



Budget Statement

MFMA Section 71 Report

31 MARCH 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.K. Tshabalala**, the acting municipal manager of **Govan Mbeki Municipality**, hereby certify that: -

The monthly budget statement report

And supporting documentation for the month of **MARCH 2022** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: V. Nkhata

Acting Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature:

Date:

Print Name: E.K. Tshabalala

Acting 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 15% below target. The performance is mainly due to negative performance on service charges, Investment revenue and other income.

Operating Expenditure

The overall performance on the expenditure component is 11% below target.

Bulk purchases, and inventory consumed are above target by 5% and 22% respectively, careful monitoring will take place as unauthorised expenditure might occur in these line items.

Capital Expenditure

Total Capital Expenditure to date is R 53 345 122 of this amount R 20 717 456 relates to MIG funding, R 1 355 930 for Water Service Infrastructure, R 14 371 380 for Regional Bulk Infrastructure, R 13 688 624 relates to INEP whilst R 3 211 732 is from internally generated funds.

Description	Funding	Total budget including rollover	YTD Expenditure (Quarter 2)	YTD Expenditure (Quarter 3)	Available as at 31 March 2022
Municipal Infrastructure Grant	MIG	67 761 470	14 300 238	20 717 456	47 044 014
Water Services Infrastructure Grant	WSIG	20 228 729	1 355 930	1 355 930	18 872 799
Regional Bulk Infrastructure Grant	RBIG	86 596 277	10 548 660	14 371 380	72 224 897
Gert Sibande District	GSDM	900 000	0	0	900 000
Sasol	Sasol	15 116 475	0	0	15 116 475
Integrated National Electrification Programme Grant	INEP	18 580 668	13 688 624	13 688 624	4 892 044
Own Funding	Revenue	129 775 150	3 171 996	3 211 732	126 563 418
Total		336 851 877	43 065 448	53 345 122	283 506 755

Unspent Operational and Capital Grants

Grants	Allocated 2021/2022	Actual Received 2021/2022	Rollover 2021/2022	Actual Received Including Rollover 2021/2022	Expenditure as at 31 MARCH 2022	Unspent 2021/2022	YTD %
Extended Public works Programme	1 677 000	1 677 000		1 677 000	1 677 000	0	100%
Financial Management	2 100 000	2 100 000	379 674	2 479 674	870 393	1 609 281	35%
Integrated National Electrification programme Grant	7 650 000	17 743 000	10 930 668	28 673 668	13 688 624	14 985 044	48%
Infrastructure Skills Development Grant	24 500 000	24 500 000		24 500 000	24 500 000	0	100%
Municipal Infrastructure Grant	61 043 000	51 526 000	6 718 470	58 244 470	20 717 456	37 527 014	36%
Water Services Infrastructure Grant	16 000 000	16 000 000	4 228 729	20 228 729	1 355 930	18 872 799	7%
Regional Bulk Infrastructure Grant	40 000 000	0	46 596 277	46 596 277	14 371 380	32 224 897	31%
Gert Sibande Grant			900 000	900 000		900 000	0%
Sasol Grant-Electrification			15 116 475	15 116 475		15 116 475	0%
Energy Efficiency Demand Grant	4 200 000	4 200 000		4 200 000	262 080	3 937 920	6%
Total	157 170 000	117 746 000	84 870 293	202 616 293	77 442 862	125 173 431	38%

Cash Flows

At the 31st of March 2022, we had a positive bank statement balance of R 20 312 449 and a positive cash book balance of R 2 831 681.

Creditors

The total creditors balance for the month of March 2022 amounted to R 3 284 037 970. The major creditors are Eskom and Rand Water.

Debtors

Our Debtors book had a total balance of R 2 912 158 944 as at end of March 2022. The debtors' payment rate for the month is 63%

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

Category	Actual Cash For the Month	Total Movement	Billing for February 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
Payment	44 204.80	0.00	0.00	0.00	0%	0%
Deposits	-238 604.17	2 446 140.14	0.00	2 446 140.14	10%	0%
Agreements	-445 112.65	-1 081.60	0.00	-1 081.60	0%	0%
Indigent Flat Credit	-22 965.02	-2 857 386.77	0.00	-2 857 386.77	0%	0%
Water	-23 456 956.76	32 696 623.00	44 663 663.50	-11 967 040.50	72%	53%
Electricity	-27 897 983.67	31 535 632.26	34 473 531.12	-2 937 898.86	88%	81%
Loans/Old Debt	-2 829.14	0.00	0.00	0.00	0%	0%
Rates	-26 851 027.80	30 736 144.77	31 676 690.81	-940 546.04	87%	85%
Annual Rates	-19 820.48	0.00	0.00	0.00	0%	0%
Refuse	-5 069 651.55	11 324 894.45	11 362 764.59	-37 870.14	45%	45%
Sewerage	-4 759 727.52	11 175 174.54	11 237 869.29	-62 694.75	43%	42%
Miscellaneous	-104 606.97	811 329.14	364 966.16	446 362.98	13%	29%
Miscellaneous(No Vat)	-192 743.57	403 291.24	404 190.80	-899.56	48%	48%
Vat	-9 237 824.34	13 144 230.17	15 315 688.71	-2 171 458.54	70%	60%
Interest	-309 579.99	10 690 041.61	10 788 398.63	-98 357.02	3%	3%
Payment Advanced	-1 636 798.79	0.00	0.00		100%	100%
TOTAL	-100 202 027.62	142 105 032.95	160 287 763.61	-18 182 730.66	71	63

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 vending

Expenditure

Bulk purchases, and inventory consumed are above target by 5% and 22% respectively, careful monitoring will take place as unauthorised expenditure might occur in these line items.

Contracted services are below target by 28%.
Other expenditure is also underperforming by 29%.

Expenditure of Staff Benefits for the month of March

Salary bill for Councillors R 2 015 000
Salary bill for employee's R 45 551 000

Total staff compliment 1 248
Staff resignations 8
Staff Appointments 0

Attached to the report are the following appendixes

APPENDIX A: C Schedule

APPENDIX B: Deviations - None

APPENDIX C: Purchases above R100 000 - R 13 886516.59

APPENDIX D: Insurances report - There were (15) fifteen incidents of loss that occurred during the month of 31 March 2022 which were all reported to the insurer and five falls within excess

APPENDIX E: Fruitless and Wasteful Expenditure – R14 116 707