



# Budget Statement

MFMA Section 71 Report

30 JUNE 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 **JUNE 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:** 11/7/2024

**Print Name: E.N. Maseko**

**Municipal Manager of Govan Mbeki Municipality (MP307)**

**Signature:**

**Date:**

## 1. SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

### Summary of the Budget Performance for the month of JUNE 2024

Description	Original Budget 2022/2023	Adjustment Budget 2022/2023	Monthly Actual	Year TD Actual	Year to Date Budget	Variance	YTD Variance %
	R'000		R'000		R'000	R'000	R'000
Total Operating Revenue	3 087 553	3 071 842	194 581	2 499 952	3 071 842	(571 890)	-19%
Total Operating Expenditure	3 019 754	3 140 957	374 949	3 260 561	3 140 957	119 604	4%
<b>Surplus /(Deficit) for the year before grant capital revenue</b>	<b>67 799</b>	<b>(69 115)</b>	<b>(180 368)</b>	<b>(760 609)</b>	<b>(69 115)</b>	<b>(691 494)</b>	<b>1000%</b>
Grant capital revenue	111 490	146 258	361	118 018	146 258	(28 240)	-19%
<b>Surplus /(Deficit) for the year</b>	<b>179 289</b>	<b>77 221</b>	<b>(180 007)</b>	<b>(642 591)</b>	<b>77 221</b>		
Total Capital Expenditure	172 677	217 093	15 521	162 852	217 093	(54 241)	-25%

#### Operating Revenue

The overall performance on the revenue component is 19% below target for the month.

#### Operating Expenditure

The overall monthly performance on the expenditure component is 4% above target.

Bulk purchases and inventory consumed are above monthly target by 39% and 9% 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.

Finance charges is on target by 100%.

Employee related cost is 6% below budget.

#### Capital Expenditure

Total Capital Expenditure to date is R 185 501 585.64 of this amount R 42 307 767.01 relates to INEP funded projects, R80 802 550 relates to MIG funded projects, R 1 075 023.11 relates to WSIG funded projects, R 11 048 829.08 relates to Provincial Treasury funded projects whilst R 50 267 416.44 is from internally funded projects. There are no commitments in the month of June 2024.

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	42 307 767.01	-1 227 767.01	103%
Municipal Infrastructure Grant	MIG	80 802 550.00	80 802 550.00	80 802 550.00	0.00	100%
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	11 048 829.08	-1 028 829.08	110%
Municipal Disaster Recovery Grant	MDRG	7 875 000.00	7 875 000.00	0	7 875 000.00	0%
Sasol	Sasol		77 554.00	0	77 554.00	0%
Own Funding	Revenue	74 190 000.00	74 190 000.00	50 267 416.44	23 922 583.56	68%
<b>Total</b>		<b>203 947 550.00</b>	<b>217 092 505.00</b>	<b>185 501 585.64</b>	<b>31 590 919.36</b>	<b>85%</b>

### 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	42 307 767.01	-1 227 767.01	103%
Municipal Infrastructure Grant	80 802 550.00	80 802 550.00	80 802 550.00	0.00	100%
Mining company: Sasol	0	77 554.38	0	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	0	7 875 000.00	0%
Provincial Treasury Grant	0	10 020 000.00	11 048 829.08	-1 028 829.08	110%
<b>Total</b>	<b>121 882 550.00</b>	<b>142 912 505.38</b>	<b>135 234 169.20</b>	<b>7 668 336,18</b>	<b>95%</b>

- The municipality received the MDRG funding of R 7 875 000.00 during the month of March 2024 which is allocated to be spent between March 2024 to February 2025.
- The municipality appointed the consultant in April 2024 to do the design of the stormwater management.
- The projects are at the procurement stage to appoint the contractors from the panel of Civil Engineering Contractors to start possibly on the 19<sup>th</sup> July 2024
- The two funded projects are anticipated to be complete by November 2024.

### Performance of Operational Grants

Grants	Allocation per DoRA & Revised Gazette & MOU	Received Including rollover	Expenditure as at 30 June 2024	Unspent 2023/2024	YTD %
Extended Public works Programme	1 900 000.00	1 900 000.00	23 842 383.30	-21 942 383.30	1255%
Financial Management Grants	2 100 000.00	2 100 000.00	2 100 000.00	0.00	100%
Infrastructure Skills Development Grant	23 000 000.00	23 000 000.00	23 000 000.00	0	100%
Arts and Culture	-	234 858.00	124 565.00	110 293.00	53%
LG Seta	1 000 000.00	2 805 043.00	1 901 747.65	903 295.35	68%
Economic Development and Tourism	-	313 901.00	0	313 901.00	0%
Gert Sibande District Municipality	-	274 580.00	0	274 580.00	0%
Energy Efficiency Demand Grant	-	406 149.00	0	406 149.00	0%
Point Duty Officer (SASOL)	3 400 000.00	1 508 527.00	1 844 108.50	-335 581.50	122%
Pre-Capacity grant	-	266 086.00	101 872.03	164 213.97	38%
Equitable share	426 701 000.00	426 701 000.00	426 701 000.00	0	100%
<b>Total</b>	<b>458 101 000.00</b>	<b>459 510 144.00</b>	<b>479 615 676.48</b>	<b>-20 105 532.48</b>	<b>104%</b>

## Creditors

The total creditors balance for the month of June 2024 amounted to R 5 975 614 881. Creditors that are above 30 days are 94.5 %. The major creditors are Eskom and Rand Water.

Description	NT Code	Budget Year 2023/24								Total
		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	
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	100	177 421 773.00	41 917 372.00	97 923 092.00	4 681 081 110.00	-	-	-	-	4 998 343 347.00
Bulk Water	200	47 934 292.00	21 165 703.00	36 530 646.00	732 549 273.00	-	-	-	-	838 179 914.00
PAYE deductions	300									0
VAT (output less input)	400									0
Pensions / Retirement deductions	500									0
Loan repayments	600									0
Trade Creditors	700	98 435 940.00	22 910 937.00	1 326 716.00	15 466 019.00	-	-	-	-	138 139 612.00
Auditor General	800	873 910.00			78 098.00					952 008.00
Other	900									
<b>Total By Customer Type</b>	<b>1000</b>	<b>324 665 915.00</b>	<b>85 994 012.00</b>	<b>135 780 454.00</b>	<b>5 430 501 216.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5 975 614 881.00</b>

## Debtors

The total debtors book balance for the month of June 2024 amounted to R 4 119 755 000. The debtors' payment rate for the month is 57%.

### MP307 Govan Mbeki - Supporting Table SC3 Monthly Budget Statement - aged debtors - M12 - June

Description	NT Code	Budget Year 2023/24								Total	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				
<b>R thousands</b>													
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	47 307	22 613	22 525	19 701	19 822	20 037	19 879	986 320	1 166 004	1 073 558		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	38 534	13 585	10 127	9 701	9 183	8 983	8 767	361 280	460 269	397 914		
Receivables from Non-exchange Transactions - Property Rates	1400	29 413	10 751	9 723	9 175	8 700	8 030	7 834	275 871	359 296	309 409		
Receivables from Exchange Transactions - Waste Water Management	1500	12 954	9 320	8 769	7 948	7 759	7 828	7 469	382 957	445 013	413 960		
Receivables from Exchange Transactions - Waste Management	1600	12 408	9 320	7 906	7 646	7 369	7 124	6 943	349 779	407 495	378 862		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-		
Interest on Arrear Debtor Accounts	1810	25 237	24 868	24 513	24 209	23 911	23 518	23 105	713 132	882 492	807 874		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-		
Other	1900	2 873	5 866	7 666	12 302	4 265	7 871	9 072	349 250	399 195	382 760		
<b>Total By Income Source</b>	<b>2000</b>	<b>168 836</b>	<b>95 323</b>	<b>91 229</b>	<b>90 682</b>	<b>80 038</b>	<b>83 390</b>	<b>81 869</b>	<b>3 428 389</b>	<b>4 119 755</b>	<b>3 764 367</b>		
<b>2022/23 - totals only</b>													
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	5 255	2 370	1 109	1 069	1 049	1 036	1 143	36 877	49 937	41 204		
Commercial	2300	53 335	13 146	13 548	14 855	9 976	13 340	14 084	334 795	467 089	387 061		
Households	2400	110 245	79 807	76 574	74 718	69 013	69 013	65 541	3 056 717	3 602 729	3 336 102		
Other	2500	-	-	-	-	-	-	-	-	-	-		
<b>Total By Customer Group</b>	<b>2600</b>	<b>168 836</b>	<b>95 323</b>	<b>91 229</b>	<b>90 682</b>	<b>80 038</b>	<b>83 390</b>	<b>81 869</b>	<b>3 428 389</b>	<b>4 119 755</b>	<b>3 764 367</b>		

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	44.64	0.00	0.00	0.00	0.00	0.00
Deposits	-250 256.41	531 593.27	0.00	0.00	0.00	531 593.27
Agreements	-888 856.35	543 500.02	0.00	0.00	0.00	543 500.02
Indigent Flat Credit	-22 654.23	-3 114 641.97	0.00	-18 557.63	0.00	-3 096 084.34
Water	-27 465 344.90	40 798 420.85	43 596 004.13	-2 917 275.46	149 365.78	-29 673.60
Electricity	-31 644 926.23	38 064 508.60	40 080 935.61	-2 175 047.95	142 114.24	16 506.70
Loans/Old Debt	-11 361.26	0.00	0.00	0.00	0.00	0.00
Rates	-26 416 683.33	34 547 129.52	34 562 119.93	-216 140.87	201 150.46	0.00
Annual Rates	-54 524.74	0.00	0.00	0.00	0.00	0.00
Refuse	-5 299 110.55	12 447 092.53	12 450 807.71	-50 675.02	46 959.84	0.00
Sewerage	-5 707 785.48	12 738 745.82	12 942 509.77	-519 134.35	315 370.40	0.00
Miscellaneous	-222 379.87	247 447.43	265 579.32	-40 861.01	12 643.11	10 086.01
Miscellaneous (No Vat)	-440 147.11	310 050.95	308 692.69	-21.74	1 380.00	0.00
Vat	-10 923 694.70	15 627 630.17	16 380 899.08	-852 755.46	99 949.49	-462.94
Interest	-945 745.14	18 020 405.33	25 015 987.28	-6 995 581.95	0.00	0.00
Payment Advanced	-3 494 836.80	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>-113 788 262.46</b>	<b>170 761 882.52</b>	<b>185 603 535.52</b>	<b>-13 786 051.44</b>	<b>968 933.32</b>	<b>-2 024 534.88</b>

Debtors Opening Balance	4 043 174 000.00
Add: Billing for the Month	181 934 441.89
Debtors Write off	
Less: Debtors Closing Balance	4 119 755 000.00
	105 353 441.89
Payment rate	57%



## Cash Flows

As of 30 June 2024, we had a positive bank statement balance of R 10 217 854.85 and a positive cash book balance of R 7 828 686.78

## Investments

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

Investment Type	Institution	01-June-24	30-June-24
Listed Investments	Old Mutual Shares	26 506.44	27 096.93
	Old Mutual Shares	364 812.00	372 939.00
	Sanlam	143 147.76	198 415.84
	Shares Nedbank	16 000.60	17 948.70
	Shares Nedbank	220 808.28	247 692.06
	Quilter PLC	12 036.96	17 228.64
	Quilter PLC	165 874.71	237 418.39
Short term Call Investment	Standard Bank Cheque 038787024003	497 525.13	500 821.06
	Standard Bank Cheque MIG 38787024008	45 238 342.74	10 463 753.19
	Standard Bank Call Account 038787024009	30 345 784.26	5 527 843.70
	Standard Bank Current 030195276000	4 653 864.70	1 221 083.99
<b>Total Investments</b>		<b>81 684 703.58</b>	<b>18 832 241.50</b>

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

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	46,474,807	20,924,180	-54.98%	-62.51%	-60.50%
Water	2,841,571	1,334,320	-53.04%	-49.62%	-32.56%

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

Service	Purchased	Sold	Current % Loss	Average 22/23	Average 21/22
Electricity	543,258,632	225,477,914	-58.50%	-64.48%	-64.46%
Water	31,552,435	16,747,277	-46.92%	-38.38%	-34.38%

The Electricity distribution losses have increased from 53.79% in the prior month to 54.98% 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 Water distribution losses have increased from 46.56 in the prior month to 53.04 in the current month due to continuous asbestos pipe burst at Evander, dilapidated infrastructure of water, supply of water through water tankers to rural areas and the planned and unplanned Rand Water interruptions.

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

Service	Purchased May 2024	Sold May 2024	Purchased June 2024	Sold June 2024	May 2024 %Loss	June 2024 %Loss
Electricity	43,028,941	19,882,457	46,474,807	20,924,180	-53.79%	-54.98%
Water	2,623,802	1,402,166	2,841,571	1,334,320	46.56%	-53.04%

## Revenue

Electricity service charges is below the target by 36%, vending service providers not depositing sales for pre-paid sales on monthly basis as at 30 June 2024 the amount of R 48,419,544.93 not settled.

Water service charges and waste water service charges are below the target by 32% 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 79%, 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 39% above monthly target, this line item will have an unauthorised expenditure at year end.

Contracted services are 6% 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:

- Financial Services, Prepaid Vending (R14 604 858.52)
- Financial Services, VAT Recovery Services (R 7 852 198.55)
- Community Services, Security services (R 6 745 396.50)
- Sewer Networks, Sewer Purification SASOL (R 4 114 704.54)
- Financial Services, Debt Collection & Credit Control (R1 301 772.75)

Operational costs are below target by 28% however the following segment is overspent already due to increase in number of transactions processed:

- Financial Services, Bank Charges (R 515 334.45)

Transfers and subsidies are 6% above monthly target due to increase in indigent customers.

Inventory consumed which include water purchases are 9% 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 31<sup>st</sup> of May 2023. The progress recorded as at 30 June 2024 is at 48.66%. The total anticipated revenue is R1 123 525 000.00 of which an amount of R 546 682 542.74 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 R 546 682 542.74 performance far exceeds this deficit. The budget funding plan has thus achieved its objective.

**Expenditure of Staff Benefits for the month of June 2024**

Salary bill for Councillors R 2 533 270.12  
Salary bill for Employees R 56 780 786.01

Total staff compliment 1155 (Full time)  
Staff resignations 5  
Staff Appointments 4

**Summary of staff processed.**

Company	Description	Number of Officials	Total
Company 1	Full time	1155	53 742 335.30
Company 2	EPWP	690	2 058 864.80
Company 3	Councillors	61	2 533 270.12
Company 4	Directors	6	758 975.46
Company 7	Temps	5	55 071.45
Company 8	Point Duty Officer	31	165 539.00
<b>TOTAL</b>		<b>1948</b>	<b>59 314 056.13</b>

**Attached to the report are the following appendices.**

APPENDIX A: C Schedules-M12

APPENDIX B: Deviations –No deviations for the month

APPENDIX C: Purchases above R100 000 – **R 13 564 661.62**

APPENDIX D: Insurances report – **R 2 513 228.34**

APPENDIX E: Capital Expenditure – **R 185 501 585.64**

APPENDIX F: Government Debtors – **R 34 203 398.44**

APPENDIX G: Fruitless and Wasteful Expenditure – **R 13 764 608.06**

APPENDIX H: Budget Funding Plan