



Budget Statement

MFMA Section 71 Report

30 JUNE 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 **JUNE 2023** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: M. Moloto

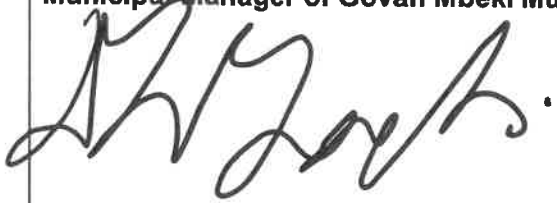
Chief Financial Officer of Govan Mbeki Municipality (MP307)

Signature: 

Date: 14/07/2023

Print Name: E.N. Maseko

Municipal Manager of Govan Mbeki Municipality (MP307)



Signature:

Date: 14/07/2023

1. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 19% below target. Service charges and other own revenue are the main items to contribute to this performance.

Operating Expenditure

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

Bulk purchases and finance charges are above target by 27% and 127% 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 186 927 976.85 of this amount R 82 211 007.00 relates to MIG funding, R 29 500 000.00 relates to INEP whilst R 49 423 285.35 is from internally generated funds, R10 446 491.00 relates to Sasol grant and R15 347 193.50 is WSIG.

Description	Funding	Allocation per DoRA/2023 MTREF	Actual received including rollover	YTD Expenditure	Available as at 30 June 2023
Municipal Infrastructure Grant	MIG	65 932 000.00	82 211 007.00	82 211 007.00	0
Sasol Grant – Electrification	Sasol	10 446 491.00	10 446 491.00	10 446 491.00	0
Integrated National Electrification Programme Grant	INEP	15 000 000.00	29 500 000.00	29 500 000.00	0
Water Services Infrastructure	WSIG		18 000 000.00	15 347 193.50	2 652 806.50
Own Funding	Revenue	58 089 983.00	58 089 983.00	49 423 285.35	8 666 697.65
Total		149 468 474.00	198 247 481.00	186 927 976.85	11 319 504.15

Unspent Operational Grants

- Year to date operational percentage on FMG, ISDG and Arts and Culture is at 100% and LGSETA is at 84% this is based on amount received to date including rollover.
- Pre-Capacity grant is underspent by 97%

Grants	Allocation per DoRA	Actual received including rollover	Own Funding as at 30 June 2023	Expenditure as at 30 June 23	Unspent 2022/2023	YTD %
Extended Public works Programme	2 629 000.00	2 629 000.00	11 372 868.00	14 028 286.00	-	528%
Financial Management Grants	2 100 000.00	2 100 000.00	408 206.00	2 508 206.00	-	119%
Infrastructure Skills Development Grant	24 500 000.00	24 500 000.00		24 500 000.00	-	100%
Arts and Culture	221 716.00	221 716.00		221 716.00	-	100%
LG Seta	2 080 000.00	3 900 000.00		3 293 539.08	606 460.92	84%
Pre-Capacity grant	195 235.00	195 235.00		6 732.00	188 503.00	3%
Total	31 725 951.00	33 545 951.00	11 780 492.00	44 531 479.08	794 963.92	98%

The EPWP grant is at 528% as the allocation has been fully spend and own funds are utilised to subsidise the EPWP expenses, hence the 528% spending.

Unspent Capital Grants

- Municipal Infrastructure Grant expenditure is inclusive of the Roll-over spending.
- The capital expenditure of the current year's allocation for MIG, INEP and SASOL are at 100%.
- On the WSIG, the project progress is at 98% as of 30 June 2023, however, the expenditure is at 85% because of the late approval of the representation of the municipality on the initially disapproved roll over application. The representation of the municipality to the department of water and sanitation was only approved at the end of February 2023.
- nothing was spent on Arts and Culture grant.

Grants	Allocation per DoRA	Actual received including rollover	Expenditure as at 30 June 23	Unspent 2022/2023	YTD %
Integrated National Electrification Programme Grant	15 000 000.00	29 500 000.00	29 500 000.00	-	100%
Municipal Infrastructure Grant	65 932 000.00	82 211 007.00	82 211 007.00	-	100%
Sasol Grant-Electrification	10 446 491.00	10 446 491.00	10 446 491.00	-	100%
Water Services Infrastructure		18 000 000.00	15 347 193.50	2 652 806.50	85%
Arts and Culture	250 000.00	250 000.00	-	250 000.00	0%
Total	91 628 491.00	140 407 498.00	137 504 469.50	2 902 806.50	98%

Creditors

The total creditors balance for the month of JUNE 2023 amounted to R 4 731 092 000.00 The major creditors are Eskom and Rand Water.

MP307 Govan Mbeki - Supporting Table SC4 Monthly Budget Statement - aged creditors - M12 June

Description R thousands	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	178 796	23 689	55 412	62 971	168 113	53 835	64 116	67 391	674 312	-
Bulk Water	0200	-	-	2 984	5 701	753	4 967	-	25 309	39 614	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	17 060
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	103 836	2 691	20 073	28 811	10 897	21 432	10 182	3 819 444	4 017 166	3 788 314
Auditor General	0800	-	-	-	-	-	-	-	-	-	-
Other	0900	-	-	-	-	-	-	-	-	-	-
Total By Customer Type	1000	282 632	26 380	78 468	97 482	179 564	80 134	74 298	3 912 134	4 731 092	3 805 374

Debtors

Our Debtors book had a total balance of R 3 677 337 665.46 as at end of JUNE 2023. The debtors' payment rate for the month is 55%.

Description		Budget Year 2022/23										Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy	
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Dye-1 Yr	Over 1Yr	Total					
NT Code															
R thousands															
Debtors Age Analysis By Income Source															
1200	Trade and Other Receivables from Exchange Transactions - Water	38 328	32 445	29 144	30 220	31 964	27 228	146 784	996 415	1 332 528	1 232 611	-	-		
1300	Trade and Other Receivables from Exchange Transactions - Electricity	33 850	15 844	14 091	12 704	11 818	11 473	64 140	350 110	514 030	450 245	-	-		
1400	Receivables from Non-exchange Transactions - Property Rates	26 362	12 655	11 418	10 631	10 174	9 796	52 374	235 438	368 848	318 413	-	-		
1500	Receivables from Exchange Transactions - Waste Water Management	15 011	11 999	10 991	10 717	10 422	10 191	56 069	387 411	512 811	474 810	-	-		
1600	Receivables from Exchange Transactions - Waste Management	14 370	11 019	10 473	9 985	9 633	9 413	52 577	345 624	463 094	427 232	-	-		
1700	Receivables from Exchange Transactions - Property Rental Debtors	515	419	563	789	368	294	1 405	7 456	11 809	10 312	-	-		
1810	Interest on A/Rear Debtor Accounts	-	-	-	-	-	-	-	-	-	-	-	-		
1820	Recoverable unauthorised, irregular, fruitless and wasteful expenditure	-	-	-	-	-	-	-	-	-	-	-	-		
1900	Other	96 333	4 988	2 817	4 917	9 167	4 404	37 510	313 992	474 217	370 080	-	-		
2000	Total By Income Source	224 769	89 369	79 496	79 963	83 546	72 889	410 860	2 636 445	3 677 338	3 283 703	-	-		
2017/18 - totals only															
Debtors Age Analysis By Customer Group															
2200	Organs of State	3 477	1 064	506	315	318	180	1 066	4 436	11 363	6 316	-	-		
2300	Commercial	132 045	17 388	12 173	14 672	15 829	10 676	52 903	286 442	554 128	392 522	-	-		
2400	Households	89 247	70 917	66 817	64 976	67 400	62 033	356 891	2 333 567	3 111 847	2 884 866	-	-		
2500	Other	-	-	-	-	-	-	-	-	-	-	-	-		
2600	Total By Customer Group	224 769	89 369	79 496	79 963	83 546	72 889	410 860	2 636 445	3 677 338	3 283 703	-	-		

Notes

Material increases in value of debtors' categories compared to previous month to be explained

Bad debts = amounts actually written off in the month

Total by Income Source must reconcile with Total by Customer Group

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

Category	Actual Cash for the Month	Total Movement	Billing for May 2023	Adjustments
WATER	-23 849 316,26	41 286 901,55	41 465 368,63	-178 467,08
ELECTRICITY	-26 561 741,51	33 421 926,91	33 628 231,23	-206 304,32
RATES	-24 393 898,37	32 266 285,05	32 479 936,24	-213 651,19
REFUSE	-4 883 394,73	11 787 306,37	11 865 701,51	-78 395,14
SEWERAGE	-5 163 780,04	12 447 687,40	12 461 898,81	-14 211,41
MISCELLANEOUS	-96 242,16	209 022,92	198 370,82	10 652,10
MISCELLANEOUS (NO VAT)	-274 135,23	468 000,01	468 000,01	0,00
INTEREST	-858 931,52	20 606 156,87	20 606 314,20	-157,33
Total	-86 081 439,82	152 493 287,08	153 173 821,45	-680 534,37

Debtors Opening Balance	3 608 688 000.00
Add: Billing for the Month	153 173 821.45
Less: Debtors Closing Balance	3 677 337 665.46
	86 081 439.92
Payment rate	55%

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 56%

Reason for revenue decline

- There has been a malfunction in the system during the roll-over of the financial year resulting in the debtors' age analysis being distorted.
- The c-schedule (System-generated) indicated a closing balance of R 2 970 345 000.00 whereas the debtors book indicated R 3 677 337 665.46
- Once the system developers have fixed the bug, the percentage of collection is likely to change. The effect of the changes will be reported in the next month's report.

Cash Flows

As of 30 June 2023, we had a positive bank statement balance of R 12 437 675.29 and a positive cash book balance of R 11 416 386.39.

Investments

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

	Description	01-June-23	30-June-23
Fixed Deposits	ABSA Deposit 200644701346	14 594 708.17	14 594 708.17
	Nedbank Deposit 1766000029	100 000 000.00	100 589 808.22
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	460 211.76	460 211.76
	Standard Bank Cheque MIG 38787024008	78 441 705.53	78 441 705.53
	Standard Bank Call Account 038787024009	198 676 992.36	198 676 992.36
	Standard Bank Current 030195276000	3 422 196.32	3 422 196.32
Total Investments		396 481 865.11	397 071 673.33

Distribution losses

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	41,694,277	15,631,212	-62.51%	-60.50%	-72.60%
Water	2,712, 290	1,366,528	-49.62%	-32.56%	-32.15%

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

Service	Purchased	Sold	Current % Loss	Average 21/22	Average 20/21
Electricity	543,091,789	192,924,303	-64.48%	-64.46%	-70.15%
Water	31,972,086	19,700,305	-38.38%	-34.38%	-32.38%

Expenditure

Bulk purchases are above target by 27%.

Contracted services are below target by 12%.

Other expenditure is also below target by 26%.

Grants and transfers are 17% below target.

Expenditure of Staff Benefits for the month of June 2023

Salary bill for Councillors R 2 181 257.30

Salary bill for employee's R 50 926 929.75

Total staff compliment	1 179 (Full time)
Staff resignations	3
Staff Appointments	5

Summary of staff processed.

Company	Description	Number of Officials	Total
Company 1	Full time	1179	50 926 929.75
Company 2	EPWP	608	1 266 196.60
Company 3	Councillors	62	2 181 257.30
Company 4	Directors	4	657 307.02
Company 7	Temps	10	92 695.92
TOTAL		1863	55 124 386.59

Attached to the report are the following appendices

APPENDIX A: C Schedules-M12

APPENDIX B: Purchases above R100 000 – R 7 005 494.18

APPENDIX C: Insurances report – R 17 534 709.82

APPENDIX D: Capital Expenditure – R 171 580 783.35

APPENDIX E: Government Debtors – R 16 290 483.53

APPENDIX F: Fruitless and Wasteful Expenditure – R 39 417 099.64