



Budget Statement

MFMA Section 71 Report

30 JUNE 2022

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 supporting documentation for the month of June **2022** has been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act.

Print Name: V. Nkhata

Acting 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.

2. DISCUSSION

SALIENT FEATURES OF FINANCIAL RESULTS ARE AS FOLLOWS

Operating Revenue

The overall performance on the revenue component is 18% below target. The performance is mainly due to negative performance on service charges, Investment revenue and other income.

Operating Expenditure

The overall performance on the expenditure component is 3% above target.

Bulk purchases, and inventory consumed are above target by 41% and 25% respectively, careful monitoring will take place as unauthorised expenditure might occur in these line items.

Capital Expenditure

Total Capital Expenditure to date is R 109 187 721 of this amount R 40 159 153 relates to MIG funding, R 1 715 654 for Water Service Infrastructure, R 23 090 691 for Regional Bulk Infrastructure, R 21 414 818 relates to INEP, R 4 669 983 relates to Sasol whilst R 18 137 422 is from internally generated funds.

Description	Funding	Actual received Including rollover	YTD Expenditure	Available as at 30 June 2022
Municipal Infrastructure Grant	MIG	62 856 048	40 159 153	22 696 895
Water Services Infrastructure Grant	WSIG	20 228 729	1 715 654	18 513 075
Regional Bulk Infrastructure Grant	RBIG	46 596 277	23 090 691	23 505 586
Gert Sibande District	GSDM	900 000	-	900 000
Sasol	Sasol	15 116 475	4 669 983	10 446 492
Integrated National Electrification Programme Grant	INEP	28 673 668	21 414 818	7 258 850
Own Funding	Revenue	83 648 000	18 137 422	65 510 578
Total		258 019 197	109 187 721	148 831 476

Unspent Operational and Capital Grants

Grants	Classification	Allocated 2021/2022	Adjusted 2021/2022 as per Gazette 46095	Rollover 2020/2021	Actual Received Including Rollover 2021/2022	Expenditure as at 31 JUNE 2022	Unspent 2021/2022	YTD %
Extended Public works Programme	Operational grant	1 677 000			1 677 000	1 677 000	0	100%
Financial Management	Operational Grant	2 100 000		379 674	2 479 674	1 147 928	1 331 746	46%
Integrated National Electrification programme Grant	Capital grant	7 650 000	10 093 000	10 930 668	28 673 668	21 414 818	7 258 850	75%
Infrastructure Skills Development Grant	Operational grant	24 500 000			24 500 000	24 500 000	0	100%
Energy Efficiency Demand Grant	Operational grant	4 200 000			4 200 000	3 793 851	406 149	90%
LG Seta	Operational grant	2 000 000		3 473 773	5 473 773	132 786	5 340 987	2%
Municipal Infrastructure Grant	Capital grant	65 654 578	-9 517 000	6 718 470	62 856 048	40 159 153	22 696 895	64%
Water Services Infrastructure Grant	Capital grant	16 000 000		4 228 729	20 228 729	1 715 654	18 513 075	8%
Regional Bulk Infrastructure Grant	Capital grant	40 000 000	-40 000 000	46 596 277	46 596 277	23 090 691	23 505 586	50%
Gert Sibande Grant	Capital grant	900 000			900 000	0	900 000	0%
Sasol Grant-Electrification	Capital grant	0		15 116 475	15 116 475	4 669 983	10 446 492	31%
Total		164 681 578	-39 424 000	87 444 066	211 024 644	120 624 864	90 399 780	57%

Creditors

The total creditors balance for the month of June 2022 amounted to R 3 805 374 002. The major creditors are Eskom and Rand Water.

Description R thousands	NT Code	Budget Year 2020/21									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	Total	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	311 131	116 471	0	25 691	2 658 653					3 111 947
Bulk Water	0200	83 699	18 563	22 465	17 363	468 236					610 326
PAYE deductions	0300										
VAT (output less input)	0400										
Pensions / Retirement deductions	0500										
Loan repayments	0600										
Trade Creditors	0700	44 104	11 526	1 171	1 746	23 163					81 710
Auditor General	0800					1 391					1 391
Other	0900										
Total By Customer Type	1000	438 935	146 560	23 636	44 799	3 151 443	-	-	-	3 805 374	-

Debtors

Our Debtors book had a total balance of R 2 970 345 000 as at end of June 2022. The debtors' payment rate for the month is 59%

Description R thousands	NT Code	Budget Year 2020/21								
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	1200	43 896	24 969	21 692	20 969	18 548	18 081	84 250	700 577	932 982
Trade and Other Receivables from Exchange Transactions - Electricity	1300	35 017	12 795	10 625	9 815	9 632	8 431	39 687	245 877	371 878
Receivables from Non-exchange Transactions - Property Rates	1400	25 078	11 413	9 358	8 411	8 154	7 547	38 172	158 722	266 855
Receivables from Exchange Transactions - Waste Water Management	1500	11 474	8 532	8 138	8 072	7 467	7 219	33 512	265 249	349 663
Receivables from Exchange Transactions - Waste Management	1600	11 611	8 289	7 755	7 396	7 096	6 852	31 979	234 351	315 328
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	13 125	12 864	11 844	11 223	10 632	10 455	48 966	365 345	484 454
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-
Other	1900	2 204	4 769	1 638	808	1 344	2 195	5 897	230 330	249 185
Total By Income Source	2000	142 404	83 631	71 051	66 693	62 872	60 779	282 463	2 200 453	2 970 345
2019/20 - totals only										
Debtors Age Analysis By Customer Group										
Organs of State	2200	40 036	9 024	6 202	5 604	4 680	4 118	18 689	77 532	165 884
Commercial	2300	27 687	10 756	6 861	4 446	4 885	3 686	17 534	135 871	211 726
Households	2400	74 682	63 852	57 988	56 643	53 307	52 975	246 240	1 987 049	2 592 735
Other	2500	-	-	-	-	-	-	-	-	-
Total By Customer Group	2600	142 404	86 631	71 051	66 693	62 872	60 779	282 463	2 200 453	2 970 345

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

Category	Actual Cash For the Month	Total Movement	Billing for May 2022	Adjustments	Payment Rate Movement	Payment Rate Billing
PAYMENT	124 687.48	-	-	-	0%	0%
DEPOSITS	-261 701.73	673 226.29	-	673 226.29	39%	0%
AGREEMENTS	-324 679.57	1 959 274.83	-	1 959 274.83	17%	0%
INDIGENT FLAT CREDIT	-2 600.00	-2 998 185.76	-	-2 998 185.76	0%	0%
WATER	-24 883 446.22	40 662 051.68	41 377 393.51	-715 341.83	61%	60%
ELECTRICITY	-25 581 197.67	34 574 684.30	34 911 491.11	-336 806.81	74%	73%
LOANS/OLD DEBT	-5 174.56	-	-	-	0%	0%
RATES	-21 528 711.86	28 324 517.41	31 381 758.05	-3 057 240.64	76%	69%
ANNUAL RATES	-12 590.77	-	-	-	0%	0%
REFUSE	-4 373 127.55	11 141 137.38	11 318 442.16	-177 304.78	39%	39%
SEWERAGE	-4 327 444.98	11 075 727.35	11 126 868.45	-51 141.10	39%	39%
MISCELLANEOUS	-165 210.28	345 361.30	378 830.22	-33 468.92	48%	44%
MISCELLANEOUS(NO VAT)	-215 360.97	564 690.47	424 435.59	140 254.88	38%	51%
VAT	-9 475 807.39	14 615 913.40	14 867 225.90	-251 312.50	65%	64%
INTEREST	-177 684.75	8 483 619.14	12 941 836.13	-4 458 216.99	2%	1%
PAYMENT ADVANCED	-2 627 384.65	-	-	-	100%	100%
TOTAL	-93 837 435.47	149 422 017.79	158 728 281.12	-9 306 263.33	63	59

Reason for revenue decline

- Poor Enforcement of credit control and debt collection policy
- Cut off action not done continuously
- Insourcing of services that was being done by external service providers on meter reading and meter installation
- Pre-paid meters inspection not done on a continuous bases, based on Low purchases (to Identify ghost vending) and zero purchases (identify meter tempering);
- Ghost vending and broken and faulty meters not replaced in time.
- Inaccurate billing data
- Loss of revenue through vending

Cash Flows

At the 30th of June 2022, we had a positive bank statement balance of R 26 421 022 and a negative cash book balance of R 7 689 768.

Investments

The following table indicates the investments for the month of June 2022

		01-June-22	30-June-22
Fixed Deposits	ABSA Deposit 200644701346	13 628 703	13 701 961
Listed Investments	Old Mutual Shares 2,187	29 525	29 525
	Old Mutual Shares 30,100	406 350	406 350
	Sanlam Shares 2,452	150 479	150 479
	Nedbank Shares 70	11 961	11 961
	Nedbank Shares 966	165 060	165 060
Short term Investment	Standard Bank Cheque 038787024003	432 980	434 492
	Standard Bank Cheque MIG 38787024008	70 909 844	71 113 536
	Standard Bank Call Account 038787024009	163 474 353	164 059 194
	Standard Bank Current 030195276000	2 340 821	2 425 865
Total Investments		251 550 077	252 498 423

Distribution losses

Water and Electricity Distribution Losses for June 2022. (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	45,976,876	18,161,024	-60.50%	-72.60%	-60.50%
Water	2,507,368	1,690,878	-32.56%	-32.15%	-40.18%

Water and Electricity Distribution Losses: Accumulated: July 2021 to June 2022 (KL / Units)

Service	Purchased	Sold	Current % Loss	Average 20/21	Average 19/20
Electricity	566,271,944	201,262,355	-64.46%	-70.15%	-60.50%
Water	33,286,751	21,843,999	-34.38%	-32.38%	-40.18%

Expenditure

Employee related cost for the month is R 49 943 473 and to date is 562 979 000 respectively. The financial reports annexure reflects a bigger amount under month actual, this is due to previous months employee related cost a journal that was posted in the financial system during the month of June.

Bulk purchases, and inventory consumed are above target by 41% and 25% respectively.

Contracted services are below target by 26%.

Other expenditure is also underperforming by 25%.

Expenditure of Staff Benefits for the month of June

Salary bill for Councillors	R 2 056 650
Salary bill for employee's	R 49 943 473

Total staff compliment	1 256
Staff resignations	4
Staff Appointments	14

Attached to the report are the following appendixes

APPENDIX A: Deviations - **None**

APPENDIX B: Purchases above R100 000 - **R 3 813 350**

APPENDIX C: Insurances report - There were (4) four incidents of loss that occurred during the month of 30 June 2022 which were all reported to the insurer

APPENDIX D: Capital Expenditure – **R 109 187 722**

APPENDIX E: Government Debtors

APPENDIX F: Fruitless and Wasteful Expenditure – **R19 208 075**