

Council: 2025-01-24

A20 MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT FOR THE
PERIOD ENDING DECEMBER 2024 6/1/1- (2024/2025)

Report: Executive Mayor: 2025-01-14

1. PURPOSE

- 1.1. The report is submitted to ensure that Council is able to exercise its oversight responsibility over the financial management of the municipality.

2. BACKGROUND

- 2.1. The mid-year budget and performance assessment report (section 72 report) is compiled in terms of section 72 of the Municipal Finance Management Act, 2003; which stipulates as follows:

72. (1) The accounting officer of a municipality must by 25 January of each year-
(a) assess the performance of the municipality during the first half of the financial year, taking into account-
(i) the monthly statements referred to in section 71 for the first half of the financial year.
(ii) the municipality's service delivery performance during the first half of the financial year, and the service deliver targets and performance indicators set in the service delivery and budget implementation plan.
(iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
(b) submit a report on such assessment to-
(i) the mayor of the municipality;
(ii) the National Treasury; and
(iii) the relevant provincial treasury.
(2) The statement referred to in section 71(1) for the sixth month of a financial year
(3) The accounting officer must, as part of the review:
(a) make recommendations as to whether an adjustments budget is necessary: and
(b) recommend revised projections for revenue and expenditure to the extent that this may be necessary.

In response to the indicated requirements, this Report will incorporate the following main elements:

- (1) An analysis of the budget performance of the Municipality, as reflected in its section 71 budget reports for the first six months of the 2024/25 financial year; and
- (2) An interpretation and assessment of the indicated analyses by the Accounting Officer; including subsequent recommendations and actions envisaged to improve the Municipality's planned service delivery and budget performance.

3. DISCUSSION

3.1. The content and format of this report for the Mid-year assessment ending 31st December 2024 is based upon the consolidated monthly electronic reports submitted to the Provincial and National Treasury. The statement contains the following statements:

- Statement of Operating Revenue & Expenditure – Part 1;
- Actual Capital Acquisition –Part 2;
- Cash Flow Statement – Part 3;
- Age Analysis of Debtors & Debtors Payment Statistics – Part 4;
- Age Analysis of Creditors – Part 5;
- External Investments – Part 6;
- Supply Chain Report (Deviations) – Part 7; and
- Grants & Subsidies – Part 8.

Statement of Operating Revenue & Expenditure – Part 1

The statement is assessed by summarizing how the municipality incurs its revenues and expenses through both operating and none operating activities. It also shows the net profit or loss incurred over a specific accounting period.

A Profit & Loss statement provides information on the operation of the municipality. These include service charges and the various expenses incurred during the processing as well as the rendering the services

The statement is prepared on a similar basis to the prescribed budget format which details revenue by source type and expenditure by category and/or input type.

The total operating revenue for the reporting period ending December 2024 amounts to R775 148 564. The revenue generated for the reporting period consists of property rates R125 760 726, electricity amounting to R281 119 581, water R40 423 093, sanitation services R41 427 336, refuse removal R30 247 634, interest earned on arrears R114 323 714, grants & subsidies received R137 752 000 and other revenue R1 168 714. Revenue generated increased by R288 835 558 when compared to the revenue generated as at 31st December 2023 of R486 312 946 and an improved performance when compared to the expected/projected budget performance of R623 614 659. The municipality in an effort to correct consumer accounts had to issue credit notes on property rates, Service Charge Water and sanitation services, this resulted in this services underperforming.

The operating expenditure for the first half of the financial year ending December 2024 amounts to R845 637 585. The operating expenditure consists of employee related costs and remuneration for councillors respectively amounting to R167 895 155 and R7 728 028, finance charges (interest on bulk purchases) amounting to R45 826 233, bulk purchases R391 491 516, provision for debt impairment amounting R86 244 070, provision for depreciation amounting to R23 962 790, contracted services and operating expenditure amounting to R51 187 629 and R32 427 581 respectively. The operating expenditure increased by R231 570 159 when compared to the operating expenditure of R485 033 734 for the period ended December 2023, furthermore the operating expenditure is R34 678 274 above the expected/projected expenditure levels.

MP305 Lekwa - Budget Statement - Financial Performance (revenue & expenditure) - December 2024

	2023/24 Pre Audit Outcome	Approved Budget 2024 - 2025 MTREF	Prior Year Mid YTD Movement Dec 2023	Mid YTD Actual Dec 2024	Mid Year Variance	YTD Actual	YTD Budget	YTD variance	YTD variance
R thousands									%
Revenue By Source									
Property rates	208 614 381	219 697 425	43 010 991	125 760 726	82 749 735	125 760 726	109 848 712.50	15 912	14%
Service charges - electricity revenue	507 826 970	507 625 739	234 775 572	281 119 581	46 344 009	281 119 581	253 812 869.50	27 307	11%
Service charges - water revenue	87 802 727	78 121 519	1 459 499	40 423 093	38 963 594	40 423 093	39 060 759.50	1 362	3%
Service charges - sanitation revenue	42 598 638	71 223 041	21 096 170	41 427 336	20 331 166	41 427 336	35 611 520.50	5 816	16%
Service charges - refuse revenue	33 115 342	53 900 286	12 328 232	30 247 034	17 918 802	30 247 034	26 950 143.00	3 297	12%
Service charges - other			-	-	-	-	-	-	
Rental of facilities and equipment	2 820 000	2 849 400	1 098 009	1 031 437	(66 572)	1 031 437	1 424 700.00	(393)	-28%
Interest earned - external investments	1 027 408	1 077 750	365 809	1 053 055	687 246	1 053 055	538 875.00	514	95%
Interest earned - outstanding debtors	116 638 775	122 354 075	64 680 812	114 323 714	49 642 902	114 323 714	61 177 037.50	53 147	87%
Fines	4 550 100	2 864 915	280 466	841 874	561 408	841 874	1 432 457.50	(591)	-41%
Transfers recognised - operational	173 957 400	185 567 550	127 914 084	137 752 000	9 837 916	137 752 000	92 783 775.00	44 968	48%
Other revenue	370 000	1 947 618	820 797	1 168 714	347 917	1 168 714	973 809.00	195	20%
Total Revenue (excluding capital transfers and contributions)	916 054	1 179 545 721	486 312 946	775 148 564	267 318 123	775 148 564	623 614 659	151 534	24%
Expenditure By Type									
Employee related costs	331 491 196	338 790 606	160 753 684	167 895 155	7 141 471	167 895 155	169 395 303.00	(1 500)	-1%
Remuneration of councillors	13 760 659	14 434 660	7 937 067	7 728 028	209 039	7 728 028	7 217 330.00	511	7%
Debt impairment	67 436 367	206 985 762	35 209 619	86 244 070	51 034 451	86 244 070	103 492 881.00	(17 249)	-17%
Depreciation & asset impairment	72 780 530	57 510 698	41 330 097	23 962 790	17 367 307	23 962 790	28 755 349.00	(4 793)	-17%
Finance charges	68 256 000	68 256 000	83 796 694	45 826 233	37 970 461	45 826 233	34 128 000.00	11 698	34%
Bulk purchases Electricity	510 000 000	574 872 000	303 584 082	391 491 516	87 907 434	391 491 516	287 436 000.00	104 056	36%
Bulk purchases Water	-	-	86 624	-	86 624	-	-	-	
Other materials	89 280 096	91 411 047	12 417 668	7 467 591	4 950 077	7 467 591	45 705 523.50	(38 238)	-84%
Contracted services	130 252 241	121 181 233	64 450 510	51 187 629	13 262 881	51 187 629	60 590 616.50	(9 403)	-16%
Transfers and grants	77 653 815	77 653 815	-	31 396 991	31 396 991	31 396 991	38 826 907.50	(7 430)	-19%
Other expenditure	75 693 750	70 822 801	52 328 376	32 437 581	19 890 795	32 437 581	35 411 400.50	(2 974)	-8%
Loss on disposal of PPE	-	-	-	-	-	-	-	-	
Total Expenditure	613 063 945	1 272 168 121	485 033 734	845 637 585	83 743 164	845 637 585	810 959 311	34 678	4%

Actual Capital Acquisition –Part 2

The accumulated expenditure on capital projects amounts to R43 662 697,79 for the current financial year. This reflects an increase of R13 863 520,79 when compared to the expenditure for the period ended December 2024 where by the expenditure was R29 799 177.

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Retention as at 31 December 2024

CONTRACTOR	PROJECT	CONTRACT AMOUNT	RETENTION WITHHELD	RETENTION PAID BACK	RETENTION OWED
Soyamba	Installation of Sanitation Services in Rural Areas	R 1,189,732.00	R 91,546.05	R 45,773.03	R 45,773.03
Tsoga Moephatusi	Construction and Upgrade of Stormwater Network Phase 3	R 3,400,000.00	R 292,035.82	R 153,659.75	R 138,376.07
ML Sakhile	Standerton Water Works & bulk water Supply Refurbishment	R 1,900,562.00	R 190,056.18	R 95,028.09	R 95,028.09
ZMG	Installation of Bulk Water Infrastructure and Replacement of AC pipes Lekwa Local Municipality	R 15,000,000.00	R 1,099,212.78	R 598,786.01	R 500,426.77
Ngani JV TK Vuwani	Upgrade of Standerton Sewer treatment works	R 24,609,498.00	R 1,797,900.90	R 654,978.77	R 1,142,922.13
Workman Construction and Projects(Turn Key Service Provider)	Installation of water services to informal settlements	R 1,961,400.00	R 196,137.00	R 98,068.50	R 98,068.50
Three I Developments (PTY) LTD	Supply & Installation of Electricity Network for 350 Households Extension 8	R 5,075,000.00	R 194,866.66	-	R 194,866.66
Wanga Projects	Station and Construction of the Booster Pump Station within a Pumping Main (Sakhile Extension 4)	R 11,922,814.94	R 1,116,799.00	-	R 1,116,799.00
ERMSA	Electrification of 35 Houses	R 1,925,000.00	R 189,600.99	-	R 189,600.99
Thapiwe	Refurbishment and upgrading of combined recycling system at Standerton waste	R 11,810,400.00	R 1,291,268.62	R 1,365,119.16	R -73,850.54
Mbako Projects	Upgrade of Rooikopen sewer	R 6,999,687.75	R 898,855.81	R 349,982.83	R 548,872.98
Workman Construction and Projects	Refurbishment and upgrade of portions of Standerton water treatment plant	R 2,288,201.58	R 228,177.25	R 114,088.63	R 114,088.62
Zedek	Refurbishment and/or upgrade of the Standerton Waste Water Treatment Works	R 12,751,117.89	R 1,275,111.69	R 1,275,111.78	R -0.09
TM Consortium	Refurbishment and/or upgrade of Morgenzon & Sivukile Water Treatment Works	R 2,036,397.00	R 156,176.53	-	R 156,176.53
Mavutha Electrical	Contractor For The Provision of Energy Efficiency Solution For High Masts; Streets	R 5,340,000.00	R 531,892.25	R 531,892.26	R -0.01
ASDU Trading and Projects.	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1,000,000.00	R 100,050.69	R 99,543.79	R 506.90
Ngcebo Holdings	Maintenance of existing windmills and hand pumps on an as and when required basis	R 1,000,000.00	R 100,002.97	R 99,913.26	R 89.71
Hlahlathela	Installation of security systems for vulnerable Water, Sanitation and Electricity Infrastructure	R 1,576,126.75	R 157,612.39	R 157,612.75	R -0.36
Zedek	Refurbishment & Upgrade of Morgenzon Sports Facility	R 6,455,757.23	R 645,575.72	-	R 645,575.72
Capital Power Projects	Electrification of 30 rural Houses	R 3,850,273.34	R 370,775.45	-	R 370,775.45
ASDU Trading and Projects.	drilling and installation of boreholes	R 1,718,790.00	R 171,879.00	R 171,879.00	R -
ASDU Trading and Projects.	The supply deliver and install precast concrete palisade fencing to the morgenzon cemetery	R 1,647,143.85	R 155,657.10	R 164,714.39	R -9,057.29
Mrazane	Construction of a booster Pumping System for the Sivukile Low Pressure Supply Area for Morgenzon	R 2,432,380.10	R 130,308.70	R 93,821.04	R 36,487.66
Mrazane	Installation of Water Services to informal settlements within Lekwa LM	R 860,000.00	R 86,499.07	-	R 86,499.07
Asgnc Africa (Pty)LTD	Rehabilitation of roads in Lekwa LM	R 7,735,960.56	R 773,596.05	R 773,596.05	R -
Totobela Rloutona	DRILLING OF BOREHOLES AND INSTALLATION OF WINDMILLS WITHIN LEKWA	R 1,312,981.38	R 131,298.04	R 65,649.02	R 65,649.02
Pulefuhlala	Refurbishment and Upgrading of Standerton Bulk Water Supply System.	R 7,411,766.10	R 328,893.92	-	R 328,893.92
Ntlemo	Refurbishment of Muller, Johan, TLC and Vaal Sewer Pump Stations.	R 6,967,326.01	R 516,357.73	-	R 516,357.73
Vuxaka Consulting	Refurbishment and Upgrading of Morgenzon and Sivukile Bulk Water Supply.	R 5,216,421.74	R 521,512.64	R 521,512.64	R -
Emsa *	Electrification of 128 RDP in Standerton Extension 8	R 2,038,307.15	R 203,656.84	R 203,656.84	R -
Emsa	Construction of 10 MVA switching station at Standerton Extension 8	R 11,124,859.70	R 904,855.79	R 904,855.79	R -
Big Family	Refurbishment and upgrade of Mahala Park Soccerfield	R 1,425,136.35	R 102,373.00	-	R 102,373.00
Big Family	The supply and installation of high security clear view fencing at the standerton square reservoir	R 2,149,476.00	R 214,947.60	R 247,994.63	R -33,047.03
Hlahlathela	The supply, delivery & Installation of High Security Clear View Fencing	R 1,775,737.42	R 177,572.70	R 177,572.68	R 0.02
Zedek	Supply, delivery & Install Precast concrete palisade fencing of the Rooikoppen Cemetery	R 1,906,982.00	R 190,698.15	R 190,698.18	R -0.03

TM & S Construction	Upgrading of the Standerton Bulk Water Supply System Phase 2 Construction of Kieser Pressuer Tower	R 35,462,276.62	R 3,517,492.95	R -	R 3,517,492.95
TM & S Construction	Coligny Sewer Line Upgrade	R 21,142,201.21	R 2,114,220.01	R 2,114,220.06	R -0.05
TCM Developments	Refurbishments of Rural VIP Toilets	R 961,515.00	R -	R -	R -
Mizana Engineering Services	Refurbishment of Standerton Wastewater Treatment Works Phase 2:	R 15,250,437.37	R 1,808,942.58	R 1,808,942.58	R -
Enhanced Innovations	Upgrading and Operations of the Standerton Landfill Site	R 19,606,614.50	R 1,957,846.59	R 978,922.33	R 978,924.26
Limacon	Manufacture, testing at Contractors works, supply, directory direct access (DDP), Installation, Testing at Site and Commissions of one fully functional three phase 20MVA 33/11 KV Power Transformer for Lekwa Local Municipality's Asub-station	R 7,903,789.12	R 838,778.99	R -	R 838,778.99
Ngcebo Holdings	Supply & installation of VIP toilets rural /farm areas	R 842,774.62	R 84,277.46	R 84,277.46	R -
Shandis West	Installation of new VIP Toilets at Ward 12 and 13	R 1,329,940.50	R 132,994.05	R 66,497.03	R 66,497.02
Mudoita	Drilling of Boreholes at Ward 9.12 and 13	R 998,085.50	R 99,808.50	R 49,904.25	R 49,904.25
2MC Consulting	Maintenance Part 1 issued observed. Construion of wing walls and extention of reno matress or constrution of gabions for embarkment downstrem. (Sakhile ward 11) protection on both sides of the bridge . Cleaning of river and culvert	R 500,000.00	R 39,103.12	R 39,103.12	R -
2MC Consulting	Maintenance Part 2 issued observed. Construion of wing walls and extention of reno matress or constrution of gabions for embarkment downstrem. (Sakhile ward 11) protection on both sides of the bridge . Cleaning of river and culvert	R 600,000.00	R 196,998.18	R 98,499.18	R 98,499.00
2MC Consulting	Rehabilitation of Rooikopen sewer purp station number 3	R 1,000,000.00	R 65,619.70	R -	R 65,619.70
2MC Consulting	regravelling of ext 8	R 642,447.04	R 71,383.00	R -	R 71,383.00

F-TECH SERVICES	Installation of 26 High Mast Lighting in different wards	R 15,318,149.28	R 677,666.66	R -	R 677,666.66
Izinjomane	Construction of 6km,11kv line from Substation A to Rooikoppen	R12,543,909	R 391,892.53	R -	R 391,892.53
Mudoita	Installation of new VIP Toilets at Ward 9, 12 and 13	R1,367,394	R 201,700.00	R -	R 201,700.00
TJM GREENTECH		R4,000,000	R -	R -	R -
KENFORE ENGINEERING	Construction of 11kv Switching Station	R17,642,773	R 768,853.34	R -	R 768,853.34
NOTHA CIVILS	Rehabilitation of Vry Street	9187717.83.00	R 360,673.01	R -	R 360,673.01
BIDWIN	Drilling of Boreholes at Ward 9,12 and 13	R806,794	R 66,523.41	R -	R 66,523.41
			R 28,501,338.75	R 14,395,874.88	R 14,532,660.29

Total retention owed from all projects for current and prior years amounts to R14 532 660,29.

Cash Flow Statement – Part 3

The purpose of this statement is to keep an account of the different activities of Council. It also provides information on the mode of generation of funds required for repayment. The cash flow statement also helps to analyze the amount of cash that would be required to meet the operating costs.

It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

The actual receipt (cash) received for the semester ending 31 December 2024 amounts to R570 126 217. The amount includes revenue collected from Property Rates R72 967 656, Electricity R204 636 192, Water R18 612 418, sanitation R9 227 520, Refuse R6 358 378, inter accounts transfers R72 183 788, Transfer receipts operational R137 752 000 and other revenues amounting to R653 729.

The actual payments made for the semester ending 31 December 2024 amounts to R567 993 246. The amount includes payment for employee related costs (employees) and councilors amounted to R167 895 154 and R7 728 028 respectively, bulk purchases electricity R24 499 635, bulk water R0 and contracted services amounting to R51 187 629 as well as inter account transfers amounting to R236 780 757, Capital expenditure amounted to R38 545 655, and general expenses amounted to R56 274 758.

The Municipality's cash flow status for all bank accounts reflects a favourable bank balance of R44 119 759,42 including a favourable closing balance on primary account of R2 282 102. It should be noted that though the municipality has a favourable bank balance at the end of the reporting month there were still outstanding creditors of R3,3 billion and outstanding debtors of R2,2 billion as disclosed in the age analysis below.

Debtors Breakdown per Ward

WARD	202501 (Current)	202412 (30 Days)	202411 (60 Days)	202410 (90 Days)	202409 (120 Days)	202408 (150 Days)	202407 (180 Days)	202406 (210 Days)	202405 (240 Days)	202404 (270 Days)	202403 (300 Days)	202402 (330 Days)	202401 (360 Days)	202312 (390 + Days)	Total
	- 54 006 295.63	54 349 265.00	32 639 432.79	26 610 472.64	25 907 155.49	26 673 447.07	20 332 420.74	22 228 006.16	17 501 840.88	19 857 634.62	34 559 392.58	77 995 972.39	8 159 601.23	527 876 628.79	840 684 974.75
WARD 1	- 1 450.85	1 605 849.30	1 450 278.07	1 858 944.74	1 584 701.57	1 573 107.44	1 516 122.02	1 530 292.19	1 458 491.24	1 560 542.13	9 593 121.30	2 546 704.90	1 345 407.20	83 069 904.31	110 692 015.56
WARD 2	- 1 019.01	1 691 850.37	1 529 157.10	1 611 493.81	1 632 967.25	1 733 130.57	1 478 721.18	1 585 463.54	1 502 255.52	1 577 147.80	9 337 402.16	2 194 443.20	1 429 377.82	77 082 374.60	104 384 765.91
WARD 3	- 4 641.16	2 159 146.68	1 918 866.08	2 082 767.53	1 886 976.54	2 166 071.11	1 530 658.96	1 561 534.82	1 670 869.04	1 706 843.10	5 978 087.34	3 907 833.69	1 076 096.83	64 616 340.38	92 257 450.94
WARD 4	- 24 109.41	2 801 018.36	3 415 477.68	1 207 012.16	2 485 113.20	1 740 933.12	1 499 120.14	1 139 383.34	1 320 057.09	1 219 635.55	4 566 983.93	2 629 578.09	709 567.56	44 300 480.72	69 010 251.53
WARD 5	- 3 596.87	2 328 043.56	2 130 813.28	2 491 301.20	2 287 613.38	2 331 070.60	2 027 087.33	2 137 423.10	2 111 502.61	2 248 518.13	12 019 204.67	3 292 659.84	1 887 317.80	119 450 449.75	156 739 408.38
WARD 6	- 501.50	1 302 408.66	1 190 923.48	1 363 266.35	1 269 006.26	1 266 696.02	1 218 684.97	1 204 948.44	1 142 123.18	1 188 918.93	5 585 893.34	1 865 620.67	1 009 277.57	69 886 923.49	89 494 189.86
WARD 7	- 486.79	937 387.69	852 771.13	902 884.29	915 433.91	914 095.60	882 554.25	809 110.00	795 588.18	780 874.98	2 525 874.95	1 861 286.61	536 034.79	36 952 142.12	49 665 551.71
WARD 8	- 24 497.07	7 131 186.97	4 364 853.66	3 454 327.02	4 653 923.92	2 717 624.31	3 372 338.80	3 860 663.58	2 386 536.51	3 686 192.74	13 200 444.71	4 154 290.65	2 009 039.42	38 394 153.57	93 361 078.79
WARD 9	-	35 626.52	34 209.37	35 477.24	34 916.44	35 863.22	34 102.78	- 30 580.23	24 071.05	27 790.93	206 617.39	62 520.17	20 721.41	652 555.00	1 173 891.29
WARD 10	- 71 614.33	2 987 307.72	1 935 133.25	2 558 621.66	2 966 274.73	- 330 579.88	1 061 866.62	- 175 135.03	1 510 992.36	1 050 006.56	4 163 215.70	1 267 207.58	571 275.82	13 318 802.82	32 813 375.58
WARD 11	- 115.46	3 340 835.10	3 031 598.27	3 277 088.86	3 308 549.37	4 453 719.67	4 273 905.84	3 889 243.71	3 768 389.80	3 371 576.90	16 044 033.56	9 684 088.37	2 423 406.86	128 851 022.46	189 717 343.31
WARD 12	-	108 989.13	95 990.13	103 104.70	142 436.78	64 675.96	210 002.59	69 906.46	64 006.29	114 579.72	248 414.79	115 101.89	117 156.06	5 783 651.29	7 238 015.79
WARD 13	-	3 852.72	2 683.73	3 045.25	2 672.99	2 662.04	2 651.07	2 513.82	2 498.62	2 483.41	2 468.20	7 741.25	1 636.89	110 293.02	147 203.01
WARD 14	- 1 714.98	2 907 756.89	2 777 743.14	2 854 516.30	2 956 869.10	2 914 084.27	2 548 018.64	2 497 412.71	2 489 793.50	2 465 957.59	9 026 821.17	5 050 392.07	1 936 232.79	149 919 741.78	190 343 624.97
WARD 15	- 4 394.78	3 306 326.66	3 065 760.12	3 206 623.16	3 251 995.22	4 141 894.62	3 093 436.21	2 939 167.27	2 895 796.19	2 957 832.65	14 819 937.62	8 350 535.53	1 956 674.05	137 563 725.86	191 545 310.38
TOTAL	- 54 144 437.84	86 996 851.33	60 435 691.28	53 620 946.91	55 286 606.15	52 398 495.74	45 081 692.14	45 249 353.88	40 644 812.06	43 816 535.74	141 877 913.41	124 985 976.90	25 188 824.10	1 497 829 189.96	2 219 268 451.76

Debtors Payment Statistics – Part 4 (b)

The table shows the amount collected by the municipality for service rendered against the service charges billing. The municipality achieved an average collection rate of 69% as at 31 December 2024. The table shows the amount collected by the municipality for service rendered against the service charges billing.

Reporting Month	Total Billing	Total Adjustment on Billing	Revenue Movement	Revenue Collected	Collection Rate
July-24	94 686 537.41	3 028 347.66	91 658 189.75	62 405 952.99	68%
Aug-24	98 356 971.03	65 851.72	98 422 822.75	64 794 690.78	65%
Sep-24	107 505 272.60	-6 489 513.79	101 015 758.81	57 087 832.81	56%
Oct-24	112 488 221,40	756 275	113 244 496,40	57 467 825,60	51%
Nov-24	99 885 931,87	-3 608 810,69	95 725 837,91	90 696 183,54	91%
Dec-24	97 463 523.91	-40 540 636.44	56 922 887.47	53 731 008.50	94%
Total	610 386 458.00	-46 788 486.50	556 989 993.00	386 183 494.00	69%

To ensure that there is a continuous implementation of debt collection, a plan should be developed that will focus on the various categories of customers (business, residential, government, farms etc) with a clear time frames and clear activities to be embarked on. The plan should also include the various resources required (human resources, vehicles, machinery & equipment, etc.) to enable the implementation of debt collection.

The primary reason for the poor revenue collection is the municipality's current credit balance of R116 085 391.16, which resulted from corrections made to property rates due to previous incorrect billing. Despite improvements in the billing process, collection rates remain low, as many of our major consumers, including commercial entities and government departments, currently have substantial credit balances. The situation is further aggravated by the large number of households not purchasing electricity, which prevents the municipality from breaking even. Additionally, we are still grappling with a significant number of estimated water meter readings, leading to either under-billing or over-billing, further contributing to the instability in our revenue collection.

Transfer & Grants Subsidies (Indigent support)

To date 2 785 households are active on registered households for indigent support compared to a total of 2 378 for first quarter ended 30 September 2024 and total of 2 136 for the period ended December 2023. The current outstanding debts balances of the registered indigent households amounted to R126 228 262,24 as at 31 December 2024, while subsidies for the current month amounted to R2 228 262,24.

Wards No.	Number of Active Indigents	Number of Active Indigents	Number of Active Indigents
	December 2023	September 2024	December 2024
Ward 1	154	220	259
Ward 2	182	230	277
Ward 3	205	309	347
Ward 4	82	113	130
Ward 5	225	308	368
Ward 6	143	132	160
Ward 7	267	209	274
Ward 8	44	66	63
Ward 9	11	9	12
Ward 10	65	57	94
Ward 11	241	195	256
Ward 12	0	5	6
Ward 13	0		2
Ward 14	149	253	307
Ward 15	368	272	337
Total Indigents	2136	2378	2785

Creditors Age Analysis- Part 5

The creditors age analysis indicates an analysis of unpaid received invoices, aged by due date. The creditors are broken down into eight ageing periods. The Creditors Age Analysis shows an outstanding amount of R3,3 billion of which R2,6 billion is owed to Eskom. The municipality has taken several initiatives to ensure that the arrears amount owed to Eskom is paid. The latest outstanding amount for Department of Water and Sanitation is R599 million.

The Municipality's outstanding trade creditors amounts to R24 million. The Municipality has an outstanding payment to Auditor General an amount of R6 million. The Municipality owes R14 million on retention withheld for the reporting period.

The Municipality owes SARS R 49 million relating to PAYE deductions and we do not owe VAT. The Municipality does not maintain sufficient working capital thus resulting in statutory payments and some other creditors not being paid timeously. The outstanding creditors are continuously increasing thus indicating that the Municipality is entering into obligations that it's unable to service. Unless all interventions are implemented (Revenue enhancement strategy, financial recovery, cost curtailments & installation of smart meters) the Municipality will face a severe financial sustainability issues & distress, that might require the Municipality to consider interventions as entrenched within the Municipal Finance Management Act.

MP305 Lekwa - Supporting Table SC4 Monthly Budget Statement - Creditors age analysis - December 2024

Description	NT Code	Budget Year 2024/25								
		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
R thousands										
Creditors Age Analysis By Customer Type										
Bulk Electricity	0100	54 310 314.33	58 680 583.99	63 922 271.57					2 495 273 056.60	2 672 186 226.49
Bulk Water	0200				11 175 422.22		-	-	588 691 547.83	599 866 970.05
PAYE deductions	0300		1 228 862.00	6 146 677.23	18 974 154.95		-	-	23 576 962.45	49 926 656.63
VAT (output less input)	0400		-		-	-			-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	4 439 544.55		1 822 824.71	5 564 160.58	12 493 578.16	-	-	-	24 320 108.00
Auditor General	0800	3 699 057.08	2 478 605.17	523 823.56	7 451.14	78 035.62				6 786 972.57
Other	0900	-	-	-	-	-	-	-	-	-
Retention		944 471.55	135 590.18	278 721.25	204 054.68	2 094 505.21	512 688.14	319 282.00	10 043 347.28	14 532 660.29
Total By Customer Type	1000	63 393 387.51	59 592 645.36	52 956 243.16	60 274 099.31	9 665 945.22	36 821 063.95	85 764 543.20	214 880.93	3 353 086 933.74

External Investment (Call accounts) – Part 6

The Closing balance call accounts as of 31 December 2024 amounts to R40 895 191,76. Municipality for the reporting month capitalized R124 021,71 interest on call accounts.

Account name	Account number	Opening balance	Deposits	Interest Capitalised	Withdrawals	Closing balance
GRANTS ACCOUNT	3788153059	30,825,664.42	32,550,000.00	124,021.71	-22604494.37	40,895,191.76
		30,825,664.42	32,550,000.00	124,021.71	- 22,604,494.37	40,895,191.76

Grants & Subsidies – Part 8 Received & Expenditure – Part 8

The municipality has to date received R179 256 000 from the grants and subsidies as allocated.

	Approved Budget 2024/2025	YTD Allocation Received July 2024 - June 2025	Opening Balance	Outstanding Allocation
Municipal Infrastructure Grant	R 33,151,000.00	R 25,684,000.00		R 7,467,000.00
Local Government Financial Management Grant	R 2,800,000.00	R 2,800,000.00		R -
Expanded Public Works Programme Integrated Grant for Municipalities	R 1,760,000.00	R 440,000.00		R 1,320,000.00
Equitable shares	R 179,350,000.00	R 134,512,000.00		R 44,838,000.00
Energy Efficiency Demand Side Management	R 4,000,000.00	R 3,200,000.00		R 800,000.00
Municipal Disaster Recovery Grant			R 10,059,730.30	R -
Integrated National Electrification Programme Grant	R 14,620,000.00	R 12,620,000.00		R 2,000,000.00
	R 235,681,000.00	R 179,256,000.00	R 10,059,730.30	R 56,425,000.00

The Municipality has to date spent the amount of R 42 916 084.30 on conditional grants received.

Type of Grant	Unspent Grant 2023 - 24 Financial Year	YTD Allocation Received July - June 2025	YTD Expenditure July - June 2025	Remaining Balance
Municipal Infrastructure Grant	R -	R 25 684 000.00	R 20 397 473.64	R 5 286 526.36
Local Government Financial Management Grant		R 2 800 000.00	R 673 788.10	R 2 126 211.90
Energy Efficiency Demand Side Management		R 3 200 000.00	R 1 658 067.72	R 1 541 932.28
Municipal Disaster Recovery Grant	R 10 059 730.30	R -	R 3 738 462.24	R 6 321 268.06
Expanded Public Works Programme Integrated Grant for Municipalities		R 440 000.00	R 230 540.50	R 209 459.50
Integrated National Electrification Programme (Municipal) Grant		R 12 620 000.00	R 14 620 000.00	R (2 000 000.00)
	R 10 059 730.30	R 44 744 000.00	R 41 318 332.20	R 13 485 398.10

9. CAPITAL PROGRAMME PERFORMANCE

The capital grant performance is at 72% expenditure for the reporting month.

Capital Description	Fund	Total Allocation	Actual expenditure as of 31 December 2024	% expenditure by 31 December 2024	Balance remaining
MIG		R33 151 000.00	R20 397 473.64	62%	R12 753 526.36
INEP		R14 620 000.00	R14 620 0000	100%	(R0.00)
EPWP		R1 760 000.00	R230 540.50	13%	R1 529459.50
EEDSM		R4 000 000.00	R1 658 067,72	41%	R2 341 932,28
TOTAL		R53 531 000.00	R38 503 833.96	72%	R15 027 166.04

Roll over 2023/2024 FINANCIAL YEAR

The MDRG (Recovery) has an opening balance of R10 059 730.30 roll over application has been approved and expenditure is at 37%

Capital Description	Fund	Total Allocation	Opening Balance	Actual expenditure as of 31 December 2024	% expenditure by 31 December 2024	Balance remaining
MDRG (Recovery)		0	R10 059 730.30	R3 738 462.24	37%	R6 321 268.06
TOTAL		R0	R10 059 730.30	R 3738 462.24	0%	R6 321 268.06

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Item	Project Name	Budget	Expenditure	Progress
1	Upgrading of Standerton Water Bulk System phase 2- Construction of Kieser Reservoir & Pressure Tower	R406 736	0	95.1% complete
2	Refurbishment/Installation of boreholes in rural/farm areas	R2 827 340	2 665 347.23	Contractor appointed 94% complete
3	Installation VIP toilets	R2 500 000	R2 500 000	Contractors appointed for desludging and installation of VIP Toilets 100% complete
4	Installation of High mast lights	R7 564 140	R 14 159 779.01	Contractor appointed 68% complete...
5	Development of Thuthukani Cemetery	R8 800 000	R1 037 300	Design and tender doc complete on tender for appointment of contractor
6	Rehabilitation of Morgenzon Landfill site	R9 395 234	R35 047.40	Inception report
7	Project Management Unit	R1 657 550	R719 282.61	Expenditure comprises of Manager ad 2Technicians
	Total	R33 151 000	R 21 116 756.25	64 % expenditure

INTEGRATED NATION ELECTRIFICATION PROGRAMME (INEP)

Item	Project Name	Budget	Expenditure	Progress
1	Construction of 6km, 11KV from Substation to Rooikoppen	R4 620 000	R8 529 226.72	Contractor appointed site establishment and procured material and work in progress 50% physical progress the contractor progress moving at fast pace the municipality is now paying from its own funding however, council resolution to write for additional funding.
2	Construction of 11Kv, SWS at Rooikoppen (pre-Eng)	R10 000 000	R7 688 533.38	77% Complete
	Total	R14 620 000	R 16 217 752.10	83% Complete

ENERGY EFFIECINCY DEMAND SIDE GRANT (EEDSM)

No	Project Name	Budget	Expenditure	Progress
1	Implementation of energy efficiency and energy demand management within Lekwa LM	R4 000 000	R 1 658 067.72	41% Complete
	Total	R4 000 000		

ROLLOVER 2023 2024 FINANCIAL YEAR: MUNICIPAL DISASTER RECOVERY GRANT (MDRG)

Municipal Disaster Recovery Grant (MDRG) Rehabilitation of Vry Street project application for roll over approved for R10 059 000 37% complete

Project Name	Budget	Expenditure	Progress
Rehabilitation of Vry Street	R 10,000,000	R 3 738 462.24	37% Complete

MID- TERM ASSESSMENTS

After a comprehensive assessment of the municipality's financial position, performance, and cash flow for the first half of the financial year, it is essential for the council to consider presenting an adjustments budget based on the following:

1. Revenue and Expenditure:

The municipality achieved **R775.1 million** in revenue during the first half of the year, exceeding projections by **R151.5 million**. However, expenditures totaled **R845.6 million**, resulting in an operating deficit of **R70.5 million**. This highlights ongoing financial pressures despite improved revenue performance.

2. Collection Rates:

The average collection rate stood at **69%**, falling short of the **85%** target in the original budget. This shortfall is primarily due to a **R116.1 million** credit balance from previous property rate corrections, as well as issues such as non-payment for electricity and reliance on estimated water readings.

3. Capital Grant Performance:

Grant spending reached **72%**, with some grants fully utilized (e.g., INEP). However, underperforming areas require acceleration plans to improve project execution and ensure full grant utilization.

4. Cash Flow:

Although the municipality has a favorable bank balance of **R44.1 million**, liquidity challenges persist due to **R3.3 billion** in outstanding creditors, including **R2.6 billion** owed to Eskom.

5. Debtors:

Outstanding debtors total **R2.2 billion**, with **R2 billion** overdue by more than 90 days. Household accounts contribute the largest share (**R1.7 billion**) to the outstanding debts

Non-financial SDBIP Performance – Part 9

9.1 The 2024/2025 SDBIP was approved by the Executive Mayor on 2024-07-02 and a memorandum was issued informing departments of the approval of the SDBIP as well as dates by which quarterly reports will be due for submission.

9.2 This SDBIP report is done in line with the National Key Performance Areas (KPA's) for Local Government which are:

- (a) Basic service delivery
- (b) Municipal transformation and organisational development
- (c) Local economic development
- (d) Municipal financial management and viability
- (e) Good governance and public participation
- (f) Spatial rational

9.3 Formulation of the problem

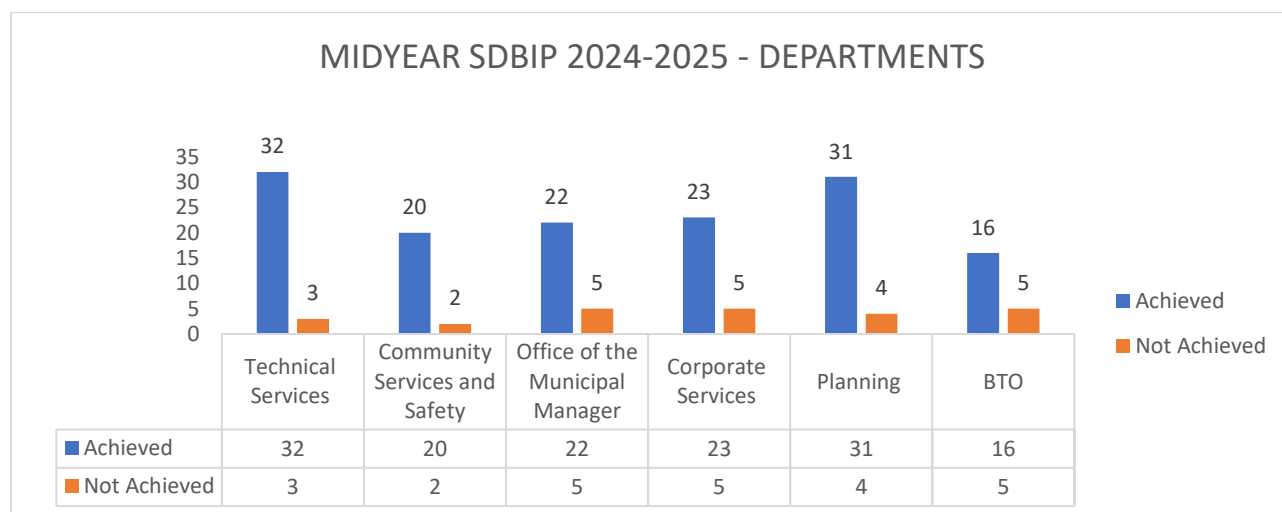
- 9.3.1 It must be noted that as and when submissions are received, the information is checked against the supporting portfolio of evidence (PoE) to verify if the report and supporting PoE corresponds. Communication is with each Department to ensure submissions are made as required.
- 9.3.2 A Request for Information (RFI) was issued on 2025-01-11 by Internal Audit for submissions to be made by 2025-01-14. All reports were submitted to Internal Audit as per the RFI.
- 9.3.3 Section 72 of the MFMA requires that an assessment of municipal performance for the first six months of the financial year be done, the 2023/2024 midyear performance assessment is based on the audited 1st and 2nd

quarter performance reports and herewith is a summary of the performance information per Key Performance Area (KPA) for the period 1st July – 31st December 2023:

9.3.4 The table below is a summary of performance per Department as at midyear for the period 1st July to 31st December 2024:

DEPARTMENT	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING
Office of the Municipal Manager	22	82	5	18	27
Budget and Treasury Office	16	76	5	24	21
Technical Services	32	91	2	9	35
Community Services and Safety	20	91	2	9	22
Planning & Economic Development	31	89	4	11	35
Corporate Services	23	82	5	18	28

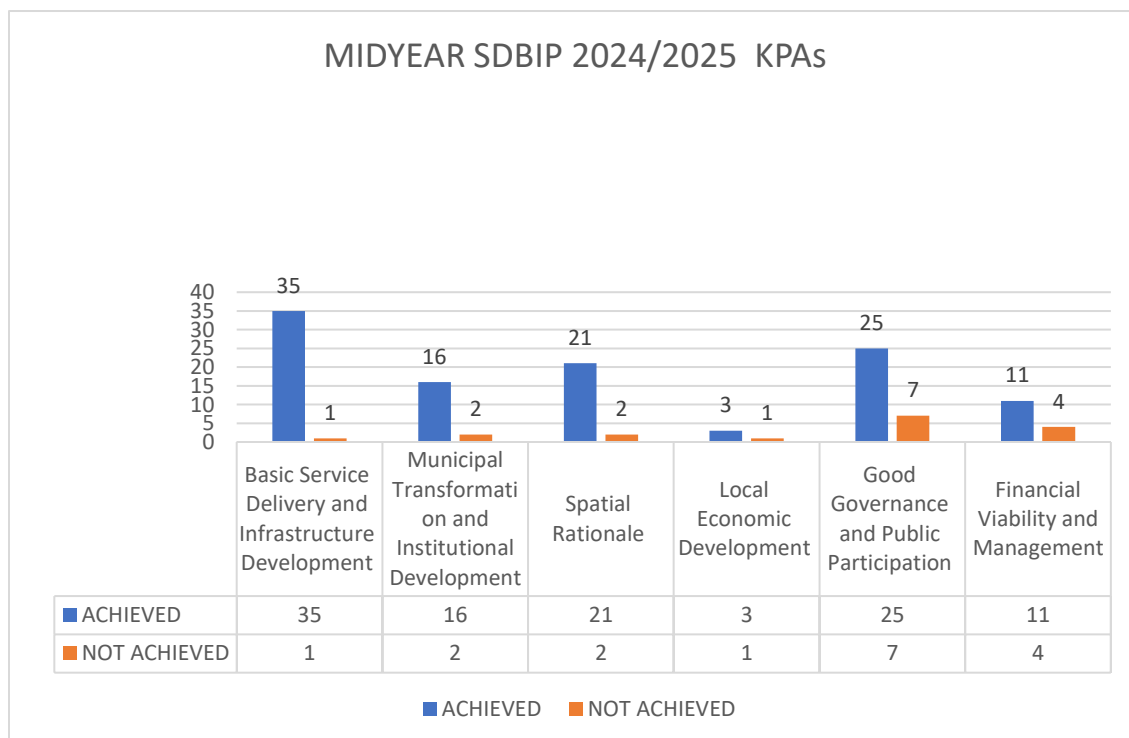
9.3.5 The following is a graphic representation of performance per Department as at midyear ended 31st December 2024:



9.3.6 The following 2024/2025 midyear performance is based on the audited performance reports and herewith is a summary of the audited performance information per Key Performance Area (KPA):

KPAs	KPIs ACHIEVED	% KPIs ACHIEVED	KPIs NOT ACHIEVED	% KPIs NOT ACHIEVED	KPIs FOR REPORTING AT MIDYEAR
Basic Service Delivery and Infrastructure Development	35	97	1	3	36
Municipal Transformation & Institutional Development	16	89	2	11	18
Spatial Rationale	21	91	2	9	23
Local Economic Development	3	75	1	25	4
Good governance and public Participation	25	78	7	22	32
Financial Viability and Management	11	73	4	27	15
TOTALS	111	87%	17	13%	128

9.3.7 The following is a graphic representation of performance per KPA as at midyear ended 31st December 2024:



9.3.8 The 2024/2025 midyear SDBIP performance report is attached to the report as **Annexure “A”**;

9.3.9 The following are matters to be noted in respect of the overall midyear performance and achievement against targets for the period ended 31st December 2024:

- (a) The overall midyear performance of 87%, which is a slight improvement in performance when compared to the midyear performance for the 2023/2024 financial year which was 76%;
- (b) Budget expenditures, commensurate to the approved budgets is not reported for all achieved targets, where applicable;
- (c) The said midyear performance will be used as the basis for reviewing and adjusting indicators (performance measures) and targets for the remainder of the year, noting the 2023/2024 audit findings raised in respect of performance information.

Outstanding matters on the past year's annual report – Part 10

- (a) As prescribed in terms of section 72(1)(a)(iii) of the MFMA the Accounting Officer must also assess the performance of the municipality in the first 6 months taking into account the past year's Annual Report, and progress on resolving the problems identified in the Annual Report. The detail of progress made with the implementation of corrective measures to address findings will be further reflected in the 2023/2024 audit action plan that has been developed;
- (b) An assessment of implementing the drivers of internal control based on significant findings and deficiencies as identified during the audit by AGSA of the financial statements, the annual performance report and compliance with legislation, significant deficiencies occur when internal controls do not exist, are not appropriately designed to address the risks as identified, or are not implemented. These either had caused, or could cause, the financial statements or the annual performance report to be materially misstated, and material instances of non-compliance with legislation to occur.
- (c) The following are key findings as raised by the Auditor-General in the 2023/2024 Audit Report:
 - (i) The municipality maintained its qualification audit outcome of a qualification, noting that similar findings were raised in previous year;
 - (ii) The Municipality's opinion on annual performance report remains unchanged as a disclaimer obtained in the previous financial period.
 - (iii) AG's synopsis of the basis of the qualification on the AFS is outlined below:
 - Irregular expenditure
 - The municipality did not include all instances of expenditure to the financial statements, as required by section 125(2)(d) of the MFMA, as the municipality did not have adequate systems to identify all prior year's irregular expenditure. I was unable to determine the full extent of the understatement of irregular expenditure stated at R197, 86 million (2022-23: R143, 64 million) in note 48 to the financial statements as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustments made to the irregular expenditure in the prior period adjustment disclosure in note 41 to the financial statements were necessary.
 - Property, plant and equipment
 - In the prior year, the municipality did not appropriately account for changes in useful lives for some of the property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. Changes in remaining useful lives of the assets that were incorrectly accounted as an error instead of change in accounting estimates. Consequently, the opening balance of the property, plant and equipment was understated by R26,86 million and the opening balance of accumulated depreciation was overstated by the same amount
 - Segment reporting
 - The municipality did not accurately disclose segment reporting in the financial statements, as required by Grap 18, *Segment reporting*. The segment information disclosed for expenditure, assets and liabilities did not reconcile back to the financial statement amounts. Consequently, segment information was misstated by expenditure R235,68 million, assets R1, 66 billion and liabilities R684,27 million. Additionally, the

comparative amounts in the segment information disclosed for revenue was misstated by R22,14 million as it was not adjusted with the restated amounts as per the prior year adjustment note.

- Cash flow statement
 - Payment to employees
The municipality's cash paid to employees was incorrectly disclosed as the calculation did not account for movements of accrued leave and accrued bonus which constitute a departure from GRAP 2, *Cash flow statement*. Consequently, the comparison of employees is understated by R50,83 million (2023: R32.06 million)
 - Sale of goods and services
The municipality's cash from sale of goods and services was incorrectly disclosed as the calculation did not account for interest on trade receivables, furthermore the incorrect opening balance for trade receivables was used which constitute a departure from GRAP 2, *Cash flow statement*. Consequently, the sale of goods and services is understated by R122,10 million and the comparative amount was overstated by (2023: R19,8 million)
 - Suppliers
The municipality's cash paid to suppliers was incorrectly disclosed as it was calculated using the incorrect opening balance for trade payables which constitute a departure from GRAP 2, *Cash flow statement*. Consequently, the suppliers are overstated by R31,82 million in the cash flow statement for the comparative amounts.

In respect of the audit of the annual performance report, which is included on the audit report as other matters, the following findings were raised that will be attended to as part of the post-midyear adjustment process, in line with the audit action plan developed:

- (a) I could not determine the accuracy of various reported achievements, as the indicators were not well defines, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved;
- (b) I identified misstatement in the annul performance report submitted for auditing. These material misstatements were in the reported performance information of basic service delivery and infrastructure development. As management subsequently corrected some of the misstatements, I raised material findings on the usefulness and reliability of the reported information. Those that were not corrected are reported.

Other issues relating to the annual report will be more comprehensively dealt with in the annual report and the supporting audit action plan.

RECOMMENDATIONS BY THE EXECUTIVE MAYOR

- (1) That the report of the Executive Mayor regarding the mid-year assessment report for the first semester ending in December 2024 BE NOTED.
- (2) That an adjustments budget BE DRAFTED in terms of the mid-year budget and performance assessment.
- (3) That the proposed adjustments budget BE TABLED to council by no later than 28 February 2025 in line with section 28 of the Municipal Management Act, Act 56 of 2003.
- (4) That the mid-year performance assessment report BE SUBMITTED to National and Provincial Treasury.