



Budget Statement

MFMA Section 71 Report

28 FEBRUARY 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

The supporting documentation for the month of **February 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: 13/03/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 13/03/2023

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 18% 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 4% below target.

Bulk purchases are above target by 35%, Close monitoring in this line item will be necessary as there is a possibility of unauthorised expenditure

Capital Expenditure

Total Capital Expenditure to date is R 67 616 532.97 of this amount, R 42 969 269.65 relates to MIG funding, R 12 379 181.50 relates to INEP, R3 093 140.63 relates to SASOL grant whilst R 9 174 941.20 is from internally generated funds.

| Description | Funding | Allocation per DoRA/2023 MTREF | Actual received including rollover | YTD Expenditure | Available as at 28 February 2023 |
|--|---------|-----------------------------------|---------------------------------------|----------------------|-------------------------------------|
| Municipal Infrastructure Grant | MIG | 78 914 407.00 | 73 866 007.00 | 42 969 269.65 | 30 896 737.35 |
| Sasol Grant – Electrification | Sasol | 10 446 491.00 | 10 446 491.00 | 3 093 140.63 | 7 353 350.38 |
| Integrated National Electrification Programme Grant | INEP | 15 000 000.00 | 22 200 000.00 | 12 379 181.50 | 9 820 818.50 |
| Own Funding | Revenue | 86 699 982.00 | 86 699 982.00 | 9 174 941.20 | 77 525 040.80 |
| Total | | 191 060 880.00 | 193 212 480.00 | 67 616 532.97 | 125 595 947.03 |

Unspent Operational and Capital Grants

| Grants | Allocation per DoRA | Actual received including rollover | Expenditure as at 28 February 23 | Unspent 2022/2023 | YTD % |
|---|-----------------------|------------------------------------|----------------------------------|----------------------|------------|
| Extended Public works Programme | *2 629 000.00 | 1 842 000.00 | 2 629 000.00 | - | 143% |
| Financial Management Grants | 2 100 000.00 | 2 100 000.00 | 537 973.00 | 1 562 027.00 | 26% |
| Integrated National Electrification programme Grant | 15 000 000.00 | 22 200 000.00 | 12 379 181.50 | 9 820 818.50 | 56% |
| Infrastructure Skills Development Grant | 24 500 000.00 | 24 500 000.00 | 13 000 000.00 | 11 500 000.00 | 53% |
| Municipal Infrastructure Grant | ** 78 914 407.00 | 73 866 007.00 | 42 969 269.65 | 30 896 737.35 | 58% |
| Sasol Grant-Electrification | 10 446 491.00 | 10 446 491.00 | 3 093 140.63 | 7 353 350.38 | 30% |
| LG Seta | 2 080 000.00 | - | 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 | 136 336 849.00 | 135 621 449.00 | 76 226 235.47 | 59 395 213.53 | 56% |

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

**** Municipal Infrastructure Grant expenditure inclusive of the Roll-over spending is at 58% of the amount already received. The Expenditure of the current year's allocation is at 60%.**

Creditors

The total creditors balance for the month of February 2023 amounted to R 4 404 130 000. The major creditors are Eskom and Rand Water.

MIP307 Govan Mbeki - Supporting Tables by Budget Statement - aged creditors - M08 February

| R thousands | Description | NT Code | Budget Year 2022/23 | | | | | | | | Total | Over 1 Year | 181 Days - 1 Year | Prior year totals for chart (same period) |
|-------------|---|-------------|---------------------|---------------|----------------|----------------|----------------|-------------------|------------------|------------------|------------------|-------------|-------------------|---|
| | | | 31 - 60 Days | 61 - 90 Days | 91 - 120 Days | 121 - 150 Days | 151 - 180 Days | 181 Days - 1 Year | | | | | | |
| | Creditors Age Analysis By Customer Type: | | | | | | | | | | | | | |
| | Bulk Electricity | 0100 | 53 835 | 67 634 | 76 311 | 1 751 | - | - | - | - | - | - | 393 803 | - |
| | Bulk Water | 0200 | 4 807 | - | 4 208 | 21 718 | - | - | - | - | - | - | 32 212 | - |
| | PAYE deductions | 0300 | - | - | - | - | - | - | - | - | - | - | - | - |
| | VAT (output less input) | 0400 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Pensions / Retirement deductions | 0500 | 45 113 | 20 850 | 18 614 | 35 | - | - | - | - | 132 | - | 142 967 | 13 219 |
| | Loan repayments | 0600 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Trade Creditors | 0700 | 1 509 | 1 126 | 1 236 | 27 199 | 130 317 | 180 906 | 3 485 445 | - | - | - | 3 835 148 | 2 911 226 |
| | Auditor General | 0800 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Other | 0900 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Total By Customer Type | 1000 | 105 324 | 89 610 | 100 370 | 50 703 | 130 317 | 180 906 | 3 485 577 | 4 404 130 | 2 924 444 | | | |

Debtors

Our Debtors book had a total balance of R 3 532 280 000 as at end of February 2023. The debtors' payment rate for the month is 55% when the legacy debt is taken into account and 67% based on the current billing. (Legacy debt not taken into account)

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M08 February

| 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 Days | 151-180 Days | 181 Dys-1 Yr | Over 1Yr | Total | | | | |
| Debtors Age Analysis By Income Source | | | | | | | | | | | | | | |
| Trade and Other Receivables from Exchange Transactions - Water | 1200 | 55 547 | 38 008 | 23 214 | 21 547 | 24 048 | 18 554 | 84 413 | 802 379 | 1 068 762 | 951 962 | | | |
| Trade and Other Receivables from Exchange Transactions - Electricity | 1300 | 35 609 | 14 178 | 12 843 | 11 995 | 10 939 | 10 850 | 40 855 | 250 187 | 425 935 | 364 605 | | | |
| Receivables from Non-exchange Transactions - Property Rates | 1400 | 23 740 | 11 820 | 10 600 | 9 925 | 9 188 | 8 385 | 37 336 | 188 951 | 314 863 | 263 724 | | | |
| Receivables from Exchange Transactions - Waste Water Management | 1500 | 13 541 | 9 676 | 9 102 | 8 740 | 8 284 | 7 568 | 34 700 | 305 841 | 387 461 | 395 133 | | | |
| Receivables from Exchange Transactions - Waste Management | 1600 | 12 774 | 9 078 | 8 740 | 8 132 | 7 504 | 7 266 | 33 723 | 272 859 | 363 036 | 323 484 | | | |
| Receivables from Exchange Transactions - Property Rental Debtors | 1700 | - | - | - | - | - | - | - | - | - | - | | | |
| Interest or Arrear Debtor Accounts | 1810 | 18 837 | 18 454 | 18 094 | 15 479 | 10 133 | 14 562 | 35 856 | 438 518 | 606 364 | 551 479 | | | |
| Recoverable unauthorised, irregular, fruitless and wasteful expenditure | 1820 | - | - | - | - | - | - | - | - | - | - | | | |
| Other | 1900 | 6 436 | 1 847 | 3 890 | 3 135 | 3 978 | 2 595 | 106 846 | 227 293 | 357 370 | 343 047 | | | |
| Total By Income Source | 2009 | 173 584 | 103 190 | 88 082 | 79 952 | 89 074 | 70 761 | 402 669 | 2 535 948 | 3 532 280 | 3 169 424 | | | |
| 2022/23 - totals only | | | | | | | | | | | | | | |
| Debtors Age Analysis By Customer Group | | | | | | | | | | | | | | |
| Origins of Size | 2200 | 42 728 | 8 722 | 7 627 | 6 974 | 5 195 | 5 335 | 20 318 | 91 448 | 189 349 | 130 272 | | | |
| Commercial | 2300 | 33 196 | 19 188 | 6 403 | 6 049 | 6 737 | 5 134 | 106 096 | 163 916 | 355 659 | 276 972 | | | |
| Household | 2400 | 97 660 | 75 280 | 72 052 | 68 929 | 67 140 | 80 312 | 277 315 | 2 250 584 | 3 637 272 | 2 762 250 | | | |
| Other | 2500 | - | - | - | - | - | - | - | - | - | - | | | |
| Total By Customer Group | 2809 | 173 584 | 103 190 | 86 082 | 79 952 | 89 074 | 70 761 | 402 669 | 2 535 948 | 3 532 280 | 3 169 424 | | | |

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

| Category | Actual Cash For the Month | Total Movement | Billing for January 2022 | Adjustments |
|------------------------|---------------------------|-----------------------|--------------------------|----------------------|
| WATER | -52 667 845.75 | 71 810 964.09 | 51 231 176.44 | 20 579 787.65 |
| ELECTRICITY | -26 330 021.84 | 43 809 457.47 | 44 745 486.96 | -936 029.49 |
| RATES | -24 923 649.76 | 32 339 437.64 | 32 331 500.33 | 7 937.31 |
| REFUSE | -5 072 144.58 | 11 867 421.47 | 11 875 790.90 | -8 369.43 |
| SEWERAGE | -5 032 892.15 | 12 291 056.58 | 12 308 908.94 | -17 852.36 |
| MISCELLANEOUS | -106 584.84 | 202 914.42 | 196 549.25 | 6 365.17 |
| MISCELLANEOUS (NO VAT) | -312 045.84 | 434 583.79 | 432 847.61 | 1 736.18 |
| INTEREST | -389 130.49 | 18 565 469.54 | 18 581 320.08 | -15 850.54 |
| TOTALS | -114 834 315.25 | 191 321 305.00 | 171 703 580.51 | 19 617 724.49 |

| | |
|-------------------------------|------------------|
| Debtors Opening Balance | 3 455 745 000.00 |
| Add: Billing for the Month | 171 703 580.51 |
| Less: Debtors Closing Balance | 3 532 280 000.00 |
| Total Collection | 95 168 580.51 |
| Payment rate | 55% |

The payment rate is calculated using circular 71 guideline to take into account the legacy debt. (The total of the debtors book is taken into account)

* collection rate not taking into account the legacy debt is at 67%

Intervention to improve the collection rate

- Service Level Agreements (SLA) have been concluded with the panel which will enable the municipality to utilise the appointed companies to effectively implement credit control.
- Meter audit for Large Power Users is in progress.
- Migration of SG Codes is ongoing.
- Expedite the installation of meters

Cash Flows

At the 28 February 2023, we had a positive bank statement balance of R 11 428 971.65 and a negative cash book balance of R 21 552 863.95

Investments

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

| | | 01-Feb-23 | 28-Mar-22 |
|---|---------------------------|-----------------------------------|-----------------------|
| Fixed Deposits | ABSA Deposit 200644701346 | 14 274 918.00 | 14 349 535.71 |
| 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 | 449 661.10 |
| Standard Bank Cheque MIG 38787024008 | | 86 948 368.35 | 86 103 731.82 |
| Standard Bank Call Account 038787024009 | | 168 970 070.72 | 169 883 897.90 |
| Standard Bank Current 030195276000 | | 3 127 496.67 | 3 203 385.69 |
| Total Investments | | 274 656 565.81 | 274 878 608.82 |

Distribution losses

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

| Service | Purchased | Sold | Current % Loss | Average 21/22 | Average 20/21 |
|-------------|------------|------------|----------------|---------------|---------------|
| Electricity | 41,795,149 | 13,943,050 | -66.64% | -60.50% | -72.60% |
| Water | 2,704,510 | 1,682,999 | -37.77% | -32.56% | -32.15% |

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

| Service | Purchased | Sold | Current % Loss | Average 21/22 | Average 20/21 |
|-------------|-------------|-------------|----------------|---------------|---------------|
| Electricity | 386,128,743 | 133,230,163 | -65.50% | -64.46% | -70.15% |
| Water | 21,403,072 | 14,153,918 | -33.87% | -34.38% | -32.38% |

Expenditure

Bulk purchases are above target by 32%.

Contracted services are above target by 15%.

Other expenditure is also underperforming by 35%.

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 February

Salary bill for Councillors R 2 088 289.05
Salary bill for employee's R 48 180 295.11

Total staff compliment 1 174 (Full time)
Staff resignations 4
Staff Appointments 8

Summary of staff processed.

| Company | Description | Number of Officials | Salary Total Cost |
|--------------|-------------|---------------------|----------------------|
| Company 1 | Full Time | 1 174 | 48 180 295.11 |
| Company 2 | EPWP | 599 | 1 375 084.70 |
| Company 3 | Councillors | 63 | 2 088 289.05 |
| Company 4 | Directors | 4 | 540 388.61 |
| Company 7 | Temps | 7 | 97 861.30 |
| Total | | 1 847 | 55 281 918.77 |

Attached to the report are the following appendixes

APPENDIX A: Deviations - None

APPENDIX B: Purchases above R100 000 – R 34 571 045.28

APPENDIX C: Insurances report – R 18 154 387.16

APPENDIX D: Capital Expenditure – R 67 616 532.96

APPENDIX E: Government Debtors – R 3 131 341.76

APPENDIX F: Fruitless and Wasteful Expenditure – R31 312 539.08