



Budget Statement

MFMA Section 71 Report

31 JANUARY 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 **January 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

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 16% 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 9% below target.

Bulk purchases and finance charges are above target by 17% and 57% respectively, 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 54 070 237.40, of this amount R 32 538 734.90 relates to MIG funding, R 12 379 181.50 relates to INEP whilst R 9 152 321.00 is from internally generated funds.

Description	Funding	Allocation per 2023 DoRA& rollover	Actual received including rollover	YTD Expenditure	Available as at 31 January 2023
Municipal Infrastructure Grant	MIG	78 914 407.00	45 805 000.00	32 538 734.90	13 266 265.10
Sasol Grant – Electrification	Sasol	15 116 475.00	15 116 475.00	-	10 466 492.00
Integrated National Electrification Programme Grant	INEP	22 200 000.00	15 000 000.00	12 379 181.50	2 620 818.50
Own Funding	Revenue	71 130 000.00	71 130 000.00	9 152 321.00	61 977 679.00
Total		187 360 882.00	147 051 475.00	54 070 237.40	88 331 254.60

Unspent Operational and Capital Grants

Grants	Allocation per DoRA	Actual received Including rollover	Expenditure as at 31 JANUARY 23	Unspent 2022/2023	YTD %
Extended Public works Programme	*2 629 000.00	1 869 000.00	2 629 000.00	-760 000.00	141%
Financial Management Grants	2 100 000.00	2 100 000.00	658 215.10	1 441 784.90	31%
Integrated National Electrification programme Grant	22 200 000.00	15 000 000.00	12 379 181.50	2 620 818.50	83%
Infrastructure Skills Development Grant	24 500 000.00	13 000 000.00	13 000 000.00	-	100%
Municipal Infrastructure Grant	**78 914 407.00	45 805 000.00	32 538 734.90	13 266 265.10	71%
Sasol Grant-Electrification	***15 116 475.00	15 116 475.00	-	15 116 475.00	0%
LG Seta	2 080 000.00	-	1 610 938.70	- 1 610 938.70	0%
Pre-Capacity grant	195 235.00	195 235.00	6 732.00	188 503.00	3%
Sports And Recreation	471 716.00	471 716.00	-	471 716.00	0%
Total	125 277 475.00	93 557 426.00	62 822 802.20	30 734 623.80	67%

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

** Municipal Infrastructure Grant expenditure is inclusive of the Roll-over spending. The Expenditure of the current year's allocation is at 53%

*** 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 during midyear budget adjustment to reflect the actual balance remaining R 10 446 492.00

Creditors

The total creditors balance for the month of January 2023 amounted to R 4 200 228 380. The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M07 January

Description	NT Code	Budget Year 2020/21								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	
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	64 497	73 060	76 311	29 067	3 248 009	-	-	-	3 490 944
Bulk Water	0200	51 798	20 993	29 363	21 718	525 760	-	-	-	649 631
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	12 435	15 948	4 191	438	24 996	-	-	-	58 009
Auditor General	0800	-	1 622	22	-	-	-	-	-	1 644
Other	0900	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	128 730	111 623	109 887	51 222	3 798 766	-	-	-	4 200 228

Debtors

Our Debtors book had a total balance of R 3 455 745 000.00 as at end of January 2023. The debtors' payment rate for the month is 57%

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M07 January

Description	NT Code	Budget Year 2022/23									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	66 408	24 687	22 354	24 530	19 812	19 976	82 833	786 315	1 046 914	933 465	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	33 891	14 497	13 015	11 925	11 172	9 995	39 737	284 627	418 859	357 456	
Receivables from Non-exchange Transactions - Property Rates	1400	26 189	12 045	10 670	9 667	8 784	8 981	36 031	194 039	306 407	257 503	
Receivables from Exchange Transactions - Waste Water Management	1500	12 718	9 466	9 082	8 438	7 666	7 637	34 104	299 724	388 833	357 568	
Receivables from Exchange Transactions - Waste Management	1600	12 167	9 129	8 358	7 659	7 376	7 238	33 065	267 190	352 183	322 529	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	
Interest on Arrear Debtor Accounts	1810	18 535	18 164	16 540	16 186	14 697	14 791	61 934	428 051	588 898	535 659	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	
Other	1900	5 711	3 946	3 217	3 990	2 713	102 154	4 695	227 224	353 651	340 778	
Total By Income Source	2000	175 619	91 934	83 235	82 396	72 220	170 773	292 398	2 487 170	3 455 745	3 104 957	
2022/23 - totals only		142 404	83 631	71 051	66 693	62 872	60 779	282 463	2 200 453	2 970 345	2 673 259	
Debtors Age Analysis By Customer Group												
Organs of State	2200	37 411	9 617	8 133	7 252	5 785	4 954	20 037	89 711	182 899	127 739	
Commercial	2300	46 112	8 028	6 750	7 086	5 386	91 414	17 715	151 252	333 743	272 853	
Households	2400	92 097	74 290	68 352	68 058	61 049	74 404	254 647	2 246 207	2 939 103	2 704 365	
Other	2500	-	-	-	-	-	-	-	-	-	-	
Total By Customer Group	2600	175 619	91 934	83 235	82 396	72 220	170 773	292 398	2 487 170	3 455 745	3 104 957	

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

Category	Actual Cash For the Month	Total Movement	Billing for December 2022	Adjustments	Payment Rate Billing
Water	-26 728 905.38	2 515 474.13	44 732 092.97	-42 216 618.84	60%
Electricity	-24 873 444.48	34 067 545.48	34 789 577.32	-722 031.84	71%
Loans/Old Debt	-10 817.36	0.00	0.00	0.00	0%
Rates	-23 668 049.27	32 268 596.71	32 282 906.58	-14 309.87	73%
Annual Rates	-70 699.49	0.00	0.00	0.00	0%
Refuse	-4 491 769.21	11 805 330.81	11 862 388.16	-57 057.35	38%
Sewerage	-4 613 873.69	11 613 471.30	11 641 893.83	-28 422.53	40%
Miscellaneous	-50 535.45	177 971.13	196 549.25	-18 578.12	26%
Miscellaneous(No Vat)	-165 674.51	435 687.65	424 603.01	11 084.64	39%
Vat	-9 192 065.06	9 015 813.55	15 472 221.28	-6 456 407.73	59%
Interest	-432 163.24	18 221 326.68	18 253 719.01	-32 392.33	2%
Totals	-94 297 997,14	120 121 217,44	169 655 951,41	-49 534 733,97	56%

Factors that lead to the decrease in the collection rate

- The overall revenue collection for the month has remained at 56% from December 2022.
- **From the amount billed in December 2022 amounting to R 169 655 951.41 , adjustment to the value of R 49 534 733.97 was processed to correct consumer accounts.**
- The VAT on the billed accounts received relates to historic debt, which is not taken into account in the calculation of the monthly collection rate.
- The corrections are due to:
 - billing queries that have been solved which decrease the movement on the collection rate.
 - debt incentive scheme applications , resulting in the amount being removed from the debtors balances, which ultimately affect the collection rate.

Reason for revenue decline

- Poor Enforcement of credit control and debt collection policy and Cut-off action not done continuously due to the holiday season and most employees being on leave
- Pre-paid meters inspection not done on a continuous basis, 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.
- The meter readings are taken earlier in December 2022 resulting in less billing.

Intervention

- Cut off is in action on a continuous basis and the appointed panel to institute cut-offs will boost collection.
- Meter audit for Large Power Users is in progress.
- Municipality has purchased 17 Large Power Users meters for the average revenue R100 000 per meter per month.
- The key changes on the old meters are in progress.
- The appointment of the service provider for installation of meters has been concluded.
- Migration of SG Codes from the terminated vending service provider to the current provider.

- Expedite the installation of meters

Cash Flows

As at 31 January 2023, we had a positive bank statement balance of R 15 160 790.78 and a negative cash book balance of R 617 299.26.

Investments

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

		01-Jan-23	31-Jan-23
Fixed Deposits	ABSA Deposit 200644701346	14 192 305.54	14 274 918.00
Listed Investments	Old Mutual Shares 2,187	24 122.61	24 122.61
	Old Mutual Shares 30,100	332 003.00	332 003.00
	Sanlam Shares 2,452	129 637.24	129 637.24
	Nedbank Shares 70	14 508.20	14 508.20
	Nedbank Shares 966	200 213.16	200 213.16
	Quilter	12 554.88	12 554.88
	Quilter	173 011.88	173 011.88
Short term Investment	Standard Bank Cheque 038787024003	447 111.95	449 661.10
	Standard Bank Cheque MIG 38787024008	86 530 768.49	86 948 368.35
	Standard Bank Call Account 038787024009	167 995 238.08	168 970 070.72
	Standard Bank Current 030195276000	3 042 792.29	3 127 496.67
Total Investments		273 094 267.32	274 656 565.81

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	41,647,898	14,237,772	-65.81%	-60.50%	-72.60%
Water	2,647,499	1,725,419	-34.83%	-32.56%	-32.15%

Water and Electricity Distribution Losses: Accumulated: July 2022 to January 2023 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	344,333,594	119,287,114	-65.36%	-64.46%	-70.15%
Water	18,698,562	12,470,919	-33.31%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 17%.

Contracted services are below target by 17%.

Other expenditure is also underperforming by 30%.

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 January

Salary bill for Councillors R 2 094 396.74
Salary bill for employee's R 53 562 389.19

Total staff compliment 1 169 (Full time)
Staff resignations 2
Staff Appointments 1

Summary of staff processed.

Company	Description	Number of Officials	Salary Total Cost
Company 1	Full Time	1 169	51 324 399.87
Company 2	EPWP	578	1 584 073.90
Company 3	Councillors	63	2 094 396.74
Company 4	Directors	4	590 781.99
Company 7	Temps	7	63 133.43
Total		1 821	55 656 785.93

Attached to the report are the following appendices

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 30 138 100.77**

APPENDIX C: Insurances report – **R 18 072 415.17**

APPENDIX D: Capital Expenditure – **R 54 070 236.90**

APPENDIX E: Government Debtors – **R 12 410 832.34**

APPENDIX F: Fruitless and Wasteful Expenditure – **R25 608 643.54**