductions	0500	0	–	–	–
Loan repayments	0600	0	–	–	–
Trade Creditors	0700	47 881	–	–	–
Auditor General	0800	43	–	–	–
Other	0900	0	–	–	–
Total By Customer Type	1000	5 158 854	–	–	–

FINANCIAL RATIOS:

Current Ratio: 0.34:1

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: 1:0.77

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.

Debt Service Coverage: -0.010 :1

Formula: Operating surplus / Total debt service cost

The debt service coverage ratio is a financial ratio that measures a municipality's ability to service its current debts by comparing its net operating income with its total debt service obligations. The municipality is unable to service its debts when they become due hence the increase in creditors.

Cost Coverage Ratio: 1:1.17

Formula: Cash and cash equivalents (Available cash +investments) / fixed operating expenditure

The municipality will encounter difficulties in meeting its monthly obligation even though its cost coverage ratio is above 1. This is an indication that the municipality has cash constraints and that there isn't sufficient cash to cover expenditures.

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 amounting to R137 684.61 as **Appendix “B”**:
- ✓ Disclosure of Supply Chain Management purchase above R100 000 amounting to R101 341 798.72 as **Appendix “C”**:
- ✓ Disclosure of irregular expenditure amounting to R 25 927 366.16 as **Appendix “C”**
- ✓ Disclosure of tenders awarded amounting to R 1 665 660.00 as **Appendix “D”**

Insurance Claims

17 insurances have been lodged in the 1st quarter, year to date amounts to **R 14 409 575.44**. 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 30 September 2023.

Fruitless and Wasteful Expenditure

For the quarter under review fruitless and wasteful expenditure is R115 258 571.97, 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 55 464 871.87 as **Appendix “I”**