



# Budget Statement

MFMA Section 71 Report

31 OCTOBER 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 **October 2022** 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

### SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

#### 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 performance on the expenditure component is 10% below target.

Bulk purchases are above target by 23% 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 25 438 213.00 of this amount R 14 272 705.00 relates to MIG funding, R 9 128 630.00 relates to INEP whilst R 2 036 878.00 is from internally generated funds.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received Including rollover	YTD Expenditure	Available as at 31 Oct 2022
Municipal Infrastructure Grant	MIG	62 635 400	21 564 000	14 272 705	7 291 295
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	-4 128 630
Own Funding	Revenue	71 130 000	71 130 000	2 036 878	69 093 122
<b>Total</b>		<b>163 881 875</b>	<b>112 810 475</b>	<b>25 438 213</b>	<b>87 372 262</b>

## Unspent Operational and Capital Grants

Grants	Allocation per DoRA	Actual received Including rollover	Expenditure as at 31 Oct 22	Unspent 2022/2023	YTD %
Extended Public works Programme	**2 629 000	685 000	2 629 000	-1 944 000	384%
Financial Management Grants	2 100 000	2 100 000	42 500	2 057 500	2%
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	13 000 000	0	100%
Municipal Infrastructure Grant	65 932 000	21 564 000	14 272 705	7 291 295	66%
Sasol Grant-Electrification	*15 116 475	15 116 475	0	15 116 475	0%
<b>Total</b>	<b>125 277 475</b>	<b>57 465 475</b>	<b>39 072 835</b>	<b>18 392 640</b>	<b>68%</b>

**\*\*Year to date percentage on EPWP and INEP is above 100% because this is based on amount received to date.**

**\* An amount of R 4 669 983.00 was spent through SASOL Grant as of 30 June 2022 after the 2023 budget was approved. This amount will be adjusted through adjustment budget to reflect the actual balance remaining R 10 446 492.00**

## Creditors

The total creditors balance for the month of October 2022 amounted to R 3 955 088 000.00. The major creditors are Eskom and Rand Water.

### MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M04 October

Description	NT Code	Budget Year 2020/21									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	
<b>R thousands</b>											
<b>Creditors Age Analysis By Customer Type</b>											
Bulk Electricity	0100	70 341	106 604	141 827	3 009 740	-	-	-	-	3 328 511	-
Bulk Water	0200	38 436	22 581	43 135	464 099	-	-	-	-	568 251	-
PAYE deductions	0300									-	-
VAT (output less input)	0400									-	-
Pensions / Retirement deductions	0500									-	-
Loan repayments	0600									-	-
Trade Creditors	0700	20 437	9 451	4 562	23 875	-	-	-	-	58 325	-
Auditor General	0800									-	-
Other	0900									-	-
<b>Total By Customer Type</b>	<b>1000</b>	<b>129 214</b>	<b>138 636</b>	<b>189 523</b>	<b>3 497 715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 955 088</b>	<b>-</b>

## Debtors

Our Debtors book had a total balance of R 3 300 727 000.00 as at end of October 2022. The debtors' payment rate for the month is 62%

**MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M04 October**

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
<b>R thousands</b>										
<b>Debtors Age Analysis By Income Source</b>										
Trade and Other Receivables from Exchange Transactions - Water	1200	59 154	31 604	25 832	18 949	17 701	17 642	86 956	749 586	1 007 424
Trade and Other Receivables from Exchange Transactions - Electricity	1300	38 623	16 817	12 790	10 951	9 019	8 580	39 738	267 595	404 113
Receivables from Non-exchange Transactions - Property Rates	1400	27 052	11 573	10 730	9 772	8 588	7 959	35 401	181 260	292 335
Receivables from Exchange Transactions - Waste Water Management	1500	13 515	9 026	8 817	8 274	7 674	7 484	35 061	284 835	374 686
Receivables from Exchange Transactions - Waste Management	1600	12 141	8 863	8 451	8 209	7 738	7 258	33 141	252 724	338 525
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	16 396	14 882	15 043	14 722	12 790	12 551	53 219	398 968	538 571
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-
Other	1900	5 351	2 838	102 738	249	1 243	3 337	2 397	226 920	345 073
<b>Total By Income Source</b>	<b>2000</b>	<b>172 232</b>	<b>95 603</b>	<b>184 401</b>	<b>71 126</b>	<b>64 753</b>	<b>64 811</b>	<b>285 913</b>	<b>2 361 888</b>	<b>3 300 727</b>
<b>Debtors Age Analysis By Customer Group</b>										
Organs of State	2200	41 700	10 203	6 883	5 884	4 847	5 209	18 030	85 067	177 823
Commercial	2300	33 129	16 656	96 165	5 252	4 378	4 215	18 470	145 617	323 882
Households	2400	97 403	68 744	81 353	59 990	55 528	55 387	249 413	2 131 204	2 799 022
Other	2500	-	-	-	-	-	-	-	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>172 232</b>	<b>95 603</b>	<b>184 401</b>	<b>71 126</b>	<b>64 753</b>	<b>64 811</b>	<b>285 913</b>	<b>2 361 888</b>	<b>3 300 727</b>

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

Category	Actual Cash For the Month	Total Movement	Billing for September 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
Payment	-111 197.82	0.00	0.00	0.00	0%	0%
Deposits	-280 613.32	226 745.20	0.00	226 745.20	124%	0%
Agreements	-469 040.16	-437 930.44	0.00	-437 930.44	0%	0%
Indigent Flat Credit	-16 960.37	0.00	0.00	0.00	0%	0%
Water	-30 930 888.25	48 482 133.41	47 980 575.26	501 558.15	64%	64%
Electricity	-33 330 191.59	161 985 995.25	43 133 585.62	-306 042.37	77%	77%
Loans/Old Debt	-1 819.89	0.00	0.00	0.00	0%	0%
Rates	-23 068 854.06	32 261 768.28	32 190 072.42	71 695.86	72%	72%
Annual Rates	-50 535.33	0.00	0.00	0.00	0%	0%
Refuse	-4 758 626.97	11 851 471.15	11 854 372.63	-2 901.48	40%	40%
Sewerage	-4 961 111.31	12 348 969.06	12 307 210.55	41 758.51	40%	40%
Miscellaneous	-98 567.23	198 632.56	190 549.25	8 083.31	50%	52%
Miscellaneous (No Vat)	-272 503.03	452 809.69	424 193.79	28 615.90	60%	64%
Vat	-11 180 423.14	35 219 827.89	17 309 690.91	36 369.18	32%	64%
Interest	-357 340.28	15 050 833.48	15 099 733.05	-48 899.57	2%	2%
Payment Advanced	-2 539 670.26	0.00	0.00	0.00	100%	100%
<b>TOTALS</b>	<b>-112 428 343.01</b>	<b>317 641 255.53</b>	<b>180 489 983.48</b>	<b>119 052.25</b>	<b>35</b>	<b>62%</b>

#### 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 illegal vending by the terminated service provider

#### Intervention

- Cut off is in action.
- Meter audit for Large Power Users is in progress.
- Municipality is in process of purchasing 17 Large Power Users meters for the average revenue R100 000 per meter per month.
- The key changes on the old meters is in progress.
- The appointment of the service provider for installation of meters is at the Bid Evaluation Committee for review.

#### Cash Flows

At the 31 October 2022, we had a positive bank statement balance of R 5 204 785.00 and a negative cash book balance of R 10 864 945.00

## Investments

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

		01-Oct-22	31-Oct-22
Fixed Deposits	ABSA Deposit 200644701346	13 947 133	14 029 746
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	440 149	442 373
	Standard Bank Cheque MIG 38787024008	87 636 699	83 001 411
	Standard Bank Call Account 038787024009	188 697 038	173 658 675
	Standard Bank Current 030195276000	2 792 513	2 904 446
<b>Total Investments</b>		<b>294 399 583</b>	<b>274 922 702</b>

## Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	58,356,694	17,665,714	-69.73%	-60.50%	-72.60%
Water	2,672,672	1,842,520	-31.06%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	217,193,052	72,462,416	-66.64%	-64.46%	-70.15%
Water	10,829,725	7,425,810	-31.43%	-34.38%	-32.38%

## Expenditure

Bulk purchases are above target by 23%.

Contracted services are below target by 31%.

Other expenditure is also underperforming by 19%.

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 October**

Salary bill for Councillors R 2 063 000.00  
Salary bill for employee's R 49 335 000.00

Total staff compliment 1 170 (Full time)  
Staff resignations 4  
Staff Appointments 4

### **Summary of staff processed.**

Company 1	Full time	1170
Company 2	EPWP	513
Company 3	Councillors	62
Company 4	Directors	4
Company 7	Temps	7
<b>TOTAL</b>		<b>1756</b>

### **Attached to the report are the following appendixes**

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 28 062 905.28**

APPENDIX C: Insurances report – **R 17 768 211.60**

APPENDIX D: Capital Expenditure – **R 25 438 214.00**

APPENDIX E: Government Debtors – **R 13 454 190.10**

APPENDIX F: Fruitless and Wasteful Expenditure – **R23 105 060.00**