



Budget Statement

MFMA Section 71 Report

31 MAY 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 **MAY 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:

Print Name: E.N. Maseko

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 17% below target. Service charges, gains on disposal and other own revenue are the main items to contribute to this performance.

Operating Expenditure

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

Bulk purchases and finance charges are above target by 20% and 98% 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 126 735 514.57, of this amount R 72 060 424.49 relates to MIG funding, R 23 129 105.87 relates to INEP whilst R 21 790 479.58 is from internally generated funds and R9 755 504.63 relates to Sasol grant.

Spending on the MIG roll-over from 2021/22 may remain unspent at the end of the current financial year. There is still about R 5.3 million not yet spent on the roll-over project. Remedial action must be taken to avoid a potential loss of this allocated grant.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received including rollover	YTD Expenditure	Available as at 31 May 2023
Municipal Infrastructure Grant	MIG	65 932 000.00	82 211 007.00	72 060 424.49	10 150 582.51
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	23 129 105.87	6 370 894.13
Water Services Infrastructure	WSIG	-	18 000 000.00	-	18 000 000.00
Own Funding	Revenue	86 699 982.00	86 699 982.00	21 790 479.58	64 909 502.42
Total		178 078 473.00	226 857 480.00	126 735 514.57	100 121 965.43

Unspent Operational and Capital Grants

Grants	Allocation per DORA	Actual received including rollover	Own funding as at 31 May 2023	Expenditure as at 31 May 23	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000.00	2 629 000.00	10 133 089.75	12 762 089.75	-	126%
Financial Management Grants	2 100 000.00	2 100 000.00		1 219 201.20	880 798.80	58%
Integrated National Electrification programme Grant	15 000 000.00	29 500 000.00		23 129 105.87	6 370 894.13	78%
Infrastructure Skills Development Grant	24 500 000.00	24 500 000.00		24 500 000.00	-	100%

Grants	Allocation per DORA	Actual received including rollover	Own funding as at 31 May 2023	Expenditure as at 31 May 23	Unspent 2022/2023	YTD %
Municipal Infrastructure Grant	65 932 000.00	82 211 007.00		72 060 424.49	10 150 582.51	88%
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%
Arts and culture-Operational	221 716.00	221 716.00		-	221 716.00	0%
Arts and culture-Capital	250 000.00	250 000.00		-	250 000.00	0%
Water Services Infrastructure	-	18 000 000.00		12 597 974.56	5 402 025.44	70%
Total	123 354 442.00	174 419 165.29	10 133 089.75	159 211 807.08	25 340 447.96	91%

- **Municipal Infrastructure Grant expenditure is inclusive of the Roll-over spending.**
- **Total MIG spending percentage inclusive of the roll-over is at 88%**
- **The MIG Expenditure of the current year's allocation for MIG is at 93%.**
- **The EPWP grant is at 126% as the allocation has been fully spent, and own funds are utilised to subsidise the EPWP expenses**

Creditors

The total creditors balance for the month of MAY 2023 amounted to **R 4 533 288 000** The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M11 May

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			
R thousands												
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100	50 520	55 412	65 486	168 113	53 835	64 116	65 630	1 751	524 863	-	
Bulk Water	0200	-	5 938	5 701	1 419	4 867	-	4 208	21 101	43 235	-	
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-	
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-	
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	(10 378)	
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-	
Trade Creditors	0700	11 138	37 535	37 028	13 070	30 961	11 333	19 070	3 805 056	3 965 190	535 441	
Auditor General	0800	-	-	-	-	-	-	-	-	-	-	
Other	0900	-	-	-	-	-	-	-	-	-	-	
Total By Customer Type	1000	61 658	98 885	108 215	182 602	89 663	75 449	88 908	3 827 908	4 533 288	525 063	

Debtors

Our Debtors book had a total balance of **R 3 608 688 000** as at end of MAY 2023. The debtors' payment rate for the month is 76%

The cut off processes have enabled for some form of data cleansing. The Debtor's book is moving closer to achieving a database that is more realistic.

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

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 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr			
R thousands												
Debtors Age Analysis By Income Source												
Trade and Other Receivables from Exchange Transactions - Water	1200	44 292	23 865	24 711	29 024	21 670	19 064	97 309	843 080	1 103 014	1 010 147	
Trade and Other Receivables from Exchange Transactions - Electricity	1300	33 336	13 910	11 782	10 601	10 045	9 550	45 785	307 778	442 786	383 758	
Receivables from Non-exchange Transactions - Property Rates	1400	26 874	12 852	10 794	9 620	9 107	8 601	39 550	213 783	331 182	280 661	
Receivables from Exchange Transactions - Waste Water Management	1500	12 828	8 958	8 710	8 419	8 075	7 781	36 837	320 877	412 486	381 990	
Receivables from Exchange Transactions - Waste Management	1600	12 120	8 736	8 189	7 840	7 549	7 356	34 983	289 087	375 860	346 815	
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	
Interest on Arrear Debtor Accounts	1810	20 598	20 673	19 383	18 623	18 268	17 928	75 915	473 480	664 868	604 215	
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	
Other	1900	3 864	3 461	2 433	6 801	1 864	3 759	23 678	232 632	278 491	268 734	
Total By Income Source	2000	153 911	92 455	86 003	90 928	76 578	74 039	354 056	2 680 717	3 608 688	3 276 318	
2022/23 - totals only		142 404	83 631	71 051	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	3 597	1 270	1 192	582	239	202	1 230	4 974	13 285	7 227	
Commercial	2300	58 012	18 546	16 147	19 169	11 270	10 115	44 558	280 054	457 871	365 166	
Households	2400	92 303	72 638	68 665	71 177	65 069	63 721	308 268	2 395 690	3 137 532	2 903 926	
Other	2500	-	-	-	-	-	-	-	-	-	-	
Total By Customer Group	2600	153 911	92 455	86 003	90 928	76 578	74 039	354 056	2 680 717	3 608 688	3 276 318	

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

Category	Actual Cash for the Month	Total Movement	Billing for April 2023	Adjustments	Payment Rate Billing
WATER	-23 599 426.58	27 628 897.92	39 431 148.24	-11 802 250.32	60%
ELECTRICITY	-25 756 414.87	33 490 226.88	33 602 187.51	-111 960.63	77%
RATES	-23 609 111.87	32 199 314.52	32 388 230.61	-188 916.09	73%
REFUSE	-4 819 731.36	11 839 395.38	11 870 119.26	-30 723.88	41%
SEWERAGE	-4 706 177.01	11 507 317.87	11 878 987.95	-371 670.08	40%
MISCELLANEOUS	-457 877.37	199 728.07	191 370.82	8 357.25	239%
MISCELLANEOUS (NO VAT)	-354 570.56	733 077.39	468 399.91	264 677.48	76%
INTEREST	-567 259.48	20 752 050.27	20 767 835.42	-15 785.15	3%
TOTALS	-83 870 569.10	138 350 008.30	150 598 279.72	-12 248 271.42	57%

Debtors Opening Balance	3 572 381 000.00
Add: Billing for the Month	150 598 279.72
Less: Debtors Closing Balance	3 608 688 000.00
	114 291 279.72
Payment rate	76%

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

* Collection rate not considering the legacy debt is at 57%

Intervention

- Implementation of Credit control measures
- Tracking of consumers who are not paying and sending them cut-off notices
- Replacement of water and electricity meters is underway

Cash Flows

As of 31 May 2023, we had a positive bank statement balance of R 28 979 292.00 and a positive cash book balance of R 4 231 870.82

Investments

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

	Description	01-May-23	31-May-23
Fixed Deposits	ABSA Deposit 200644701346	14 512 095.71	14 594 708.17
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	457 526.77	460 211.76

	Description	01-May-23	31-May-23
	Standard Bank Cheque MIG 38787024008	88 173 372.07	78 441 705.53
	Standard Bank Call Account 038787024009	197 478 863.75	198 676 992.36
	Standard Bank Current 030195276000	3 331 453.92	3 422 196.32
Total Investments		304 839 363.19	296 481 865.11

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	42,437,538	14,799,356	-65.13%	-60.50%	-72.60%
Water	2,526,966	1,412,139	-44.12%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	501,397,512	177,293,091	-64.64%	-64.46%	-70.15%
Water	29,259,796	18,333,777	-37.34%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 20%, there will be an unauthorised expenditure in this line item at year end.

Finance charges are above target by 98%, this is due to interest on Eskom and Rand water accounts that can not be paid on time due to cash constraints.

Contracted services are below target by 14%.

Other expenditure is also below target by 28%.

Grants and transfers are 317% above target, debt written off was erroneously processed in this line item and journal to process this misallocation with done during the month of June.

Expenditure of Staff Benefits for the month of MAY

Salary bill for Councillors R 2 060 893.96

Salary bill for employee's R 50 991 044.08

Total staff compliment 1 177 (Full time)

Staff resignations 6

Staff Appointments 4

Summary of staff processed.

Company	Description	Number of Officials	Total
Company 1	Full time	1 177	50 991 044.08
Company 2	EPWP	608	1 317 868.20
Company 3	Councillors	62	2 060 893.96
Company 4	Directors	4	651 604.37
Company 7	Temps	10	102 039.41
TOTAL		1 861	55 123 450.02

Attached to the report are the following appendices

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 – **R 18 865 940.48**

APPENDIX C: Insurances report – **R 17 097 146.90**

APPENDIX D: Capital Expenditure – **R 126 731 363.74**

APPENDIX E: Government Debtors – **R 16 290 483.53**

APPENDIX F: Fruitless and Wasteful Expenditure – **R 32 897 490.59**