



Budget Statement

MFMA Section 71 Report

31 MAY 2024

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 **MAY 2024** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: ABM Mavimbela

Acting Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature:



Date:

13/06/2024

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)

Signature:



Date:

13/06/2024

1. SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

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

Operating Expenditure

The overall monthly performance on the expenditure component is 1% above target.

Bulk purchases, inventory consumed and finance charges are above monthly target by 29%, 7% and 112% respectively, should the trend continue at the same rate there will be an unauthorised expenditure in these line items at the end of the financial year.

Employee related cost is 7% below budget.

Capital Expenditure

Total Capital Expenditure to date is R 177 005 672.63 of this amount R 43 445 551 relates to INEP funded projects, R84 479 698.82 relates to MIG funded projects, R 1 075 023.11 relates to WSIG funded projects, R 6 647 571.60 relates to Provincial Treasury funded projects whilst R 41 357 827.65 is from internally funded projects.

There are commitments amounting to R 12 965 083.15, of this amount R 2 864 385.50 relates to MIG funded projects, whilst R 10 100 697.65 is from internally funded projects.

Grants	Funding	Allocation per DoRA	Received including rollover	YTD Actual	Overspent/ Underspent	YTD %
Integrated National Electrification Programme Grant	INEP	41 080 000.00	41 080 000.00	43 445 551.45	-2 365 551.45	106%
Municipal Infrastructure Grant	MIG	80 802 550.00	80 802 550.00	84 479 698.82	-3 677 148.82	105%
Water Services Infrastructure	WSIG	-	3 047 401.00	1 075 023.11	1 972 377.89	35%
Provincial Treasury Grant	PT Grant	-	10 020 000.00	6 647 571.60	3 372 428.40	66%
Municipal Disaster Recovery Grant	MDRG	7 875 000.00	7 875 000.00	-	0.00	0%
Sasol	Sasol		77 554.00	-	0.00	0%
Own Funding	Revenue	74 190 000.00	74 190 000.00	41 357 827.65	32 832 172.35	56%
Total		203 947 550.00	217 092 505.00	177 005 672.63	32 134 278.37	82%

Performance of Capital Grants

Grants	Allocation per DoRA	Received Including rollover	YTD Expenditure	Unspent 2023/2024	YTD %
Integrated National Electrification Programme Grant	41 080 000.00	41 080 000.00	43 445 551.45	- 2 365 551.45	106%
Municipal Infrastructure Grant	80 802 550.00	80 802 550.00	84 479 698.82	- 3 677 148.82	105%
Mining company: Sasol	0	77 554.38	-	77 554.38	0%
Water Services Infrastructure	0	3 047 401.00	1 075 023.11	1 972 377.89	35%
Disaster Recovery Grant	0	7 875 000.00	-	7 875 000.00	0%
Provincial Treasury Grant	0	10 020 000.00	6 647 571.60	3 372 428.40	66%
Total	121 882 550.00	142 912 505.38	135 647 844.98	7 264 660.40	95%

Performance of Operational Grants

Grants	Allocation per DoRA & Revised Gazette & MOU	Received Including rollover	Expenditure as at 31 May 2024	Unspent 2023/2024	YTD %
Extended Public works Programme	1 900 000.00	1 900 000.00	21 774 418.50	-19 874 418.50	1146%
Financial Management Grants	2 100 000.00	2 100 000.00	1 200 016.28	899 983.72	57%
Infrastructure Skills Development Grant	23 000 000.00	23 000 000.00	23 000 000.00	0.00	100%
Arts and Culture	-	234 858.00	0.00	234 858.00	0%
LG Seta	1 000 000.00	2 805 043.00	1 471 018.65	1 334 024.35	52%
Economic Development and Tourism	-	313 901.00	0.00	313 901.00	0%
Gert Sibande District Municipality	-	274 580.00	0.00	274 580.00	0%
Energy Efficiency Demand Grant	-	406 149.00	0.00	406 149.00	0%
Point Duty Officer (SASOL)	3 400 000.00	1 359 308.50	1 678 569.50	-319 261.00	123%
Pre-Capacity grant	-	266 086.00	69 545.87	196 540.13	26%
Equitable share	426 701 000.00	426 701 000.00	426 701 000.00	0.00	100%
Total	458 101 000.00	459 360 925.50	475 894 568.80	-16 533 643.30	104%

Creditors

The total creditors balance for the month of May 2024 amounted to R 5 739 495 075. Creditors that are above 30 days are 97.6 %. The major creditors are Eskom and Rand Water.

Description	NT Code	Budget Year 2023/24													
		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	Total					
R thousands															
Creditors Age Analysis By Customer Type															
Bulk Electricity	100	41 802 450	100 611 661	118 601 977	4 579 671 743	-	-	-	-	-	-	-	-	4 840 687 831	
Bulk Water	200	49 325 095	37 665 510	15 399 731	737 006 166	-	-	-	-	-	-	-	-	839 396 502	
PAYE deductions	300													0	
VAT (output less input)	400													0	
Pensions / Retirement deductions	500													0	
Loan repayments	600													0	
Trade Creditors	700	43 092 729	781 222	105 937	15 352 752	-	-	-	-	-	-	-	-	59 332 640	
Auditor General	800			24 278	53 824									78 102	
Other	900														
Total By Customer Type	1000	134 220 274	139 058 393	134 131 923	5 332 064 485	0	0	0	0	0	0	0	0	5 739 495 075	

Debtors

The total debtors book balance for the month of May 2024 amounted to R 4 043 174 000. The debtors' payment rate for the month is 76%.

MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M11 - May

Description	NT Code	Budget Year 2023/24							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
R thousands											
Debtors Age Analysis By Income Source											
Trade and Other Receivables from Exchange Transactions - Water	1200	37 257	23 764	20 181	19 235	20 373	18 952	21 198	979 446	1 135 447	1 958 214
Trade and Other Receivables from Exchange Transactions - Electricity	1300	36 046	12 987	10 296	9 437	9 221	9 923	9 055	354 355	450 331	391 032
Receivables from Non-exchange Transactions - Property Rates	1400	28 953	11 481	9 955	9 130	8 400	8 115	7 694	271 731	355 350	395 960
Receivables from Exchange Transactions - Waste Water Management	1500	13 358	9 229	8 165	7 935	7 970	7 585	7 900	375 236	438 375	407 625
Receivables from Exchange Transactions - Waste Management	1600	11 798	8 319	7 895	7 582	7 277	7 055	6 890	343 884	409 550	372 657
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	24 959	24 591	24 271	23 979	23 585	23 164	22 859	591 450	958 955	795 034
Recoverable unauthorised, irregular, fines and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-
Other	1900	6 413	7 932	12 757	4 822	7 938	9 090	7 180	344 553	400 155	373 163
Total By Income Source	2000	158 675	98 234	93 511	81 599	84 763	82 894	82 745	3 360 755	4 043 174	3 692 755
2022/23 - totals only											
Debtors Age Analysis By Customer Group											
Organs of State	2200	5 744	2 741	1 452	1 049	1 036	1 144	1 107	36 957	51 230	41 292
Commercial	2300	43 143	14 992	15 340	10 275	13 521	14 189	12 729	325 593	449 771	375 307
Households	2400	109 788	80 511	76 719	70 274	70 206	67 552	68 910	2 998 205	3 542 173	3 275 156
Other	2500	-	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	158 675	98 234	93 511	81 599	84 763	82 894	82 745	3 360 755	4 043 174	3 692 755

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

Type Of Service	Total Settlements	Total Movement	Billing	Credit Notes	Debit Notes	Other Adjustments
PAYMENT	540 861.89	0.00	0.00	0.00	0.00	0.00
DEPOSITS	-156 825.30	235 465.36	0.00	0.00	0.00	235 465.36
AGREEMENTS	-587 149.72	542 812.73	0.00	0.00	0.00	542 812.73
INDIGENT FLAT CREDIT	-500.00	-3 105 857.83	0.00	0.00	0.00	-3 105 857.83
WATER	-24 243 070.58	35 301 471.69	42 685 311.91	-9 079 529.40	250 066.30	1 445 622.88
ELECTRICITY	-29 100 019.62	27 435 927.36	39 716 682.78	-14 947 342.71	2 135 733.49	530 853.80
LOANS/OLD DEBT	-10 032.50	0.00	0.00	0.00	0.00	0.00
RATES	-24 948 263.51	34 193 363.43	34 374 858.77	-435 017.96	253 522.62	0.00
ANNUAL RATES	-56 170.50	0.00	0.00	0.00	0.00	0.00
REFUSE	-4 991 546.92	12 466 742.00	12 477 347.27	-79 692.25	69 086.98	0.00
SEWERAGE	-5 243 481.69	9 074 908.94	13 320 147.53	-4 272 025.41	26 786.82	0.00
MISCELLANEOUS	-140 186.37	263 765.70	258 140.32	-3 033.31	209.94	8 448.75
MISCELLANEOUS (NO VAT)	-326 637.46	306 058.73	308 002.69	-1 943.96	0.00	0.00
VAT	-10 079 271.61	12 662 909.02	16 249 410.00	-4 256 495.58	372 256.41	297 738.19
INTEREST	-1 037 355.42	24 686 916.46	24 961 326.32	-274 558.33	148.47	0.00
PAYMENT ADVANCED	-3 213 832.71	0.00	0.00	0.00	0.00	0.00
Total	-103 593 482.02	154 064 483.59	184 351 227.59	-33 349 638.91	3 107 811.03	-44 916.12

Debtors Opening Balance	3 997 321 000.00
Add: Billing for the Month	185 603 535.52
Debtors Write off	
Less: Debtors Closing Balance	4 043 174 000.00
	139 750 535.52
Payment rate	76%

Cash Flows

As of 31 May 2024, we had a positive bank statement balance of R 10 008 609.85 and a negative cash book balance of R 10 940 395.75

Investments

The following table indicates the investments for the month of MAY 2024

Investment Type	Institution	01-May-24	31-May-24
Listed Investments	Old Mutual Shares	26 506.44	26 506.44
	Old Mutual Shares	364 812.00	364 812.00
	Sanlam	143 147.76	143 147.76
	Shares Nedbank	16 000.60	16 000.60
	Shares Nedbank	220 808.28	220 808.28
	Quilter PLC	12 036.96	12 036.96
	Quilter PLC	165 874.71	165 874.71
Short term Call Investment	Standard Bank Cheque 038787024003	494 250.89	497 525.13
	Standard Bank Cheque MIG 38787024008	7 276 855.63	45 238 342.74
	Standard Bank Call Account 038787024009	38 116 225.55	30 345 784.26
	Standard Bank Current 030195276000	4 587 900.42	4 653 864.70
Total Investments		51 424 419.24	81 684 703.58

Water and Electricity Distribution Losses for May 2024 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	43,028,941	19,882,457	-53.79%	-62.51%	-60.50%
Water	2,623,802	1,402,166	-46.56%	-49.62%	-32.56%

The Electricity distribution losses have increased from 49.92% in the prior month to 53.79% in the current month due to winter demand effect on the bridged meters. The smart meter installation program will be accelerated to combat this phenomenon.

The increase in distribution losses for water is due 315mm pipeline that was damaged by the contractor. The losses will be recovered from the contractor next payment certificate.

Water and Electricity Distribution Losses: Accumulated: July 2023 to May 2024 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	496,783,825	204,553,734	-58.82%	-64.48%	-64.46%
Water	28,710,864	15,412,957	-46.32%	-38.38%	-34.38%

Water and Electricity Distribution Losses for May 2024 vs April 2024 (KL / Units)

Service	Purchased April 2024	Sold April 2024	Purchased May 2024	Sold May 2024	April 2024 % Loss	May 2024 % Loss
Electricity	37,367,590	18,715,044	43,028,941	19,882,457	-49.92%	-53.79%
Water	2,534,143	1,379,208	2,623,802	1,402,166	-45.57%	-46.56%

Revenue

Electricity service charges is below the target by 39%, vending service providers not depositing sales for pre-paid sales on monthly basis as at 31 May 2024 the amount of R 34 158 537 not paid.

Water service charges and waste water service charges are below the target by 33% and 15% respectively, 60% of meters are estimated because of either faulty meter, no meter, underground or no access, billing might be understated because of the estimated readings.

Fines & penalties are below target by 83%, due to traffic fines subsystem not integrated to the main financial system, and only recording traffic fines settled not the total traffic fines issued.

Expenditure

Electricity bulk purchases are 29% above monthly target, this line item will have an unauthorised expenditure at year end.

Contracted services are 13% below monthly target, due to cash constraints some of the programmes were to be delayed however the following segment in contracted services classification are overspent:

- Sewer Networks, Sewer Purification SASOL (R 1 848 474.10)
- Financial Services, Prepaid Vending (R12 261 674.21)
- Community Services, Security services (R3 077 095.68)

Operational costs are below target by 31% however the following segment is overspent already due to increase in number of transaction processed:

- Financial Services, Bank Charges (R139 005.52)

Transfers and subsidies are 10% above monthly target due to increase in indigent customers.

Inventory consumed which include water purchases are 7% above monthly target, close monitoring is necessary for this line item as it may result in an unauthorised expenditure at year end.

Depreciation and impairment of asset is 39% below monthly target due to impairment of asset calculation to be processed at year end.

Progress on the budget funding plan

Council approved the 2023/24 Budget Funding Plan (BFP) together with the budget on the 31st of May 2023.

The progress recorded as at 31 May 2024 is at 44.66%. The total anticipated revenue is R1 123 525 000.00 of which an amount of R 501 817 723.93 has been collected to date. It should be noted the funding plan was developed to address the cash deficit of R398 486 264 and the R501 817 723 performance far exceeds this deficit. The budget funding plan has thus achieved its objective.

Expenditure of Staff Benefits for the month of May 2024

Salary bill for Councillors R 2 590 823.54
Salary bill for Employees R 55 823 901.95

Total staff compliment 1160 (Full time)
Staff resignations 5
Staff Appointments 1

Summary of staff processed.

Company	Description	Number of Officials	Total
Company 1	Full time	1160	52 848 918.44
Company 2	EPWP	690	1 984 761.10
Company 3	Councillors	63	2 590 823.54
Company 4	Directors	6	758 975.46
Company 7	Temps	5	60 859.95
Company 8	Point Duty Officer	34	170 387.00
TOTAL		1958	58 414 725.49

Attached to the report are the following appendices.

APPENDIX A: C Schedules-M10

APPENDIX B: Deviations –No deviations for the month

APPENDIX C: Purchases above R100 000 – **R 40 089 020.77**

APPENDIX D: Insurances report – **R 3 244 256.00**

APPENDIX E: Capital Expenditure – **R 177 005 672.63**

APPENDIX F: Government Debtors – **R 51 037 777.59**

APPENDIX G: Fruitless and Wasteful Expenditure – **R 9 593 965.07**

APPENDIX H: Budget Funding Plan