



Quarterly Budget Statement

MFMA Section 52 Report

31 DECEMBER 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 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 **DECEMBER 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: 15/01/2024

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 15/01/2024

1. DISCUSSION:

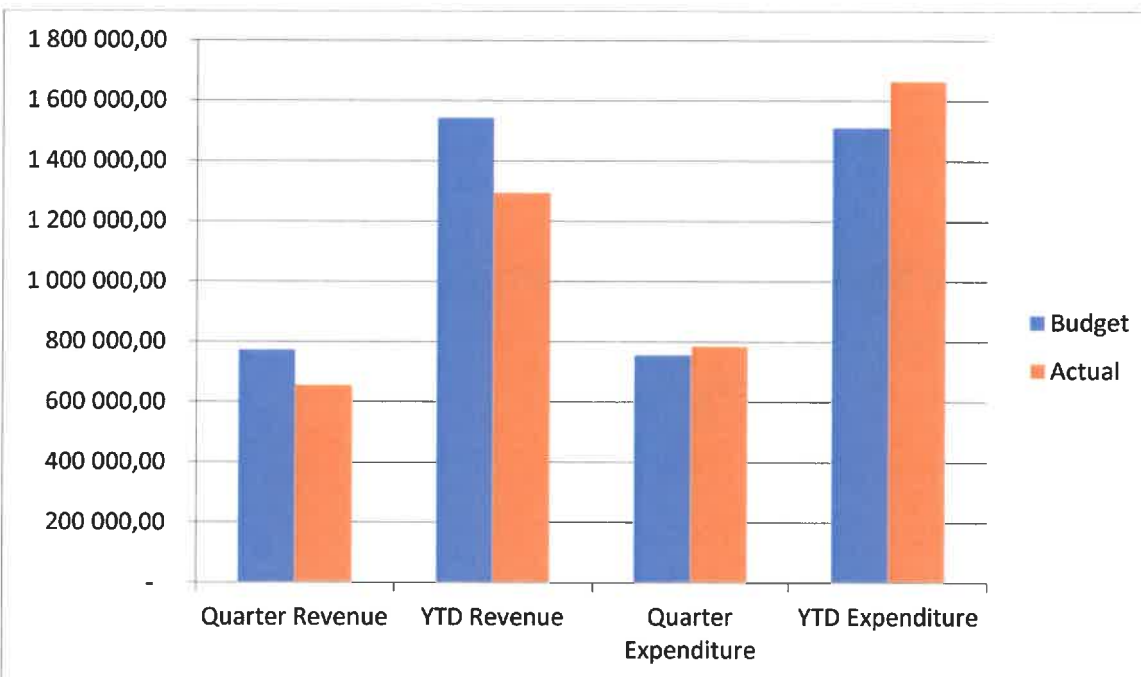
The overall financial performance indicators for the period under review are attached as **ANNEXURE "A"**.

EXECUTIVE SUMMARY:

Operating Results:

The table below shows the Operational Revenue of R 1.295 billion and Operating Expenditure of R 1.665 billion which resulted in a deficit of R 369.9 million before capital transfer of R 71.8 million which resulted in overall deficit of R 298.1 million.

Description	Original Budget 2023/2024	Adjustment Budget 2023/2024	Actual (Q1)	Actual (Q2)	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	-	639 775	655 380	1 295 155	1 543 777	(248 622)	-16%
Total Operating Expenditure	3 019 754	-	880 096	785 039	1 665 136	1 509 877	155 259	10%
Surplus /(Deficit) for the year before grant capital revenue	67 799	-	(240 322)	(129 660)	(369 981)	33 900	(403 881)	(1191%)
Grant capital revenue	111 490	-	18 840	52 976	71 816	55 745	16 071	29%
Surplus /(Deficit) for the year	179 289	-	(221 482)	(76 683)	(298 165)	89 645		
Total Capital Expenditure	172 677	-	48 663	38 309	86 971	86 338	633	1%



The following table provides a summary of the municipality's performance on the Capital and Operational budget as at 31 December 2023

Description	Budget Year 2023/24									
	2022/23	Audited Outcome	Original Budget	Adjusted Budget	Quarter 2	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Financial Performance										
Property rates	380 366	424 452	-	91 695	189 461	212 226	(22 765)	-11%	424 452	
Service charges	1 406 333	1 900 537	-	352 257	619 636	950 268	(330 633)	-35%	1 900 537	
Investment revenue	17 937	15 610	-	4 626	9 738	7 805	1 933	25%	15 610	
Transfers and subsidies - Operational	412 330	457 114	-	143 854	341 978	228 557	113 421	50%	457 114	
Other own revenue	275 437	289 841	-	62 947	134 342	144 920	(10 578)	-7%	-	
Total Revenue (excluding capital transfers and contributions)	2 492 402	3 087 553	-	655 380	1 295 155	1 543 777	(248 622)	-16%	3 087 553	
Employee costs	611 264	680 420	-	158 792	314 951	340 210	(25 259)	-7%	680 420	
Remuneration of Councilors	25 691	33 822	-	18 232	20 411	16 911	3 499	21%	33 822	
Depreciation and amortisation	131 248	205 829	-	31 982	63 628	102 915	(39 287)	-38%	205 829	
Interest	365 477	140 087	-	98 821	216 004	70 043	145 961	208%	140 087	
Inventory consumed and bulk purchases	1 295 907	1 262 306	-	336 417	811 367	631 153	180 214	29%	1 262 306	
Transfers and subsidies	23 010	28 461	-	13 838	18 640	14 230	4 410	31%	28 461	
Other expenditure	929 918	668 830	-	126 957	220 136	334 415	(114 279)	-34%	668 830	
Total Expenditure	3 382 515	3 019 754	-	785 039	1 665 136	1 509 877	155 259	10%	3 019 754	
Surplus/(Deficit)	(890 113)	67 799	-	(129 660)	(369 981)	33 900	(403 881)	-1191%	67 799	
Transfers and subsidies - capital (monetary allocations)	137 055	111 490	-	52 976	71 816	55 745	16 071	29%	111 490	
Transfers and subsidies - capital (in-kind)	5 987	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & Share of surplus/ (deficit) of associate	(747 070)	179 289	-	(76 683)	(298 165)	89 645	(387 810)	-433%	179 289	
Surplus/ (Deficit) for the year	(747 070)	179 289	-	(76 683)	(298 165)	89 645	(387 810)	-433%	179 289	

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 10% above target.

Bulk purchases, finance charges and transfers and subsidies are above target by 47%, 208% and 38% 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 98 616 748.97 of this amount R 31 465 198.28 relates to INEP funding, R 52 997 893.35 relates to MIG funding, R 1 075 023.11 relates to WSIG, R 914 393.15 relates to Provincial Treasury funding whilst R 12 164 241.07 is from internally generated funds.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received including rollover	YTD Expenditure (Quarter 1)	YTD Expenditure (Quarter 2)	Available as at 31 December 23
Integrated National Electrification Programme Grant	INEP	40 080 000.00	27 500 000.00	23 879 968.68	31 465 198.28	8 614 801.72
Municipal Infrastructure Grant	MIG	60 793 550.00	58 017 000.00	22 107 409.66	52 997 893.35	7 795 656.65
Water Service Infrastructure Grant	WSIG	0.00	3 047 401.00	0.00	1 075 023.11	1 972 377.89
Provincial Treasury Grant	PT Grant	0.00	10 020 000.00	0.00	914 393.15	9 105 606.85
Own Funding	Revenue	64 620 000.00	64 620 000.00	9 477 493.53	12 164 241.07	52 455 758.93
Total		165 493 550.00	163 204 401.00	55 464 871.87	98 616 748.96	79 944 202.04

Unspent Capital Grants

Grants	Allocation per DoRA	Received Including rollover	YTD Expenditure (Quarter 1)	YTD Expenditure (Quarter 2)	Unspent 2023/2024	YTD %
Integrated National Electrification Programme Grant	40 080 000.00	27 500 000.00	23 879 968.68	31 465 198.28	8 614 801.72	79%
Municipal Infrastructure Grant	60 793 550.00	58 017 000.00	22 107 409.66	52 997 893.35	7 795 656.65	87%
Mining company: Sasol	0.00	77 554.38	0.00	0.00	77 554.38	0%
Water Services Infrastructure	0.00	3 047 401.00	0.00	1 075 023.11	1 972 377.89	35%
Provincial Treasury Grant	0.00	10 020 000.00	0.00	914 393.15	9 105 606.85	9%
Total	100 873 550.00	98 661 955.38	45 987 378.34	86 452 507.89	27 565 997.49	86%

Unspent Operational Grants

Grants	Allocation per DoRA	Received Including rollover	Expenditure as at 31 December 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	936 000.33	1 163 999.67	45%
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	234 858.00	0.00	234 858.00	0%
LG Seta	1 000 000.00	0.00	916 138.94	83 861.06	92%
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	266 086.00	55 119.00	210 967.00	21%
Equitable share	426 701 000.00	320 026 000.00	320 026 000.00	106 675 000.00	75%
Total	456 514 000.00	338 300 574.00	338 646 258.27	119 363 315.73	74%

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	5 013 813.62	15 238 568.38	24.76%
Energy Sources	34 581 360.00	18 250 268.46	16 331 091.54	52.77%
Finance and Administration	730 650.00	53 180.01	677 469.99	7.28%
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	7 648 101.01	14 303 411.99	34.84%
Sport and Recreation	964 103.00	37 977.48	926 125.52	3.94%
Waste Management	20 500 000.00	3 680 104.27	16 819 895.73	17.95%
Waste Water Management	24 020 266.00	10 391 222.17	13 629 043.83	43.26%
Water Management	7 595 111.00	1 941 081.59	5 654 029.41	25.56%
Grand Total	133 724 887.00	47 429 578.18	86 295 308.82	35.56%

CASH MANAGEMENT

As at 31 December 2023 (Quarter 2), we had a positive bank statement balance of R 6 170 601.39 and a negative cash book balance of R 32 492 138.75 compared to positive bank statement balance of R 23 611 707.12 and a negative cash book balance of R 31 127 265.79 in September 2023 (Quarter 1).

INVESTMENT PORTFOLIO ANALYSIS

The following table displays the investments portfolio and indicates that R 124.1 million was invested in the quarter ended December 2023 compared R 239.9 million in September 2023 (Quarter 1).

Investment Type	Institution	Quarter 1	Quarter 2
Short term fixed deposits	Absa 3 Months Fixed Deposit	101 645 972.44	104 079 293.04
	Nedbank 3 Months Fixed Deposit	102 910 077.60	0.00
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	472 327.86	481 879.44
	Standard Bank Cheque MIG 38787024008	4 620 941.36	4 700 532.00
	Standard Bank Call Account 038787024009	25 222 720.72	9 642 004.40
	Standard Bank Current 030195276000	4 088 696.47	4 287 158.33
Total Investments		239 909 923.20	124 140 053.96

DEBTORS MANAGEMENT

The total debtors balance for the quarter ended December 2023 (quarter 2) amounted to R 3 776 654 000 compared to R 3 637 948 000 in September 2023 (quarter 1). The debtors' payment rate for the quarter is 82.33%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors -- Q2 December

R thousands	Description	NT Code	Budget Year 2022/23			
			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	-	-
	Trade and Other Receivables from Exchange Transactions - Electricity	1300	443 476	437 054	-	-
	Receivables from Non-exchange Transactions - Property Rates	1400	335 345	337 282	-	-
	Receivables from Exchange Transactions - Waste Water Management	1500	390 530	411 851	-	-
	Receivables from Exchange Transactions - Waste Management	1600	359 039	375 814	-	-
	Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-
	Interest on Arrear Debtor Accounts	1810	694 624	747 306	-	-
	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-
	Other	1900	370 367	380 119	-	-
	Total By Income Source	2000	3 637 948	3 776 654	-	-
	Debtors Age Analysis By Customer Group					
	Organs of State	2200	54 993	45 342	-	-
	Commercial	2300	373 937	433 585	-	-
	Households	2400	3 209 018	3 297 727	-	-
	Other	2500	-	-	-	-
	Total By Customer Group	2600	3 637 948	3 776 654	-	-

The following table indicates the consumer debtor's payment rate at the end of quarter 2 compared to Quarter 1:

	Quarter 1	Quarter 2
Debtors Opening Balance	3 677 337 665.46	3 637 948 000.00
Add: Billing for the Quarter	551 167 983.09	561 674 277.18
Debtors Write off		
Less: Debtors Closing Balance	3 637 948 000.00	3 776 654 000.00
	590 557 648.55	422 968 277.18
Payment rate	89%	82.33%

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

The collection rate for December 2023 is at 67%, whereas for November 2023 it was at 98%. The decrease in the Collection rate in December 2023 is due to the transactions processed after the November 2023 billing. These transactions were updated on the GL and the C-Schedule in November which resulted in a higher collection rate of 98% for November 2023 and a lower collection rate of 67% for December 2023.

The transactions that occurred after billing but before month end close therefore affecting the debtors' book in the GL:

- Indigents write-offs
- Applications for debt incentive scheme

It must however be noted that the December 2023 collection rate has improved significantly as compared to the December 2022 collection rate of 56%.

Accounts owed by Councilors'

ACCOUNT	COUNCILLOR'S NAME	AMOUNT	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 + DAYS
2001414	NKWANYANA SE	9 385.28	1 785.84	1 591.50	5 300.98	706.96	0.00
2004788	MAZIBUKO TM	0.00	0.00	0.00	0.00	0.00	0.00
2008379	KUBHEKA MA	31 747.96	1 632.79	1 632.79	1 632.79	1 632.79	25 216.90
2010079	MOFOKENG TS	39 820.38	1 486.51	2 092.68	1 752.57	1 619.55	32 869.07
2101798	SIERANA GC	73 127.48	2 247.28	2 231.06	2 167.91	2 340.04	64 141.19
2103655	ZIWELE L	0.00	0.00	0.00	0.00	0.00	0.00
2109271	MASINGA MM	1 283.28	922.82	360.46	0.00	0.00	0.00
2109708	NGWENYA LP	1 719.54	1 616.59	102.95	0.00	0.00	0.00
2109867	SEHLALO MS	87 896.31	1 474.19	1 124.04	1 467.12	1 515.55	82 315.41
2204337	MAKHADO TC	8 674.73	3 934.24	3 886.80	853.69	0.00	0.00
2204708	THUKWANE KS	68 704.13	1 251.63	1 251.63	1 441.34	2 097.20	62 662.33

2205558	MAGAGAMELA FF	3 119.67	1 018.49	1 050.59	1 050.59	0.00	0.00
2206183	SINDELO S	1 254.66	791.15	360.60	102.91	0.00	0.00
2300001	MTHEMBU BE	490.79	411.70	56.25	22.84	0.00	0.00
2301068	MABIZELA TM	893.18	300.62	297.72	294.84	0.00	0.00
2601472	MASITENG SM	1 149.69	1 149.00	0.00	0.00	0.00	0.00
2601906	VILAKAZI P	25 854.29	4 465.52	1 277.32	1 268.41	1 611.25	17 231.79
4006463	NKABINDE ER	2 597.70	1 782.81	814.89	0.00	0.00	0.00
6510278	MTSHALI PD	1 984.51	1 189.91	794.60	0.00	0.00	0.00
7000472	NSIBANDE ME	1 487.90	798.21	689.69	0.00	0.00	0.00
7001671	MALUKA JM	35 651.95	5 746.53	1 339.95	1 424.20	1 424.20	27 141.87
7009035	NKUNA MM	31 983.38	1 072.00	1 072.00	1 481.65	1 887.02	26 470.71
7009206	MASEKO TM	991.24	354.65	355.30	235.84	45.45	0.00
8502782	PETTERSON MR	0.00	0.00	0.00	0.00	0.00	0.00
		429 818.05	35 432.48	22 382.82	20 497.68	14 880.01	338 049.27

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	294,597,034	114,646,316	-61.08%	-64.48%	-64.46%
Water	16,026,298	8,673,080	-45.88%	-38.38%	-34.38%

LIABILITIES

Creditors

The total creditors balance for the quarter ended December 2023 (quarter 2) amounted to R 5 361 888 000 compared to R 5 158 854 000 in September 2023 (quarter 1).

In terms of the MFMA all creditors should be paid within 30 days of receiving the invoice or statement. For the month of December 2023, R 5 361.8 billion was outstanding and of this 97% 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 2

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	4 553 091	-	-
Bulk Water	0200	750 858	730 722	-	-
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	-	-
Auditor General	0800	43	2 775	-	-
Other	0900	-	-	-	-
Total By Customer Type	1000	5 158 854	5 361 888	-	-

FINANCIAL RATIOS:

Current Ratio: 0.35:1

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: 1:0.81

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: 1:1.42

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 as **Appendix "B"**:
- ✓ Disclosure of Supply Chain Management purchase above R100 000 amounting to R 166 552 989.91 as **Appendix "C"**:
- ✓ Disclosure of irregular expenditure amounting to R 116 051 272.98 as **Appendix "C"**
- ✓ Disclosure of tenders awarded amounting to R 70 076 557.21 as **Appendix "D"**

Insurance Claims

14 insurances have been lodged in the 2nd quarter, year to date amounts to **R 29 138 296.35**. 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 December 2023.

Fruitless and Wasteful Expenditure

For the quarter under review fruitless and wasteful expenditure is R 93 123 608.67, 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 98 616 748.97 as **Appendix "I"**

