



Budget Statement

MFMA Section 71 Report

31 MARCH 2023

Govan Mbeki Municipality

1. Introduction

1.1 Purpose

To comply with section 71(1) of the Municipal Finance Management Act, Act 56 of 2003 (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 **MARCH 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: 14/04/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/04/2023.

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 15% below target. Service charges and other own revenue are the main items that contribute to this negative performance.

Operating Expenditure

The overall performance on the expenditure component is 5% below target.

Bulk purchases and finance charges are above target by 31% and 104% respectively, 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 88 954 711.94, of this amount R 52 910 213.68 relates to MIG funding, R 12 379 181.50 relates to INEP whilst R 15 515 327.15 is from internally generated funds and R8 149 989.63 relates to Sasol grant.

Description	Funding	Allocation per DoRA 2023 MTREF	Actual received Including rollover	YTD Expenditure	Available as at 31 March 2023
Municipal Infrastructure Grant	MIG	65 932 000.00	82 211 007.00	52 910 213.68	29 300 793.33
Sasol Grant – Electrification	Sasol	10 446 491.00	10 446 491.00	8 149 989.63	2 296 501.38
Integrated National Electrification Programme Grant	INEP	15 000 000.00	29 500 000.00	12 379 181.50	17 120 818.50
Own Funding	Revenue	86 699 982.00	86 699 982.00	15 515 327.15	71 184 654.85
Total		178 078 473.00	208 857 480.00	88 954 711.95	119 902 768.05

Unspent Operational and Capital Grants

Grants	Allocation per DoRA	Actual received including rollover	Expenditure as at 31 March 23	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000.00	1 869 000.00	2 629 000.00	-	141%
Financial Management Grants	2 100 000.00	2 100 000.00	615 840.16	1 484 159.84	29%
Integrated National Electrification programme Grant	15 000 000.00	29 500 000.00	12 379 181.50	17 120 818.50	42%
Infrastructure Skills Development Grant	24 500 000.00	24 500 000.00	13 000 000.00	11 500 000.00	53%
Municipal Infrastructure Grant	65 932 000.00	82 211 007.00	52 910 213.68	29 300 793.33	64%
Sasol Grant-Electrification	10 446 491.00	10 446 491.00	8 149 989.63	2 296 501.38	78%
LG Seta	2 080 000.00	4 365 716.29	2 669 517.25	1 696 199.04	61%
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%
Water Services Infrastructure		18 000 000.00			
Total	123 354 442.00	173 659 165.29	92 360 474.21	63 298 691.08	53%

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

** Municipal Infrastructure Grant expenditure of 64% is inclusive of the Roll-over spending.

The Expenditure of the current year's allocation for MIG is at 68%

Creditors

The total creditors balance for the month of March 2023 amounted to R 4 429 718 000. The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M09 March

R thousands	Description	NT Code	Budget Year 2022/23										Total	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					
	Creditors Age Analysis By Customer Type														
	Bulk Electricity	0100	75 683	195 633	53 835	64 116	71 241	1 751	-	-	-	-	-	452 458	-
	Bulk Water	0200	5 701	1 419	4 937	-	4 208	21 101	-	-	-	-	-	37 296	-
	PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-	-	-	-
	VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-	-	-	-
	Pensions / Retirement deductions	0500	43 503	15 289	33 314	11 455	18 614	-	-	-	-	99	-	122 274	5 310
	Loan repayments	0600	-	-	-	-	-	-	-	-	-	-	-	-	-
	Trade Creditors	0700	5 123	51	1 062	49	1 236	27 055	130 317	3 552 796	-	-	-	3 817 690	2 901 950
	Auditor General	0800	-	-	-	-	-	-	-	-	-	-	-	-	-
	Other	0900	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total By Customer Type	1000	130 009	202 592	93 078	75 619	95 299	49 908	130 317	3 652 896	4 429 718	2 907 300			

Debtors

Our Debtors book had a total balance of R 3 574 256 000.00 as at end of March 2023. The debtors' payment rate for the month is 73%

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M09 March

Description	NT Code	Budget Year 2022/23									
		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	Total over 90 days
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	44 420	31 588	26 630	20 082	20 667	23 519	87 075	816 261	1 070 642	967 703
Trade and Other Receivables from Exchange Transactions - Electricity	1300	33 473	18 745	12 041	11 546	10 772	10 117	43 085	205 600	430 379	371 121
Receivables from Non-exchange Transactions - Property Rates	1400	27 253	11 554	10 258	9 691	9 344	8 741	37 863	203 584	318 778	259 314
Receivables from Exchange Transactions - Waste Water Management	1500	12 728	9 617	9 211	9 750	8 362	8 079	35 326	311 504	403 876	372 320
Receivables from Exchange Transactions - Waste Management	1600	12 801	9 042	8 532	8 163	7 665	7 317	34 061	279 420	365 502	335 627
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	19 631	18 771	18 386	19 036	16 426	16 089	69 767	449 520	625 527	568 833
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1920	-	-	-	-	-	-	-	-	-	-
Other	1900	3 897	7 647	1 856	3 649	3 117	3 547	107 722	227 483	359 553	346 123
Total By Income Source	2000	153 593	102 364	87 254	80 126	76 344	77 908	413 889	2 582 778	3 574 256	3 231 045
2022/23 - totals only											
Debtors Age Analysis By Customer Group											
Organs of State	2200	37 320	9 692	7 021	6 650	5 995	5 774	21 329	92 952	187 132	132 899
Commercial	2300	26 742	14 789	10 472	5 605	5 669	6 252	106 056	155 130	330 616	278 613
Households	2400	89 531	77 683	69 761	67 671	64 780	65 882	296 505	2 334 656	3 056 508	2 819 533
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	153 593	102 364	87 254	80 126	76 344	77 908	413 889	2 582 778	3 574 256	3 231 045

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

Category	Actual Cash For the Month	Total Movement	Billing for February 2023	Adjustments
WATER	-29 390 853.49	49 298 378.32	50 107 568.82	-809 190.50
ELECTRICITY	-23 314 634.20	20 599 157.13	32 110 009.44	-11 510 852.31
RATES	-22 930 920.65	32 277 982.67	32 336 570.46	-58 587.79
REFUSE	-4 612 511.94	11 878 122.62	11 878 854.05	-731.43
SEWERAGE	-4 787 256.18	12 331 679.08	12 480 742.46	-149 063.38
MISCELLANEOUS	-73 060.22	190 644.46	217 088.50	-26 444.04
MISCELLANEOUS (NO VAT)	-250 629.84	432 992.61	432 820.41	172.20
VAT	0.00	0.00	0.00	0.00
INTEREST	-328 604.07	18 794 872.77	18 818 538.67	-23 665.90
PAYMENT ADVANCED	0.00	0.00	0.00	0.00
TOTALS	-85 688 470.59	145 803 829.66	158 382 192.81	-12 578 363.15

Debtors Opening Balance	3 532 280 000.00
Add: Billing for the Month	158 382 192.81
Less: Debtors Closing Balance	3 574 256 000.00
Payment rate	73%

The payment rate is calculated using circular 71 guideline to consider the legacy debt. (The total of the debtors' book is considered)

* Collection rate not considering the legacy debt is at 54%

- **Factors contributing to improved collection rate** Improved implementation of the credit control and debt collection policy including debt incentive initiatives. Although there are still prepaid meters that are not on the municipal SGC, there has been an improvement in the number of prepaid meters that have been converted to the correct SGC.

Intervention

Administration will continue to implement the following interventions:

- Cut offs are implemented on a continuous basis and the appointed panel to institute cut-offs will further boost the collection rate.
- The allocation of areas to be cut-off by the appointed service providers has been concluded and the project has kicked-off.
- Expedite the meter audit to ensure that all meters rolled out are accounted for.

Cash Flows

As of 31 March 2023, we had a positive bank statement balance of R 74 821 157.60 and a positive cash book balance of R 58 728 335.50

Investments

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

		01-Mar-23	31-Mar-23
Fixed Deposits	ABSA Deposit 20644701346	14 349 535.71	14 432 148.17
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	452 006.73	454 617.22
	Standard Bank Cheque MIG 38787024008	86 103 731.82	89 338 362.30
	Standard Bank Call Account 038787024009	169 883 897.90	170 901 106.83
	Standard Bank Current 030195276000	3 203 385.69	3 261 535.79
Total Investments		274 878 608.82	279 273 821.28

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	37,967,894	13,874,081	-63.46%	-60.50%	-72.60%
Water	2,603,775	1,440,315	-44.68%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	424,096,637	147,104,244	-65.31%	-64.46%	-70.15%
Water	24,006,847	15,594,233	-35.04%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 31%.

Contracted services are below target by 18%.

Other expenditure is also underperforming by 33%.

Grants and transfers are 16% above target.

Expenditure of Staff Benefits for the month of March

Salary bill for Councillors R 2 090 266.67

Salary bill for employee's R 49 064 264.58

Total staff compliment	1 177 (Full time)
Staff resignations	3
Staff Appointments	8

Summary of staff processed.

Company	Description	Number of Officials	Salary Total Cost
Company 1	Full Time	1 177	49 064 264.58
Company 2	EPWP	606	1 256 591.50
Company 3	Councillors	63	2 090 266.67
Company 4	Directors	4	641 132.78
Company 7	Temps	10	112 842.17
Total		1 860	53 165 097.70

Attached to the report are the following appendices

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 29 843 474.28**

APPENDIX C: Insurances report – **R 14 907 546.65**

APPENDIX D: Capital Expenditure – **R 88 954 711.94**

APPENDIX E: Government Debtors – **R 15 141 573.51**

APPENDIX F: Fruitless and Wasteful Expenditure – **R26 379 507.60**