



Budget Statement

MFMA Section 71 Report

30 APRIL 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 **APRIL 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: 12/05/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature: 

Date: 12/05/2023.

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 17% below target. Service charges and other own revenue are the main items to 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 28% and 113% 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 109 081 004.56, of this amount R 60 809 483.58 relates to MIG funding, R 23 000 689.20 relates to INEP whilst R 15 515 327.15 is from internally generated funds and R9 755 504.63 relates to Sasol grant.

Description	Funding	Allocation per DoRA 2023 MTREF	Actual received Including rollover	YTD Expenditure	Available as at 30 April 2023
Municipal Infrastructure Grant	MIG	65 932 000.00	82 211 007.00	60 809 483.58	21 401 523.42
Sasol Grant – Electrification	Sasol	10 446 491.00	10 446 491.00	9 755 504.63	690 986.37
Integrated National Electrification Programme Grant	INEP	15 000 000.00	29 500 000.00	23 000 689.20	6 499 310.80
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	109 081 004.56	99 776 475.44

Unspent Operational and Capital Grants

Grants	Allocation per DoRA	Actual received Including rollover	Expenditure as at 30 April 23	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000.00	2 629 000.00	2 629 000.00	-	100%
Financial Management Grants	2 100 000.00	2 100 000.00	1 158 937.90	941 062.10	55%
Integrated National Electrification programme Grant	15 000 000.00	29 500 000.00	23 000 689.20	6 499 310.80	78%
Infrastructure Skills Development Grant	24 500 000.00	24 500 000.00	24 500 000.00	-	100%
Municipal Infrastructure Grant	65 932 000.00	82 211 007.00	60 809 483.58	21 401 523.42	74%
Sasol Grant-Electrification	10 446 491.00	10 446 491.00	9 755 504.63	690 986.37	93%
LG Seta	2 080 000.00	4 365 716.29	3 180 774.58	1 184 941.71	73%
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	-	18 000 000.00	0%
Total	123 354 442.00	174 419 165.29	125 041 121.89	49 378 043.40	72%

- Year to date percentage on EPWP is at 100% and LGSETA is at 73% 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 for MIG is at 74%

Creditors

The total creditors balance for the month of APRIL 2023 amounted to R 4 543 094 000. The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M10 April

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	71 752	75 683	185 833	53 835	64 116	65 630	1 751	-	518 599	-			
	Bulk Water	0200	5 928	5 701	1 419	4 867	-	4 208	21 101	-	43 235	-			
	PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-			
	VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-			
	Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	9 486			
	Loan repayments	0600	-	-	-	-	-	-	-	-	-	-			
	Trade Creditors	0700	52 918	38 006	14 743	34 088	11 476	19 760	27 055	3 783 213	3 981 260	2 899 557			
	Auditor General	0800	-	-	-	-	-	-	-	-	-	-			
	Other	0900	-	-	-	-	-	-	-	-	-	-			
	Total By Customer Type	1000	130 608	119 390	201 995	92 790	75 592	89 598	49 908	3 783 213	4 543 094	2 909 023			

Debtors

Our Debtors book had a total balance of R 3 572 381 000.00 as at end of APRIL 2023. The debtors' payment rate for the month is 101%.

This percentage is indicative of money received and adjustments made to the debtor's book through the data cleansing initiative. The movement in debtors is in excess of the actual billing, resulting in the 101% collection rate.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M10 April

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 Dya-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	44 197	27 232	30 737	23 863	19 674	20 428	94 200	830 623	1 090 983	988 817
Trade and Other Receivables from Exchange Transactions - Electricity	1300	37 141	15 110	11 898	11 477	10 619	10 176	45 197	302 255	449 769	379 624
Receivables from Non-exchange Transactions - Property Rates	1400	31 219	12 954	10 876	9 855	9 371	9 072	39 188	209 078	331 613	275 564
Receivables from Exchange Transactions - Waste Water Management	1500	13 166	9 889	9 339	9 005	8 577	8 286	36 600	317 850	412 511	389 318
Receivables from Exchange Transactions - Waste Management	1600	13 029	9 221	8 734	8 385	8 047	7 561	34 765	284 345	374 087	343 103
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	20 779	19 459	18 723	18 342	17 992	16 391	72 337	401 511	645 542	586 573
Recoverable unauthorised, irregular, fineses and wastetu expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	4 273	2 492	6 660	1 953	3 785	3 100	21 597	229 737	273 876	259 122
Total By Income Source	2000	163 802	96 172	97 286	82 811	77 965	75 013	343 874	2 635 459	3 572 381	3 215 121
2022/23 - totals only											
		142 494	83 631	71 061	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	33 950	10 123	8 365	6 460	5 575	5 440	22 107	56 339	187 259	134 921
Commercial	2300	36 192	11 381	13 458	7 589	5 491	5 465	20 928	167 811	258 342	197 281
Households	2400	59 770	74 069	75 423	69 762	66 900	64 107	300 940	2 392 309	3 126 780	2 882 919
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	163 802	96 172	97 286	82 811	77 965	75 013	343 874	2 635 459	3 572 381	3 215 121

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

Category	Actual Cash For the Month	Total Movement	Billing for March 2023	Adjustments
Water	-22 896 703.98	41 458 552.57	42 367 006.55	-908 453.98
Electricity	-24 478 096.16	31 191 792.76	32 652 238.47	-1 460 445.71
Rates	-23 512 745.48	32 318 861.17	32 361 536.12	-42 674.95
Refuse	-4 602 323.46	11 646 514.86	11 875 408.29	-228 893.43
Sewerage	-4 741 718.31	12 207 458.35	12 252 629.64	-45 171.29
Miscellaneous	-84 217.92	178 599.21	191 415.42	-12 816.21
Miscellaneous(No Vat)	-200 360.83	869 231.98	444 831.90	424 400.08
Interest	-371 632.37	19 442 468.30	19 541 751.99	-99 283.69
Totals	-80 887 798.51	149 313 479.20	151 686 818.38	-2 373 339.18

Debtors Opening Balance	3 574 256 000.00
Add: Billing for the Month	151 686 818.38
Less: Debtors Closing Balance	3 572 381 000.00
Total Collection	153 561 818.38
Payment rate	101%

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 61%

Reason for Increase in collection rate

- Disconnection of defaulting consumers is underway, and it has resulted in more consumers making payment arrangements
- Data cleansing initiatives have begun resulting in correction of billing errors on consumer accounts.
- Audit and installation of prepaid meters is in progress

Intervention

- Initiatives to speed up data cleansing to improve data integrity
- Resolution of account queries within a period of 30 days to restore confidence of consumers.
- Constant reminders to be sent to consumers to pay accounts.

Cash Flows

As at 30 April 2023, we had a positive bank statement balance of R 11 758 983.03 and a negative cash book balance of R 11 375 564.55

Investments

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

		01-Apr-23	31-Apr-23
Fixed Deposits	ABSA Deposit 200644701346	14 432 148.17	14 512 095.71
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	454 617.22	457 526.77
	Standard Bank Cheque MIG 38787024008	97 638 362.30	88 173 372.07
	Standard Bank Call Account 038787024009	196 201 106.83	197 478 863.75
	Standard Bank Current 030195276000	3 331 793.79	3 331 453.92
Total Investments		312 944 079.28	304 839 363.19

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	34,863,337	15,389,491	-55.86%	-60.50%	-72.60%
Water	2,725,983	1,327,405	-51.31%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	458,959,974	162,493,735	-64.60%	-64.46%	-70.15%
Water	26,732,830	16,921,638	-36.70%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 28%.

Contracted services are below target by 12%.

Other expenditure is also underperforming by 27%.

Grants and transfers are 280% above target.

Expenditure of Staff Benefits for the month of April

Salary bill for Councillors	R 2 073 087.18
Salary bill for employee's	R 49 991 395.63
Total staff compliment	1 179 (Full time)
Staff resignations	1
Staff Appointments	6

Summary of staff processed.

Company	Description	Number of Officials	Salary Total Cost
Company 1	Full Time	1 179	49 991 395.63
Company 2	EPWP	608	1 361 641.60
Company 3	Councillors	62	2 073 087.18
Company 4	Directors	4	753 849.14
Company 7	Temps	10	100 262.61
Total		1 863	54 280 236.16

Attached to the report are the following appendices

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 10 163 989.63**

APPENDIX C: Insurances report – **R 15 163 885.41**

APPENDIX D: Capital Expenditure – **R 109 081 004.56**

APPENDIX E: Government Debtors – **R 12 559 662.55**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 29 643 389.38**