

Mid-year financial and performance assessment report as required by section 72 of the MFMA

Mid-year financial performance report

Merafong Local Municipality
Budget and Treasury



FINANCIAL PERFORMANCE INFORMATION

Table of Contents

CHAPTER 1: INTRODUCTION.....

CHAPTER 2: FINANCIAL HEALTH ASSESSMENT.....

2.1.1 REVENUE MANAGEMENT.....P3

2.1.2 EXPENDITURE MANAGEMENT.....P4

2.1.3 ASSET MANAGEMENT.....P6

2.1.4 LIABILITY(DEBT) MANAGEMENT.....P6

2.2 EXTERNAL LOANS, INVESTMENTS AND CASH.....P7

CHAPTER 3: HALF-YEAR BUDGET STATEMENT: 31 DECEMBER 2024.....

3.1. OPERATING REVENUE.....,.....P8

3.2. OPERATING EXPENDITURE.....11

3.3. CAPITAL EXPENDITURE.....P12

3.4. SOURCES OF FINANCE -CAPITAL REVENUE.....

3.5. DEBTORS.....P13

3.6. CREDITOR AGE ANALYSIS.....P15

3.7 CASHFLOWS..... P16

CHAPTER 4

RECOMMENDATIONS.....P18

APPENDICES.....P19

CHAPTER 1: INTRODUCTION

FINANCES : MID-YEAR BUDGET ASSESSMENT

REPORT OF THE MUNICIPAL MANAGER

1. INTRODUCTION

1. In terms of section 72 of the MFMA Act no 56 of 2003 the Accounting Officer of the municipality must by the 25th January each year-

Assess the performance of the municipality during the first half of the financial year, taking into account-

- a) the monthly budget statement referred to as section 71 for the first half of the financial year
- b) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan,
- c) the past years annual report, and progress on resolving problems identified in the annual report.

The draft Annual Report 2023/2024 and the Mid-year performance/progress reports of 2024/2025 SDBIPs referred to as part b and c which respectively are submitted under a separate report elsewhere in the agenda.

Submit a report on such assessment to –

- a) the mayor of the municipality,
- b) the National and the relevant provincial treasury.

2. The Accounting Officer must, as part of the review-

- a) make recommendations as to whether an adjustment budget is necessary, and
- b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

CHAPTER 2: FINANCIAL HEALTH

2.1 *REVENUE MANAGEMENT*

The municipality sources of revenue are as follows:

Service Charges include revenue related to Consumption Charges such as:

Electricity,

Water,

Sewer,

Refuse Removal, (Yearly levy)

Availability Fees,

- New Connection Fees,
- Reconnection Fees,
- Sundry Income, etc

Property rates: Levied on properties under the jurisdiction of the municipality. The rates are determined based on the value of the properties.

Other Revenue represents all revenue generated, which is specified on the prescribed Section 71 Report in terms of the MFMA such as the following:

Interest on Investments,

- Interest on Arrear Accounts
- Fines
- Rental Fees
- Sundry Income
- Licence and Permits

Transfers and subsidies – equitable share and other operational grants

Level of reliance on Government Grants

Purpose: The purpose of this ratio is to determine what percentage of the municipality's revenue is made up of government grants, to determine level of reliance on government funding by the municipality.

Formula: Grants & Subsidies/Total Revenue

| | | |
|--|--------------|-------------------------|
| These figures are found on the face of the Statement of Financial Performance - Table C1 | | |
| GOVT GRANTS & SUBSIDIES RECEIVED TO DATE | 24/25 | TOTAL REVENUE |
| 236 251 000 | | 1 038 503 000.00 |
| | | 23% |

The best practice for Grants and Subsidies is 20% of Total Revenue. The municipality achieved 23% which reflects that the municipality is still reliant on grants on government grants and subsidies. The municipality needs to improve on electricity billing and also reduce the distribution losses on both water and electricity to minimum levels so as to consistently finance its operating activities from own revenue.

A percentage of more than 20% implies that the municipality is dependent on Grants and Subsidies.

2.2 EXPENDITURE MANAGEMENT FOR 6 MONTHS

The municipality incurred total expenditure of R989 949 000 during the six months period ended 31 December 2024. The table below indicates the actual expenditure per category

| Description | Ref | YearTD actual |
|---------------------------------|-----|--------------------|
| Expenditure By Type | - | |
| Employee related costs | | 194 208 000 |
| Remuneration of councillors | | 8 511 000 |
| Bulk purchases – electricity | | 241 269 000 |
| Inventory consumed | | 171 194 000 |
| Debt impairment | | – |
| Depreciation and amortisation | | 39 215 000 |
| Interest | | 84 552 000 |
| Contracted services | | 158 058 000 |
| Transfers and subsidies | | 150 000 |
| Irrecoverable debts written off | | 56 880 000 |
| Operational costs | | 35 910 000 |
| Losses on Disposal of Assets | | – |
| Other Losses | | – |
| Total Expenditure | | 989 949 000 |

Employee costs, bulk purchases, inventory consumed and contracted services are the main drivers of the operational expenditure of the municipality.

Analysis of expenditure ratios

a) Personnel Cost to Total Expenditure

Purpose: The purpose of this ratio is to indicate what percentage of total expenditure is attributable to personnel costs.

Formula: Salaries, wages and allowances/Total Expenditure

| YEAR 2024/25 -Mid Year | | |
|-------------------------------|------------------------------------|----------|
| PERSONNEL COSTS | TOTAL OPERATING EXPENDITURE | % |
| 202 719 000 | 989 949 000 | 21% |

The best practice for this norm is that Personnel Cost (including councillor remuneration) must not exceed Total Expenditure by 35%.

The current employee related costs incurred during the past 6 months amounts to R194 208 000.00 for employees and R8 511 000.00 for councillors for the 6 months comprising of the following as per S66 of the MFMA.

Components affecting salary costs :

- Salaries and Wages Bonus
- Overtime Payments and Standby Allowance
- Contribution for pension and Contribution to Medical Aid
- Contribution to Group Life
- Transport Allowance
- Housing Subsidy and Rental Subsidy
- Telephone allowance
- Post-Retirement Benefits and Ex Gratia Pension
- Long Service Awards and Long Service Recognition
- UIF

An increase in employee costs can be attributed to the increase in Salaries and wages as determined by SALGA effective from 1 July 2024.

A concern is also the overtime costs which have not being managed effectively in the more physical labour intensive departments

Contracted Services

The municipality incurred high contracted services during the period due on legal fees, IT expenditure (implementing of new integrated financial management system) and revenue and credit control management.

Bulk purchases and inventory consumed

The municipality continues to incur high bulk purchases and inventory consumed expenditure due to high distribution losses averaging 53,63% on electricity and 38,08% on water. The distribution losses are due to aged infrastructure and meter tempering.

2.3 ASSET MANAGEMENT FOR 6 MONTHS

It is important for the municipality to be financially sound to meet its challenges of increased repairs and maintenance of existing assets/infrastructure and further investment in municipal assets/infrastructure.

| YEAR 24/25 | | |
|-------------------------|-----------------------------|-----|
| Repairs and Maintenance | Total operating expenditure | % |
| 158 058 000 | 989 949 000 | 15% |

2.4 LIABILITY MANAGEMENT FOR 6 MONTHS

Municipal debts/ expenditures:

Expenditure has also prevalent expenditure, but various policies are being revised to ensure that cut costs to enable improved cash flows.

The municipality is also currently servicing 2 loans. The loans were which was used mainly for infrastructure refurbishment

Merafong Municipality has 2 loans with 2 different institutions **amounting to R10 348 847 as at 31 December 2024**. The municipality has consistently paid the loan as and when due and has no unpaid instalments.

The municipality owes creditors a total amount of R2 227 693 000. The main creditors are Rand Water and Eskom.

The municipality has made arrangements with Rand Water to pay off the outstanding debts over a period of 5 years.

The municipality is currently under Eskom Debt Relief programme were if Eskom will write off the amount owed by the municipality as at 31 March 2023 over three years should it comply with the 14 conditions outlined in the MFMA Circular 124.

2.5 EXTERNAL LOANS AND INVESTMENTS FOR 6 MONTHS

Section 45 (3) (iii) of the MFMA requires the accounting officer to notify the Council in writing as soon as practical of the amount, duration and cost of any short term loan (overdraft facility) incurred by the municipality. No overdraft was incurred by the municipality

| COMPANY NAME | DATE OF LOAN TAKEN | OPENING BALANCE 01 Dec 2024 | December 2024 | | CLOSING BALANCE AS AT 31 DEC 2024 |
|--------------|--------------------|--------------------------------|---------------------|----------|-----------------------------------|
| | | | CAPITAL | INTEREST | |
| DBSA | 01/11/2010 | 8 576 050.65 | | | 8 576 050.65 |
| NEDBANK | 21/12/2020 | 3 715 297.08 | 2 048 712.99 | | 1 772 797.09 |
| TOTAL | | 12 291 347.73 | 2 048 712.99 | | 10 348 847.74 |

Long-term loan expenditure for December 2024 is R10 348 874.74

SHORT TERM INVESTMENTS

| Institution Name | Type of Account | Amount |
|------------------|-----------------|----------------------|
| Nedbank | Call Account | 35 999 893.25 |
| FNB | Call Account | 39 765 000.00 |
| Total | | 75 764 893.25 |

Investment as at 31 December 2024 - R75 764 893.25

CHAPTER 3: HALF YEAR BUDGET STATEMENT

3.1 OPERATING REVENUE FOR 6 MONTHS

a. Revenue inflow analysis and Grants received

The municipality's performance in the first half of 24/25 financial period relating has been unstable given the challenges in our cash flow activities

| Description | Budget Year 2024/25 | |
|--|-------------------------|-------------------------|
| | YTD actual | YTD budget |
| R thousands | | |
| Total Revenue (excluding transfers capital and contributions) | 1 038 503 000.00 | 1 351 229 000.00 |

Actual income lower than budgeted due to the following:

- Billing on Electricity has not been effective due to continuous meter tempering, cable theft and load reduction implemented by ESKOM.
- Interest receivable from debtors is less than expected.

The municipality received more than the budgeted amount on other revenue streams which are water, refuse and equitable share however the excess was not enough to offset the underperformance on electricity and interest.

The municipality needs to implement credit control more strictly to ensure defaulters on municipal debt are traced and services cut off for non-payment.

Improved payment turnaround time on Government accounts although, more strategic measures must be undertaken to increase revenue base. The Municipality is still dependent on grants and subsidies for its day-to-day operations.

The municipality's revenue projections and performance are depicted below as per C4 table

- Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

| Description | Ref | 2023/24 | Budget Year 2024/25 | | | | | | | | |
|--|-----|------------------|---------------------|-----------------|----------------|------------------|------------------|------------------|------------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | Quarterly Actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | | |
| Service charges - Electricity | | 364 311 | 425 282 | – | 13 129 | 42 571 | 89 709 | 212 641 | (122 932) | -57.81% | – |
| Service charges - Water | | 373 074 | 479 320 | – | 48 448 | 137 808 | 251 020 | 239 660 | 11 360 | 4.74% | – |
| Service charges - Waste Water Management | | 69 135 | 83 542 | – | 8 545 | 24 480 | 49 518 | 41 771 | 7 747 | 18.55% | – |
| Service charges - Waste management | | 80 791 | 97 635 | – | 7 867 | 23 532 | 46 647 | 48 817 | (2 170) | -4.45% | – |
| Sale of Goods and Rendering of Services | | 2 044 | 4 846 | – | 183 | 318 | 1 638 | 2 423 | (785) | -32.40% | – |
| Agency services | | 10 991 | – | – | – | – | – | – | – | – | – |
| Interest | | – | – | – | – | – | – | – | – | – | – |
| Interest earned from Receivables | | (2 674) | 239 231 | – | (46) | (362) | (608) | 119 615 | (120 224) | -100.51% | – |
| Interest from Current and Non Current Assets | | 19 718 | 15 000 | – | 740 | 2 792 | 6 650 | 7 500 | (850) | -11.33% | – |
| Dividends | | – | – | – | – | – | – | – | – | – | – |
| Rent on Land | | – | 0 | – | 1 650 | 5 089 | 7 598 | 0 | 7 598 | 63317266.67% | – |
| Rental from Fixed Assets | | 2 904 | 1 614 | – | 238 | 737 | 1 589 | 807 | 782 | 96.90% | – |
| Licence and permits | | 1 | 13 568 | – | 0 | 1 | 4 | 6 784 | (6 780) | -99.94% | – |
| Operational Revenue | | 51 | 10 615 | – | 2 | 4 | (15) | (4 394) | 4 379 | -99.65% | – |
| Non-Exchange Revenue | | – | – | – | – | – | – | – | – | – | – |
| Property rates | | 765 344 | 737 199 | – | 58 017 | 173 603 | 346 708 | 368 599 | (21 891) | -5.94% | – |
| Surcharges and Taxes | | – | 16 247 | – | – | – | – | (8 124) | 8 124 | -100.00% | – |
| Fines, penalties and forfeits | | 34 365 | 2 176 | – | 21 | (664) | (905) | 1 088 | (1 993) | -183.17% | – |
| Licence and permits | | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies - Operational | | 325 561 | 337 435 | – | 90 627 | 91 173 | 236 251 | 168 717 | 67 533 | 40.03% | – |
| Interest | | 313 091 | 290 647 | – | – | – | 2 699 | 145 324 | (142 624) | -98.14% | – |
| Fuel Levy | | – | – | – | – | – | – | – | – | #VALUE! | – |
| Operational Revenue | | – | – | – | – | – | – | – | – | – | – |
| Gains on disposal of Assets | | – | – | – | – | – | – | – | – | – | – |
| Other Gains | | – | (114 469) | – | – | – | – | – | – | – | – |
| Discontinued Operations | | – | – | – | – | – | – | – | – | – | – |
| Total Revenue (excluding capital transfers and contributions) | | 2 358 707 | 2 639 888 | – | 229 420 | 501 081 | 1 038 503 | 1 351 229 | (312 726) | -23.14% | – |

Service Charges

The negative variance on Service charges is mainly due to Electricity with negative 57.89%. Electricity billing has not been consistent as a result of tempered meters and load reduction effected by Eskom.

Property Rates

Property rates are levies charged on properties in the municipality.

The negative variance on property rates of 5.49% due to discrepancies on the valuation roll which the municipality is investigating.

Licences and Permits

The negative variance of 99% is due to less licences and permits issued during the period. Vehicle registration and licensing income is paid to the municipality in various regions but paid over to subsequent transfer of funds is made to the Department of Roads and transport. The municipality receives an agreed commission per SLA.

Fines, penalties and forfeits

The negative variance of 183% is due to less fines issued during the period.

Other revenue

Forecast was made on monthly rentals of municipal properties and public usage of property, bid document sales although a downward adjustment will be made during adjustment.

Transfers and subsidies – Operational

During the period from 1 July 2024 to 31 December 2024, the municipality received equitable share amounting to R236 251 000 against the budgeted amount of R337 435 000 resulting in a positive variance of 40%. There is an indication that the Municipality is still required to improve collections from the public to assist funding own operations and intergovernmental transfers as to reduce its dependency on Government Grants and Subsidies for its operating activities

b. 3.2 OPERATING EXPENDITURE FOR 6 MONTHS

a) Total Operating Actual Expenditure vs. Budgeted Expenditure

Purpose: The purpose of this ratio is to identify deviations between actual and budgeted expenditure and to ascertain reasons for the deviations.

Formula: (Actual expenditure less Budgeted expenditure)/ Budgeted expenditure

| Description | Allocation | YTD Expenditure | %Variance |
|-----------------------|-------------|-----------------|-----------|
| Operating Expenditure | 896 519 000 | 989 949 000 | (10.42%) |

The municipality actual expenditure to date of R989 949 000 for the six months ended 31 December 2024 exceeded the budget amount of R896 519 000 by 10.42%. The over expenditure is mainly due to negative variances on bulk purchases, inventory consumed, contracted services and interest paid.

The municipality however spent within budget on employee costs, remuneration to Councillors, operational costs depreciation and amortisation.

The table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 below indicates the variances per each expenditure component.

- Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

| Description | Ref | 2023/24 | Budget Year 2024/25 | | | | | | | | Full Year Forecast |
|---------------------------------|-----|------------------|---------------------|-----------------|----------------|------------------|----------------|----------------|------------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | Quarterly Actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | |
| R thousands | | | | | | | | | | | |
| Expenditure By Type | - | | | | | | | | | | |
| Employee related costs | | 412 317 | 539 316 | - | 39 368 | 113 434 | 194 208 | 269 658 | (75 450) | -27.98% | - |
| Remuneration of councillors | | 26 332 | 28 517 | - | 2 142 | 6 425 | 8 511 | 14 258 | (5 747) | -40.31% | - |
| Bulk purchases of electricity | | 466 244 | 431 007 | - | 33 312 | 112 043 | 241 269 | 215 504 | 25 766 | 11.96% | - |
| Inventory consumed | | 359 941 | 221 957 | - | 25 930 | 84 628 | 171 194 | 110 979 | 60 216 | 54.26% | - |
| Debt impairment | | - | 805 859 | - | - | - | - | - | - | - | - |
| Depreciation and amortisation | | 145 911 | 171 600 | - | 18 | 47 | 39 215 | 85 800 | (46 585) | -54.30% | - |
| Interest | | 140 941 | 153 118 | - | 16 389 | 56 047 | 84 552 | 76 559 | 7 993 | 10.44% | - |
| Contracted services | | 245 490 | 157 224 | - | 7 481 | (24 387) | 158 058 | 78 612 | 79 446 | 101.06% | - |
| Transfers and subsidies | | 748 | 1 102 | - | - | - | 150 | 551 | (401) | -72.83% | - |
| Irrecoverable debts written off | | 1 108 410 | - | - | 4 552 | 35 650 | 56 880 | - | 56 880 | #DIV/0! | - |
| Operational costs | | 77 663 | 89 195 | - | 3 886 | 14 813 | 35 910 | 44 598 | (8 688) | -19.48% | - |
| Losses on Disposal of Assets | | - | - | - | - | - | - | - | - | - | - |
| Other Losses | | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 2 983 997 | 2 598 895 | - | 133 079 | 398 701 | 989 949 | 896 519 | 93 430 | 10.42% | - |
| Surplus/(Deficit) | | (625 290) | 40 993 | - | 96 341 | 102 380 | 48 554 | 454 711 | (406 156) | -89.32% | - |

Actual expenditure line items that did not exceed the budget:

- **Employee costs and Renumeration to Councillors:** There were delays in appointments on budgeted positions due to cashflow constraints.
- **Depreciation and amortisation:** Only depreciation for the first quarter was processed in the financial system.

- **Operational costs:** Cash flow constraints have compelled the municipality to reduce operational spending on non-essential service delivery costs particularly in day to day office management costs.

- **Debt impairment-** Debt impairment is only assessed at year end.

Although it should be noted that the municipality forfeited funds on unspent grants from National Treasury due to under -utilization of conditional grant income in 2024/25. This has a major impact on cash injections various operational departments that are own income funded.

Actual Expenditure line items that is more than the budget:

- **Bulk Purchases, Inventory Consumed and Interest:**

The bulk purchases and inventory consumed are more than the budget due to high distribution losses averaging 53,63% on electricity and 38,08% on water.

During the first half of the period under consideration the municipality was able to attain average payment level of 49% on (until Dec 2024) this anticipated 80% assumed during the budget period hence, there is negative variance on interest.

- **Contracted Services:** Various internal departments identified the need to use consultants and specialised services to ensure legislative compliance that promote service delivery.

c. 3.3 CAPITAL GRANT EXPENDITURE FOR 6 MONTHS

(Expenditure against Gazetted Budget for 6 Months)

| Project Name | Gazetted Budget | Actual | % Spent |
|---------------------|------------------------|----------------------|----------------|
| MIG | 77 320 000.00 | 36 509 774.56 | 47.22% |
| INEP | 17 768 000.00 | 5 367 563.80 | 30.21% |
| WSIG | 33 342 000.00 | 16 307 522.62 | 48.91% |
| MINING TOWN | 62 242 884.00 | 23 982 641.97 | 57.10% |
| Total | 190 672 884.00 | 82 167 502.95 | 43.09% |

Capital expenditure is below 50% due to delayed appointment of contractors prior to December 2024. SCM plan and Technical Department have made a firm commitment to fast track appointment of contractors, improve project implementation and monitoring as to address certain deficiencies noted by the Auditor General on the SDBIP and good SCM practices.

Management will continue striving to close the gap as far as possible to uplift the social and economic development.

3.4 SOURCES OF REVENUE- CAPITAL

| Description | Allocation | YTD receipt |
|-------------|---------------|---------------|
| INEP | 17 768 000.00 | 12 000 000.00 |
| MIG | 77 320 000.00 | 16 374 000.00 |
| WSIG | 33 342 000.00 | 13 342 000.00 |
| MINING TOWN | 62 242 884.00 | 20 242 884.00 |

All Virements (budget transfers) for the period 01 July 2024 to 31 December 2024 within functions were approved by the head of departments and if it were between functions the transfer to be approved by council. The interruption of the functioning of the integrated management financial reporting system has had a negative impact on accurate revenue and expenditure management

3.5 DEBTORS

The total **Outstanding Debt** as at 31 December 2024 is R 6 070 003 000.00

The Collection Rate average for the period July 2024 to December 2024 is 49 % on billed income and compares negatively to the budget forecasting of 65% for the financial year.

Collection rates are as follows:

The importance of the immediate and strict implementation of all processes in the Debt Collection Strategy cannot be over emphasized to ensure that the outstanding debtors which are over 90 days do not increase dramatically. The above-mentioned statistics is testimony of the positive actions already taken. A debt collection strategy was implemented where focus are on all debtors that are not indigent

It is important for the municipality to be financially sound to meet its challenges of increased repairs and maintenance of existing assets/infrastructure and further investment in municipal assets/infrastructure.

The following are some challenges, interventions implemented and in progress:

- Expansion of the Debt Collection Unit tasked with effective, efficient and economical Debt Management. (Hiring more employees under customer care management and collections to compliment growing revenue base over past 5 years).
- A Project Team was established to assist in the debt write off through ka Ngwe payment incentive scheme. The collection of amounts in arrears from businesses, farmers and government and annual rates are prioritised on a 50% write off subject to conditions that have been publicised and 80% current account payment level maintenance.

- Lack of debtors' information, especially farms and townships cause serious delays, along with the huge backlog in outstanding debt collection which still required debt data cleansing which has financial implications on out IT revenue system.
- We are in the continuous process of Debtors Data Cleansing and Profiling.
- The amount of work cannot be under-estimated and debt collection unit should be capacitated to ensure a full-fledged Debt Collection Unit.
- Compilation of a Credible Indigent Register is a continuous process, meetings also held with the district as water services also affect affordability of many community members
- 3 year financial turnaround strategy that has begun;

1. Phase 1

- Determine the current revenue base and the completeness of valuation new roll

2. Phase 2

- Identify the challenges faced by the municipality as well as the economic condition of their residents including database cleansing

3. Phase 3

- Refers to capacity of the municipality to implement new revenue base

4. Phase 4

- This talks to the feasibility study done on introducing new revenue base to increase the coffers of the municipality.

Categories of debt write off for uncollectable accounts by August 2024

| Write off | Area |
|--|----------------------------------|
| Immediate | Deceased |
| Immediate | occupiers inactive accounts |
| Immediate | occupiers inactive accounts |
| Immediate | identified old debt investigated |
| Current further investigations townships | payable if not indigent |
| Current further investigation's - landlords/owners | payable if by tenant/owner |
| accumulated interest | to be considered |
| sundry levies (non-core services) | to be considered |
| Organs of State | Must be collected |

The Municipality will make a meaningful contribution towards increasing the affordability for payment of arrears by its debtors by significantly decreasing the amounts owed by many debtors in a structured and sensible way.

- Strategic measures are being discussed to facilitate processes on writing off some of the debt that is deemed to be irrecoverable but in line with applicable laws and regulations.
- The major contribution to this challenge of large debts resides in slow payments from various municipal areas such as farms, residential (townships) and illegal connections and faulty meters and consumer database not being consistent with actual geographical locations and consumptions.
- Credit control policies are active and have been legally enforced on non-paying customers, to improve our revenue funding model.
- There are also slight challenges outstanding amounts on Government accounts of which the Municipality is in constant consultation with relevant institutions to reconcile and timeously allocate receipts of payment as per inter-governmental collective agreement

3.6 CREDITOR AGE ANALYSIS

Approximately 75% of operational and capital creditors were paid within 30 days of receiving the relevant invoice or statement as prescribed in terms of Section 65(e) of the MFMA, with the exclusion of Eskom and Rand Water I arrangements have been made to settle at a later stage outside the norm of Section 65.

As at end of December 2024 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, amounted to:

| LARGEST DEBT- ESKOM AND RAND MAIN TOWN as at 31 DEC 2024 | Amount | Status |
|---|-------------------|---------------------------|
| Eskom | R1 140 549 599.49 | Historic Debt outstanding |
| Rand Water | R1 197 570 183.01 | Historic Debt outstanding |

It should be noted that, this rate may decline in the next coming 6 months due to cash flow constraints and the reduction on the expected equitable share allocation in March 2024 which Eskom and Rand Water be a priority settle some of the debt.

3.7 CASH FLOW POSITION

The cash flow position for the 2024/2025 year is given in Table CFA cash Flow which reflects cash and investments position more clearly.

BANK BALANCE

Name of institution

| | |
|---------|--------------|
| NEDBANK | 2 574 650.33 |
| FNB | 2 950 651.31 |

Council had a positive Bank Balance of R5 525 301.64 for operational income

SHORT TERM INVESTMENTS

| Institution Name | Type of Account | Amount |
|------------------|-----------------|----------------------|
| Nedbank | Call Account | 35 999 893.25 |
| FNB | Call Account | 39 765 000.00 |
| Total | | 75 764 893.25 |

INVESTMENT AS AT 31 DECEMBER R75 764 893.25

The total cash received includes cash received for Operating Activities such as the sale of electricity, fees charged for refuse removal and sanitation as well as other service charges

FRUITLESS AND WASTEFUL EXPENDITURE

| Fruitless and wasteful expenditure | | | | |
|------------------------------------|--|--|--|----------------------------------|
| Total | | | | Amount R18 478 850.33 |

The Fruitless and wasteful expenditure incurred during the month of December 2024 is **R18 478 850.33**

The Fruitless and wasteful expenditure for the quarter is **R52 533 919.21**

IRREGULAR EXPENDITURE

| Fruitless and wasteful expenditure | | | | |
|------------------------------------|--|--|--|--------------------------|
| Total | | | | Amount R20 697 315.79 |

The Irregular expenditure incurred during the month of December 2024 amounts to **R20 697 315.79**

The Irregular expenditure incurred for the 2nd quarter ending December 2024 amounts to **R39 952 685.98**

Summary on sustainability

The Municipality has severe cash flow challenges thus still a further challenge to manage our gearing levels and liquidity levels effectively as to enable the municipality to remain compliant to the Eskom debt relief programme.

The operating revenue budget of the Municipality depicts a need for improvement level of a fully funded and credible budget as this is substantiated by a non-deficit at mid-year compared to the budget deficit.

Although caution on spending levels is placed as all spending is largely determined by actual cash resources in bank, less than the benchmark required at midyear.

The Municipality is reliant on Government Grants and Subsidies, which as a result of revenue collections lower than the industry target norm of 85%

Electricity and water losses exceed 50 % and require urgent management at a as this has had a further negative impact on impact on the revenue recoverability.

The reported electricity distribution loss is calculated on the amount of electricity purchased relative to quantities sold as shown below:

The reported electricity distribution loss is calculated on the amount of electricity purchased relative to quantities sold as shown below:

| | | |
|--------|-----------|--|
| Dec 24 | >Than 50% | Electricity and water Distribution Losses |
|--------|-----------|--|

Equitable Share and Conditional Grants

We received 51 % of our share of the equitable share and conditional grants during the first six months of the current financial year, refer to table below:

GRANTS AND SUBSIDIES RECEIVED FOR 6 MONTHS

| Description | Allocation | YTD receipt |
|------------------|-----------------------|-----------------------|
| EQUITABLE SHARES | 305 514 000.00 | 217 604 000.00 |
| FMG | 2 800 000.00 | 2 800 000.00 |
| INEP | 17 768 000.00 | 7 000 000.00 |
| MIG | 77 320 000.00 | 16 374 000.00 |
| EPWP | 1 232 000.00 | 1 213 000.00 |
| WSIG | 33 342 000.00 | 13 342 000.00 |
| MINING TOWN | 42 000 000.00 | 20 242 884.00 |
| LIBRARY | 23 254 000.00 | 20 103 000.00 |
| TOTAL | 503 230 000.00 | 298 678 884.00 |

All Virements (budget transfers) for the period 01 July 2024 to 31 December 2024 within functions were approved by the head of departments and if it were between functions the transfer to be approved by council. The interruption of the functioning of the integrated management financial reporting system has had a negative impact on accurate revenue and expenditure management.

APPENDICES

MONTHS CAPITAL EXPENDITURE FOR 6 MONTHS

CAPITAL BUDGET 2024*25

| | | | | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | | | |
|-----------------------------|---|----------------|------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|---|-------------------------------------|
| PROJECT NUMBER | Project Description | FUNDING SOURCE | BUDGET 2024/2025 | Jul-24 | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Total | Consultant | Contractor |
| ROADS AND STORMWATER | | | | | | | | | | | | |
| P620 | P M U Operational Expenses | MIG | 3 866 000 | 350 708 | 222 174 | 449 759 | 329 005 | 355 140 | 436 521 | 2 143 308 | Project Management Unit | |
| P769/Ph8 | Khutsong Roads and Stormwater (Phase 8) | MIG | 10 000 000 | 681 865 | | | | 409 505 | 1 656 318 | 2 747 688 | LSO Consulting Engineers (Pty) Ltd | Malindo Civil and Construction |
| P770/Ph8 | Kokosi Roads and Stormwater (Phase 4) | MIG | 6 000 000 | | 137 365 | | | | 1 221 872 | 1 359 238 | Kabe Consulting Engineers (Pty) Ltd | Sivuthumlilo Trading |
| P757/Ph7 | Kokosi Roads and Stormwater (Phase 7) | MIG | 2 500 000 | | 310 561 | | | | | 310 561 | Kabe Consulting Engineers (Pty) Ltd | Sivuthumlilo Trading |
| P771/Ph8 | Kokosi Roads and Stormwater (Phase 8) | MIG | 10 000 000 | | 1 231 973 | | 3 615 278 | 2 369 758 | 1 647 090 | 8 864 098 | Kutlo Consulting Engineers (Pty) Ltd | Turnkey appointment |
| P781 | Access Roads Kokosi WWTW | MIG | 2 062 150 | | | | | | 1 031 342 | 1 031 342 | Kutlo Consulting Engineers (Pty) Ltd | Contractor |
| PNew | Access Roads Wedela WWTW | MIG | 1 768 850 | | | | | | | 0 | | |
| P758/Ph7 | Wedela Ext 3 Roads and Stormwater (Phase 7) | MIG | 6 000 000 | | 1 182 730 | 839 495 | 439 795 | 1 528 372 | 777 560 | 4 767 953 | TKQ Consulting (Pty) Ltd | ATT Global Group (Pty) LTD |
| P772/Ph8 | Wedela Ext 3 Roads and Stormwater (Phase 8) | MIG | 8 500 000 | 660 293 | | 1 715 706 | | 3 422 236 | | 5 798 235 | Kago Built Environment Consultants (Pty) Ltd | Situkulwane Lesisha Construction CC |
| P773 Stage 4 | Khutsong North Water & Sewer Reticulation (Stage 4) | MIG | 7 000 000 | 742 220 | | 226 980 | | 1 375 225 | 2 840 434 | 5 184 859 | LSO Consulting Engineers (Pty) Ltd | Malindo Civil and Construction |
| P774 | Merafong Solar Highmast Lights & Solar Streetlights | MIG | | | 1 179 470 | 417 664 | | 140 716 | 943 338 | 2 681 188 | Motla Consulting Engineers (Pty) Ltd Appointment 01-09-2023 | Oakantswe Construction and Projects |

| | | | | | | | | | | | | |
|------|---|-----|------------|-----------|-----------|-----------|-----------|-----------|------------|------------|-------------------------------------|---------------|
| PNew | Upgrading of Kokosi Stadium | MIG | 6 000 000 | | | | | | | | | |
| P775 | Upgrading of Wedela Recreation Club | MIG | 4 000 000 | | | 173 234 | 443 392 | | | 616 626 | Kabe Consulting Engineers (Pty) Ltd | Moribo iGroup |
| PNew | Merafong Roads and Stormwater Maintenance | MIG | 2 000 000 | | | | | | | 0 | | |
| PNew | Merafong Water and Sanitation Maintenance | MIG | 2 000 000 | | | | | | | 0 | | |
| PNew | Rehabilitation of Carletonville Cemetery Road | MIG | 5 623 000 | 1 004 679 | | | | | | 1 004 679 | | |
| | | | 77 320 000 | 3 439 765 | 4 264 274 | 3 822 839 | 4 827 469 | 9 600 953 | 10 554 475 | 36 509 775 | | |

| ELECTRICITY (5231) | | | | | | | | | | 0 | | |
|--------------------|--|------|------------|---|---|---|---|-----------|---------|-----------|--|-----------------|
| P765 | 2x40 132-11KV Plover Substation | INEP | 7 768 000 | | | | | 4 400 000 | | 4 400 000 | Mhiduve Consulting Engineers (Pty) Ltd | Buyisa Projects |
| P786 | 132KV -150M Loop in-loopout Overhead Line for Plover | INEP | 10 000 000 | | | | | | 967 564 | 967 564 | LSO Consulting Engineers (Pty) Ltd | |
| | | | 17 768 000 | 0 | 0 | 0 | 0 | 4 400 000 | 967 564 | 5 367 564 | | |

| WATER AND SANITATION (5211/3221) | | | | | | | | | | | | |
|----------------------------------|--|------|------------|---|---|-----------|-----------|-----------|-----------|------------|--------------------------------------|---|
| P779 | Replacement of Manhole Covers | | | | | | | 1 319 533 | 610 305 | 1 929 838 | JMS Projects (Pty) Ltd | Implementation will be through EPWP |
| P763 | Upgrading & Rehabilitation of Wedela WWTW | WSIG | 10 000 000 | | | 608 431 | | | 4 785 781 | 5 394 212 | Bigen Africa Services (Pty) Ltd | Vusaken CC |
| P777 | Foundation Stabilisation of Addata Reservoir | WSIG | 5 000 000 | | | 413 352 | 347 740 | 1 399 167 | 543 284 | 2 703 543 | SRSQS Quantity Surveyors (Pty) Ltd | VTR Construction CC Appointment |
| P764 | Structure Rehabilitation of Addata Reservoir | WSIG | | | | | | | 1 703 104 | 1 703 104 | Morad Consulting Engineers (Pty) Ltd | Bomseni Trading/Tshau Ngwako A Maloa JV |
| P791 | Welverdiend WWTW | WSIG | 2 000 000 | | | 175 788 | 268 022 | 330 324 | | 774 134 | TKQ Consulting (Pty) Ltd | PK Financial Consultants |
| P789 | Refurbishment Khutsong WWTW | WSIG | 10 000 000 | | | 713 288 | 1 180 961 | 1 767 236 | | 3 661 485 | TKQ Consulting (Pty) Ltd | ZM and Nikiwenono Construction |
| P787 | Installation of Zone meter and PRV | WSIG | 6 342 000 | | | | | | 141 205 | 141 205 | Mayisane and Associates (Pty) Ltd | SEBCRA (Pty) Ltd |
| | | | 33 342 000 | 0 | 0 | 1 910 858 | 1 796 724 | 4 816 260 | 7 783 680 | 16 307 523 | | |

| MINING TOWNS ALLOCATION | | | | | | | | | | | | |
|-------------------------|--|-----|------------|--|-----------|-----------|---------|-----------|-----------|------------|---|------------------------------------|
| P747 | Khutsong South Ext. 5 Outfall Sewer | HSG | 150 888 | | | | | | | 0 | Pro-Plan Consulting Engineers (Pty) Ltd | Reabusa Construction & Supplies CC |
| P766 | Khutsong Electricity (Frikkie Substation) | HSG | 8 548 854 | | | | | 1 401 908 | 2 766 694 | 4 168 601 | LSO Consulting Engineers (Pty) Ltd | Kunjalo Kunje Trading |
| P778 | Khutsong Rehabilitation of Sinkholes | HSG | 7 987 184 | | 3 103 005 | 4 251 885 | | 2 469 287 | -769 614 | 9 054 563 | Lihuzu Projects (Pty) Ltd | Jolinkomo Trading and Projects |
| P767 | Fochville Outfall Sewer | HSG | 8 576 102 | | 199 196 | 2 321 481 | 710 997 | 1 971 269 | 1 981 954 | 7 184 897 | Lihuzu Projects (Pty) Ltd | Kaneka Civil and Construction |
| P768 | Ext 6 Sewer and Water Meters | HSG | 6 979 858 | | | 1 250 889 | 618 178 | | 1 705 513 | 3 574 580 | JMS Projects (Pty) Ltd | |
| PNew | Khutsong Bulk Roads and Stormwater Phase 2 | HSG | 30 000 000 | | | | | | | 0 | | |
| | | | | | | | | | | 23 982 642 | | |
| | | | | | | | | | | | | |

TOTAL CAPITAL

190 672 884 3 439 765 7 566 475 13 557 953 7 953 368 24 659 677 24 990 266 82 167 503

CHAPTER 4: RECOMMENDATIONS

RECOMMENDATIONS

1. That the mid-year budget and performance assessment as tabled be noted by the Council and the Audit committee
2. That the mid-year budget and performance assessment as tabled be noted and the Audit committee.
3. That the 2024/25 annual budget be adjusted in February 2025
4. That the mid-year budget and performance assessment report be submitted to the Honourable Mayor the National Treasury and Provincial Treasury.
5. That the mid-year budget and performance report be placed on the municipal website within five working days after it is tabled to the Honourable Mayor and approved.
6. Departmental units be instructed to submit a report in which full particulars regarding the progress with each and every capital project that is provided and in which implementation delays are explained.
7. That the council note that the adjustment budget for the income and expenditure projections for the financial year ending 30 June 2024 will be made in terms of the section 28 of the Municipal Finance Management Act no 56 of 2003.
8. It be noted that the Municipality will prepare Interim financial Statements for 6 and 9 months to address AGSA findings.
9. The other costs which must be evaluated in future to improve service delivery are in electricity supply are:
 - Improvement of capacity in main substations
 - Reduction of distribution losses
 - Reduction in illegal connections or tampering of meters.
 - Stricter credit control measures on non-paying customer
 - Also some major challenges experienced are high expenditure costs which are being revised internally to ensure we can curb unnecessary expenditure. Such areas are:

| |
|------------------------------|
| • Eskom and Rand Water debts |
| • Salary overtime |
| • Short term Creditors |
| • Fleet management costs |

- Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

| Description | Ref | 2023/24 | Budget Year 2024/25 | | | | | | | | |
|---|-----|-----------------|---------------------|-----------------|----------------|------------------|---------------|---------------|--------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | Quarterly Actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| Exchange Revenue | | | | | | | | | | | |
| Service charges - Electricity | | 364 311 | 425 282 | – | 13 129 | 42 571 | 89 709 | 212 641 | (122 932) | -57.81% | – |
| Service charges - Water | | 373 074 | 479 320 | – | 48 448 | 137 808 | 251 020 | 239 660 | 11 360 | 4.74% | – |
| Service charges - Waste Water Management | | 69 135 | 83 542 | – | 8 545 | 24 480 | 49 518 | 41 771 | 7 747 | 18.55% | – |
| Service charges - Waste management | | 80 791 | 97 635 | – | 7 867 | 23 532 | 46 647 | 48 817 | (2 170) | -4.45% | – |
| Sale of Goods and Rendering of Services | | 2 044 | 4 846 | – | 183 | 318 | 1 638 | 2 423 | (785) | -32.40% | – |
| Agency services | | 10 991 | – | – | – | – | – | – | – | – | – |
| Interest | | – | – | – | – | – | – | – | – | – | – |
| Interest earned from Receivables | | (2 674) | 239 231 | – | (46) | (362) | (608) | 119 615 | (120 224) | -100.51% | – |
| Interest from Current and Non Current Assets | | 19 718 | 15 000 | – | 740 | 2 792 | 6 650 | 7 500 | (850) | -11.33% | – |
| Dividends | | – | – | – | – | – | – | – | – | – | – |
| Rent on Land | | – | 0 | – | 1 650 | 5 089 | 7 598 | 0 | 7 598 | 63317266.67% | – |
| Rental from Fixed Assets | | 2 904 | 1 614 | – | 238 | 737 | 1 589 | 807 | 782 | 96.90% | – |
| Licence and permits | | 1 | 13 568 | – | 0 | 1 | 4 | 6 784 | (6 780) | -99.94% | – |
| Operational Revenue | | 51 | 10 615 | – | 2 | 4 | (15) | (4 394) | 4 379 | -99.65% | – |
| Non-Exchange Revenue | | – | – | – | – | – | – | – | – | – | – |
| Property rates | | 765 344 | 737 199 | – | 58 017 | 173 603 | 346 708 | 368 599 | (21 891) | -5.94% | – |
| Surcharges and Taxes | | – | 16 247 | – | – | – | – | (8 124) | 8 124 | -100.00% | – |
| Fines, penalties and forfeits | | 34 365 | 2 176 | – | 21 | (664) | (905) | 1 088 | (1 993) | -183.17% | – |
| Licence and permits | | – | – | – | – | – | – | – | – | – | – |
| Transfers and subsidies – Operational | | 325 561 | 337 435 | – | 90 627 | 91 173 | 236 251 | 168 717 | 67 533 | 40.03% | – |
| Interest | | 313 091 | 290 647 | – | – | – | 2 699 | 145 324 | (142 624) | -98.14% | – |
| Fuel Levy | | – | – | – | – | – | – | – | – | #VALUE! | – |
| Operational Revenue | | – | – | – | – | – | – | – | – | – | – |
| Gains on disposal of Assets | | – | – | – | – | – | – | – | – | – | – |
| Other Gains | | – | (114 469) | – | – | – | – | – | – | – | – |
| Discontinued Operations | | – | – | – | – | – | – | – | – | – | – |
| Total Revenue (excluding capital transfers and contributions) | | 2 358 707 | 2 639 888 | – | 229 420 | 501 081 | 1 038 503 | 1 351 229 | (312 726) | -23.14% | – |

- Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

| Description | Ref | 2023/24 | Budget Year 2024/25 | | | | | | | | |
|---------------------------------|-----|-----------------|---------------------|-----------------|----------------|------------------|---------------|---------------|--------------|----------------|--------------------|
| | | Audited Outcome | Original Budget | Adjusted Budget | Monthly actual | Quarterly Actual | YearTD actual | YearTD budget | YTD variance | YTD variance % | Full Year Forecast |
| R thousands | | | | | | | | | | | |
| Expenditure By Type | - | | | | | | | | | | |
| Employee related costs | | 412 317 | 539 316 | - | 39 368 | 113 434 | 194 208 | 269 658 | (75 450) | -27.98% | - |
| Remuneration of | | 26 332 | 28 517 | - | 2 142 | 6 425 | 8 511 | 14 258 | (5 747) | -40.31% | - |
| councillors Bulk purchases - | | 466 244 | 431 007 | - | 33 312 | 112 043 | 241 269 | 215 504 | 25 766 | 11.96% | - |
| electricity | | 359 941 | 221 957 | - | 25 930 | 84 628 | 171 194 | 110 979 | 60 216 | 54.26% | - |
| Inventory consumed | | - | 805 859 | - | - | - | - | - | - | - | - |
| Debt impairment | | 145 911 | 171 600 | - | 18 | 47 | 39 215 | 85 800 | (46 585) | -54.30% | - |
| Depreciation and amortisation | | 140 941 | 153 118 | - | 16 389 | 56 047 | 84 552 | 76 559 | 7 993 | 10.44% | - |
| Interest | | 245 490 | 157 224 | - | 7 481 | (24 387) | 158 058 | 78 612 | 79 446 | 101.06% | - |
| Contracted services | | 748 | 1 102 | - | - | - | 150 | 551 | (401) | -72.83% | - |
| Transfers and subsidies | | 1 108 410 | - | - | 4 552 | 35 650 | 56 880 | - | 56 880 | #DIV/0! | - |
| Irrecoverable debts written off | | 77 663 | 89 195 | - | 3 886 | 14 813 | 35 910 | 44 598 | (8 688) | -19.48% | - |
| Operational costs | | - | - | - | - | - | - | - | - | - | - |
| Losses on Disposal of Assets | | - | - | - | - | - | - | - | - | - | - |
| Other Losses | | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 2 983 997 | 2 598 895 | - | 133 079 | 398 701 | 989 949 | 896 519 | 93 430 | 10.42% | - |
| Surplus/(Deficit) | | (625 290) | 40 993 | - | 96 341 | 102 380 | 48 554 | 454 711 | (406 156) | -89.32% | - |