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OR TAMBO DISTRICT MUNICIPALITY

COUNCIL

NON-DELEGATED MATTER

FOR NOTING

OUT OF COMMITTEE

OFFICE OF THE EXECUTIVE MAYOR

CLLR. M. NGQONDWANA

23 JANUARY 2025

2024/25 MID-YEAR REPORT (S72)

1. ANNEXURE

2024/25 Mid-year Performance Assessment Report

2. BACKGROUND

Chapter 8 of the Municipal Finance Management Act, Act 56 of 2003 particularly section 72, states that the accounting officer of the municipality –

(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 delivery 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
- (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; 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 may be incorporated into the report referred to in subsection (1)(b) of this section.

(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. Must, within 30 days of the end of each mid-term, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

3. PURPOSE

The purpose of the report is to table the mid-year budget and performance report as at 31 December 2024 and comply with section 72 of MFMA.

4. INTRODUCTION

The purpose of this report is for the Council to consider the Mid-Year Budget and Performance assessment for the period ending 31 December 2024 in the 2024/2025 financial year. This report is used to assess municipality 2024/2025 mid-year institutional performance.

The report is both financial and non-financial and based on the service delivery performance assessment as contained in the municipality's Service Delivery and Budget Implementation Plan (SDBIP). The report is compiled using municipal

financial in-year reporting (section 71) and the SDBIP 1st and 2nd quarter performance information received for the mid-year assessment.

As indicated, the s72 report is a performance report that is required to provide oversight and analysis regarding the manner in which performance targets at institutional have been achieved for the period starting on 1 July 2024 to 31 December 2024 (i.e. the first 6 months of the 2024-25 financial year).

This report further presents an analysis of performance on two levels; emphasis was placed on more than just financial reporting and effectively all aspects of institutional and financial performance reporting were examined.

In this regard information relating to the key performance areas (that are aligned to the key national indicators) was examined and reported on. Additionally, consolidated reporting was provided and performance within each key performance area was rated.

In this manner it becomes easy to establish the areas that were more successful in their performance and to identify areas where appropriate interventions to improve performance were and are necessary.

5. DISCUSSION

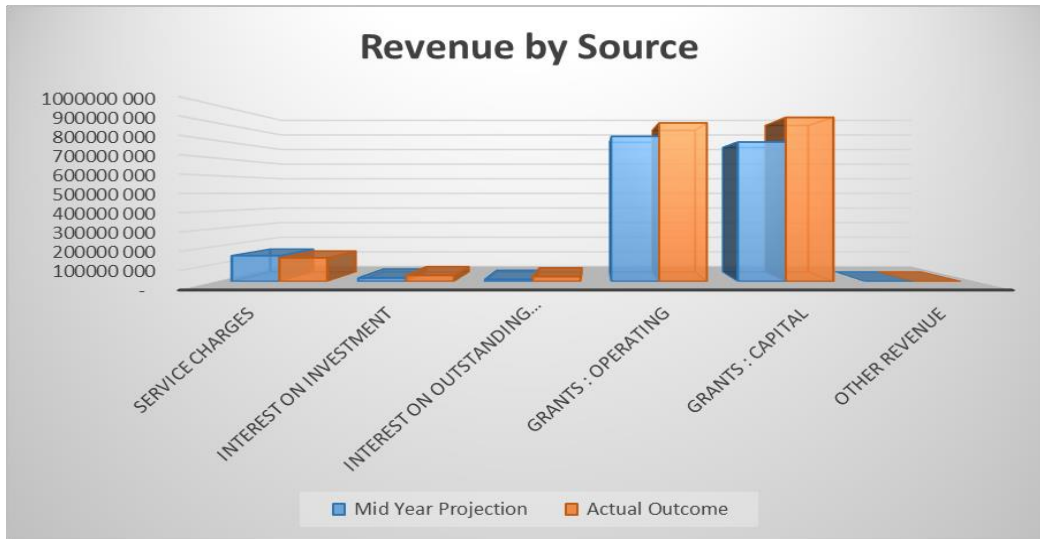
5.1 FINANCIAL PERFORMANCE

5.1.1 REVENUE

Table below, is a breakdown of the revenue per source, as well as “other” actual revenue collected, compared to the actual projections for mid-term ended on 31 December 2024:

Discription	Original Budget	Mid Year Projection	Actual Outcome	Mid Year Variance	Mid Year Variance %
Service Charges	427 311 890	146 228 351	134 056 155	(12 172 196)	-8,32%
Interest on Investment	40 500 000	19 821 693	34 463 820	14 642 127	73,87%
Interest on Outstanding Debtors	22 794 770	11 156 319	27 848 313	16 691 994	149,62%
Grants : Operating	1 127 702 967	823 454 225	899 931 375	76 477 150	9,29%
Grants : Capital	1 326 964 000	791 194 946	930 852 612	139 657 666	17,65%
Other revenue	230 555	115 278	70 798	(44 480)	-38,58%
Total	2 945 504 182	1 791 970 812	2 027 223 072	235 252 260	13,13%

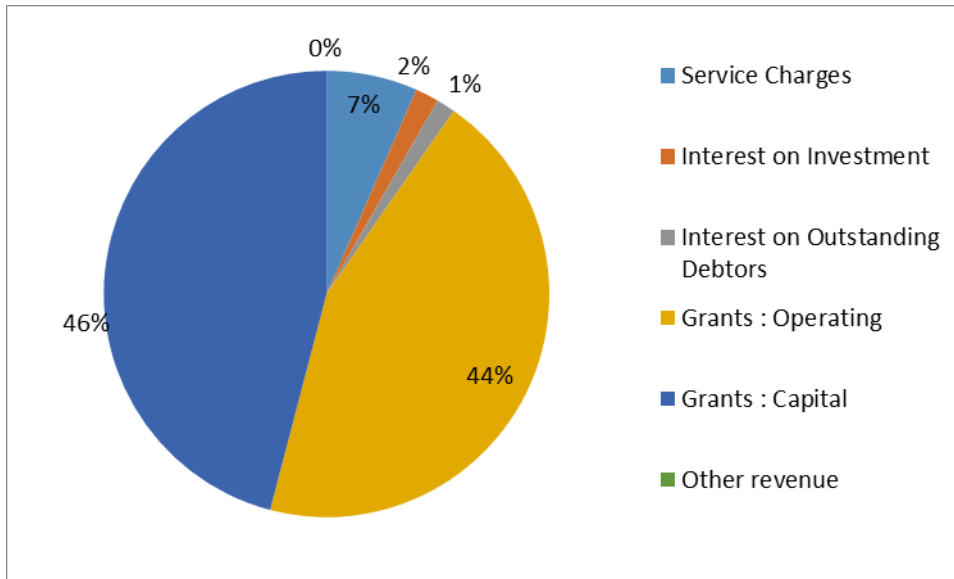
Graphic illustration of revenue projected compared to revenue received



Revenue from internal and external sources

Discription	Original Budget	Mid Year Projection	Actual Outcome	Mid Year Variance	Mid Year Variance %
Own Revenue	490 837 215	177 321 641	196 439 086	19 117 445	10,78%
Government Grants	2 454 666 967	1 614 649 171	1 830 783 987	216 134 816	13,39%
Total	2 945 504 182	1 791 970 812	2 027 223 072	235 252 260	13,13%

Revenue by Source



Performance of Revenue by Sources

The total own projected revenue for the mid-term amounted to R177.3 million which comprises of service charges of R146.2 million, interest received for investments and debtors amounting to R30.9 million and other revenue R115 278 (agency fees).

The mid- term projections for water and sanitation collections comprise of service charges, interest on overdue accounts, provision for doubtful debt and the total mid-term collections as depicted in the table below:

Description	Amount
Service Charges (bills)	199 982 165,00
Interest on overdue accounts	11 156 319,00
	211 138 484,00
Less : Provision for debt impairment	-53 753 814
Projected Collections	157 384 670,00

For the mid – term, the projected collection was R157,3m. this was after consideration of anticipated billing and provision for doubtful debts.

To determine the projected collections for service charges, the billing should be projected using the total number of consumers and the tariff to be charged to 2024/2025 Mid-Year Report (s72)

determine the bills. Then projections for the debtors that are unlikely to pay their bills is determined also through the trends and patterns of payments specifically using the age analysis of debtors and determine the doubtful debts. Then from the bills projected, the doubtful debts are deducted to determine the realistic amount that is anticipated to be collected in the mid – term which is amounting to R 157.3 m.

The actual collection from the consumers amounted to R134m which is less than planned collections resulting in a negative variance of R23.3m which is 14.81%. The under collection was caused by non-payments from government departments and consumers.

The collection of the service charges is less by R23.3 million but can be realized in the next 6 months, there is no need to adjust downwards the projections.

The following has been introduced to encourage payment of services:

- Incentive scheme for households and businesses; and
- Introduction of Easy Pay – this assist the consumers to easily assess their accounts.

Interest on investment to be adjusted upwards due to have received R14.6 million above the projection at the mid-term.

Transfers recognized – operating

Includes Equitable Share, Finance Management Grant (FMG) and EPWP. Projections amounted to R823.4 million for the mid-term whilst the actual amounted to R899.9 million resulting in variance of R76.4 million for the mid-term.

Payment schedules are not always the same.

Transfers recognized – capital

Includes Municipal Infrastructure Grant (MIG), Water Services Infrastructure Grant (WISG), Regional Bulk Infrastructure Grant (RBIG) and Rural Roads Asset Management (RRAM). Projected at R791.1 million whilst actually received R930.8 million resulting in R139.6 million positive variances.

5.1.2 EXPENDITURE

Expenditure is divided between operating and capital expenditure.

Operating expenditure

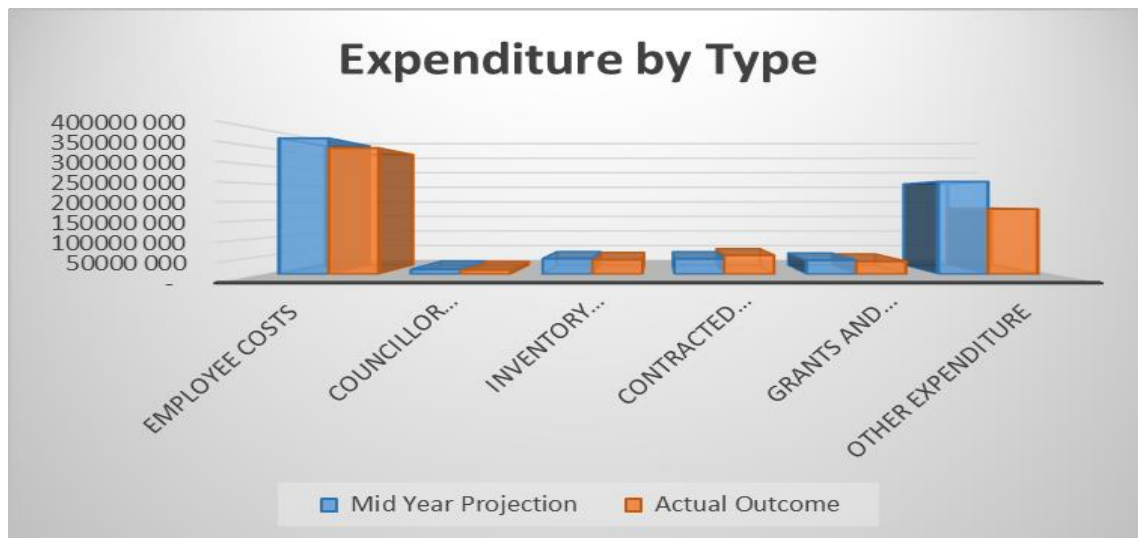
2024/2025 Mid-Year Report (s72)

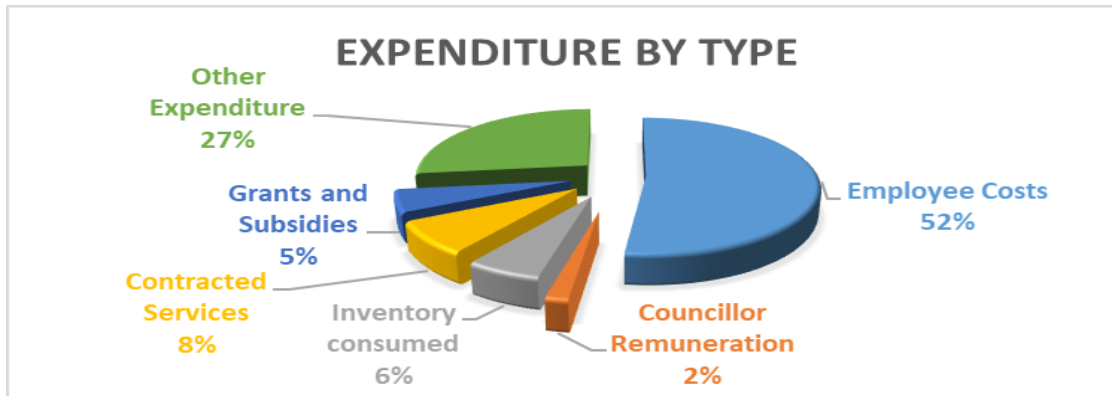
The Actual spending of the budget to-date per the following categories is as follows:

Description	Original Budget	Mid Year Projection	Actual Outcome	Mid Year Variance	Mid Year Variance %
Employee Costs	751 579 237	375 790 638	348 749 653	27 040 985	7,20%
Councillor Remuneration	26 763 685	13 381 872	12 105 367	1 276 505	9,54%
Inventory consumed	90 841 663	43 164 376	40 564 004	2 600 372	6,02%
Contracted Services	78 977 293	42 464 096	52 499 143	-10 035 047	-23,63%
Grants and Subsidies	69 988 650	38 762 234	35 504 996	3 257 238	8,40%
Other Expenditure	473 527 752	256 036 485	180 287 868	75 748 617	29,59%
Total	1 491 678 280,00	769 599 701	669 711 030	99 888 671	12,98%

The table above indicates an underspending of R99.8 million on operating expenditure being 12.98% during the Mid-Term.

Graphic illustration of expenditure by type: -





The above pie chart depicts that overall actual operating expenditure for the mid-term, employee costs constitute 52% and councillors' remuneration at 2% resulting in 54%.

Employee Costs

Mid-term projection for employee costs amounted to R375.7 million whilst actual outcome amounted to R348.7 million resulting in R27 million positive variance. This is caused by the savings from pension through the reversal of the two task grades to be a non-pensionable allowance and no bonus on the non-pensionable allowance.

Councillors Remuneration

Councillor's remuneration was projected at R13.3 million for the mid-term, but actual outcome being R12.1 million resulting in R1.2 million positive variances. The gazette for remuneration of Councillors has been recently issued and the municipality is busy with the concurrence.

Bulk Purchases/Inventory consumed

Actual spending amounted to R40.5 million whilst R43.1 million was projected resulting in a variance of R2.6 million. This is dependent on the requests for materials in cases of pipe bursts and leaks and receiving invoices from DWA.

Contracted Services

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Projected at R42.4 million and R52.4 million was actually spent resulting in R10 million negative variance being 23.63%.

Transfers and Grants

The actual expenditure as at end of the mid-term was R35.5 million against R38.7 million projected which is R3.2 million less than projected.

Other Expenditure

Projected at R256 million but actually spent R180.2 million resulting in a positive variance of R75.7 million being 30%. These is mainly due to programs due to be spent in the first six months but are not yet spent.

Repairs and Maintenance

Description	Original Budget	Mid Year Projection	Actual Outcome	Mid Year Variance	Mid Year Variance %
Repairs and maintenance Buildings	3 110 000	1 555 000	2 143 217	-588 217	-37,83%
Repairs and maintenance Support to Strategic Roads	1 500 000	750 000	-	750 000	100,00%
Repairs and maintenance Motor Vehicles	4 400 000	2 200 000	2 756 626	-556 626	-25,30%
Bulk water meter - r&m	-	-	-	0	0,00%
Vip sludge sucking	5 000 000	2 500 000	-	2 500 000	100,00%
Maintenance of pipes	-	-	-	0	0,00%
Water pump stations	669 597	334 799	-	334 799	100,00%
Spring protection	2 000 000	1 000 000	978 312	21 688	2,17%
Sewerage pump stations	174 058	87 029	-	87 029	100,00%
Sewerage treatment	-	-	-	0	0,00%
Materials and stores	15 630 403	7 815 202	11 301 992	-3 486 791	-44,62%
Sealing of reservoir	1 000 000	500 000	-	500 000	100,00%
Repair of elements	6 342 000	3 171 000	1 595 107	1 575 893	49,70%
Surveillance equipment maintenance	150 000	75 000	-	75 000	100,00%
Total	39 976 058	19 988 029	18 775 255	1 212 774	6,07%

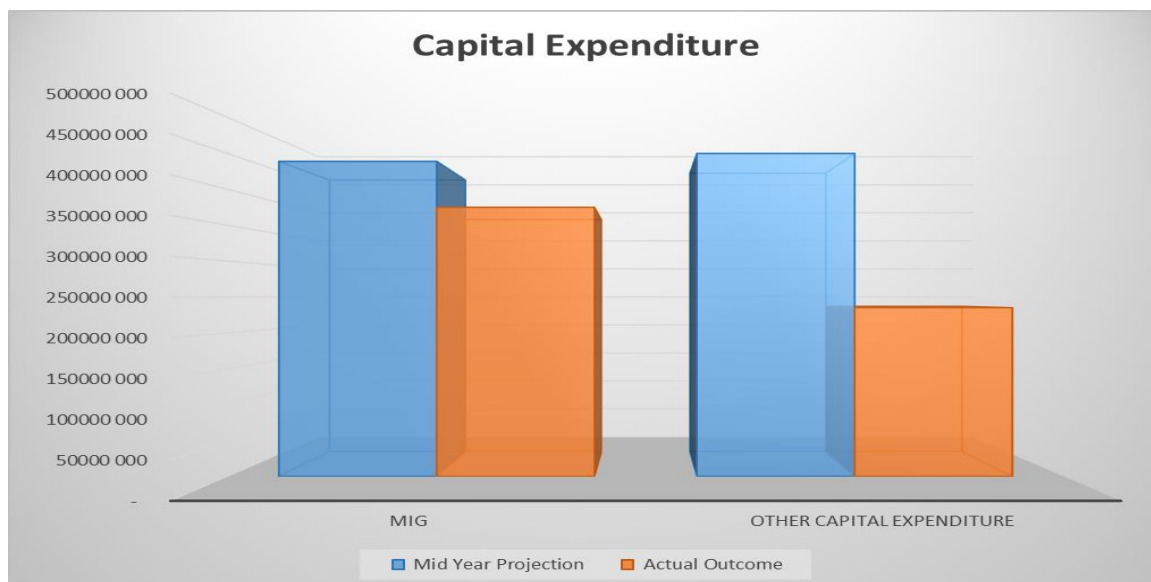
The amount spent on repairs and maintenance in the mid-term is R18.7 million which is less by R1.2 million which is 6%.

Capital Expenditure

Description	Original Budget	Mid Year Projection	Actual Outcome	Mid Year Variance	Mid Year Variance %
MIG	720 325 000	439 037 791	360 526 846	78 510 945	17,88%
Other Capital Expenditure	664 736 461	450 062 791	235 161 288	214 901 503	47,75%
Total	1 385 061 461	889 100 582	595 688 133	293 412 449	33,00%

Capital expenditure is mainly composed of Municipal Infrastructure Grant (MIG). MIG comprises capital expenditure and operating expenditure (PMU expenses). Total allocation for MIG was R720.3 million and other capital grants include including

Water Services Infrastructure Grant (WSIG) (R100 million), Regional Bulk Infrastructure Grant (RBIG) (R291.1 million).



Conditional Grant spending

Grant Name	Grant Allocation	Grants Received	YTD Actual Spending	% Spent against allocation
Operating Grants				
FMG	2000000	2 000 000	402 485	20.12%
EPWP	3 846 000	2 692 000	3 750 208	97.51%
Capital Grants				
MIG	720 325 000	575 362 000	360 526 846	50.05%

Grant Name	Grant Allocation	Grants Received	YTD Actual Spending	% Spent against allocation
WSIG	100 000 000	67 000 000	34 258 346	34.26%
RBIG	291 113 000	233 376 000	124 142 434	42.64%
Rural Roads Management System	3 296 000	2 307 000	1 459 337	44.28%
Emergency Municipal Housing Grant	205 000 000	57 968 476	41 166 431	20.08%

Operating grants

- Finance management grant has spent 20 % out of the total allocation of R2 million.
- EPWP has spent 98% out of the total allocation of R3.8 million.

Capital grants

- MIG has spent 50% of the total allocation of R720.3 million.
- WSIG has spent 34% of the total allocation of R100 million.
- RBIG has spent 43% of the total allocation of R291.1. million.
- RRAM has spent 44% of the total allocation of R3.2 million.
- EMHG has spent 20% of the total allocation of R205 million.

Included in the MIG expenditure for December is an amount of R8,8m which was later returned by the bank in January 2025. A reconciliation was done on the WSIG expenditure and amounts totaling R3.2 million had been omitted during the submission of Section 71 report for December 2024, the expenditure has been included in the current report.

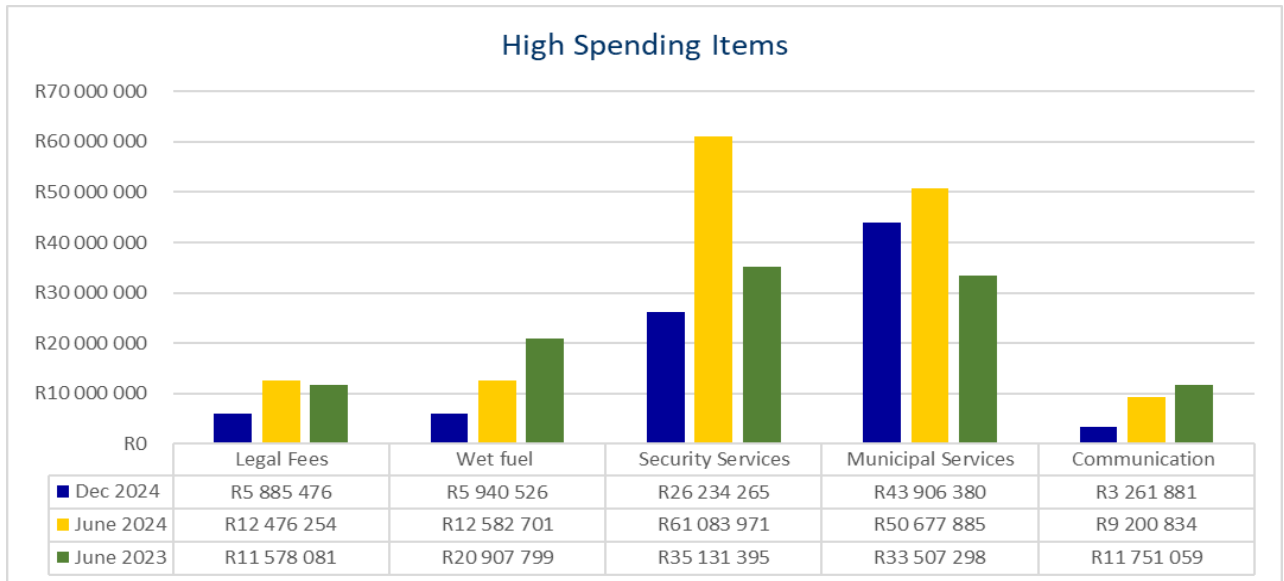
5.1.3 POTENTIAL AREAS FOR ADJUSTMENT

Downward adjustment on contracted services, grants and subsidies and other operating expenditure items will decrease drastically in order to stabilize the financial situation.

High spending Items

The following items had mid-year expenditure above R5 million and a percentage of more than 50% in comparison to the prior year audited amount.

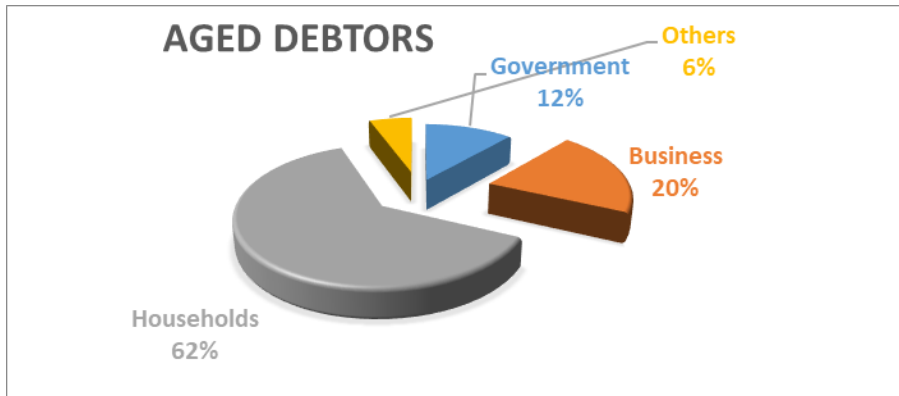
Item	Mid-Term Dec 2024	June 2024	June 2023
Legal Fees	5,885,476.12	12,476,254.37	11,578,081.35
Wet fuel	5,940,526.21	12,582,700.70	20,907,798.74
Security Services	26,234,264.98	61,083,970.58	35,131,394.72
Municipal Services	43,906,379.73	50,677,885.12	33,507,297.66
Communication	3,261,880.73	9,200,834.17	11,751,058.63



5.1.4 DEBTORS

The debtors' balance as at 31st December 2024 was R 984.3 million made up as follows:

Category	0 – 30 Days	61 -90 Days	91 -120 Days	121 -150 Days	151 - 180 Days	181 - 1 Year	Over 1 Year	Total
Government	17 582 805	7 521 456	6 245 809	7 620 704	2 044 024	23 300 776	40 874 527	113 186 127
Business	12 659 589	4 022 530	3 534 287	5 620 992	3 579 456	53 627 673	113 852 153	201 448 046
Households	23 789 433	11 571 705	11 016 273	14 688 346	10 351 956	179 457 123	352 099 811	614 413 561
Others	8 094 106	1 469 462	1 172 817	1 907 078	1 103 572	16 063 036	23 942 504	55 335 788
Total	62 125 933	24 585 153	21 969 186	29 837 120	17 079 008	272 448 608	530 768 995	984 383 522



Detailed debtors

Sector	MONTHS	-	1,00	2,00	3,00	4,00	5,00	6,00	12,00	17,00	TOTAL (Rands)
	DAYS	CURRENT	30,00	60,00	90,00	120,00	150,00	180,00	360,00	credit	
	Debtors Balance as at 31st December 2024										
Domestic		11 128 263,79	10 976 391,14	10 501 097,80	10 656 455,28	10 087 311,28	13 244 632,66	9 533 221,35	114 523 773,33	-8 633 194,86	573 831 497,01
Government		8 677 203,21	5 512 123,18	6 269 776,43	5 623 044,84	4 395 487,89	6 023 312,99	1 200 121,83	5 511 302,16	-902 955,48	59 115 242,23
Business		7 343 129,75	5 316 458,54	4 551 365,85	4 022 530,00	3 534 287,07	5 620 992,29	3 579 456,29	35 189 255,17	-2 574 334,08	201 448 045,61
Municipality		1 819 340,50	1 574 137,58	1 726 249,99	1 898 410,76	1 850 321,45	1 597 391,03	843 901,92	8 694 936,27	-1 864 338,40	54 070 884,79
School		5 352 553,63	2 335 587,17	1 404 151,75	1 283 266,08	971 824,24	1 637 567,38	919 047,04	9 186 310,05	-494 256,23	43 379 015,23
Church		226 906,98	179 059,16	179 060,16	186 196,54	200 992,23	269 511,10	184 525,26	1 440 044,58	-125 524,19	11 956 772,99
Indigent		780 963,77	824 884,26	900 801,10	882 503,24	895 883,92	1 402 793,68	786 209,28	9 235 066,66	-204 542,88	38 922 813,35
Councillor		2 943,31	2 870,97	2 741,84	2 815,36	2 245,69	3 173,12	4 454,17	14 940,76	0,00	63 725,75
Staff Members		37 027,30	36 088,51	34 273,68	29 931,18	30 832,46	37 746,04	28 071,31	214 781,54	-10 965,60	1 595 525,24
GRAND TOTAL		35 368 332,24	26 757 600,51	25 569 518,60	24 585 153,28	21 969 186,23	29 837 120,29	17 079 008,45	184 010 410,52	-14 810 111,72	984 383 522,20

5.1.5 CASH AND CASH EQUIVALENTS

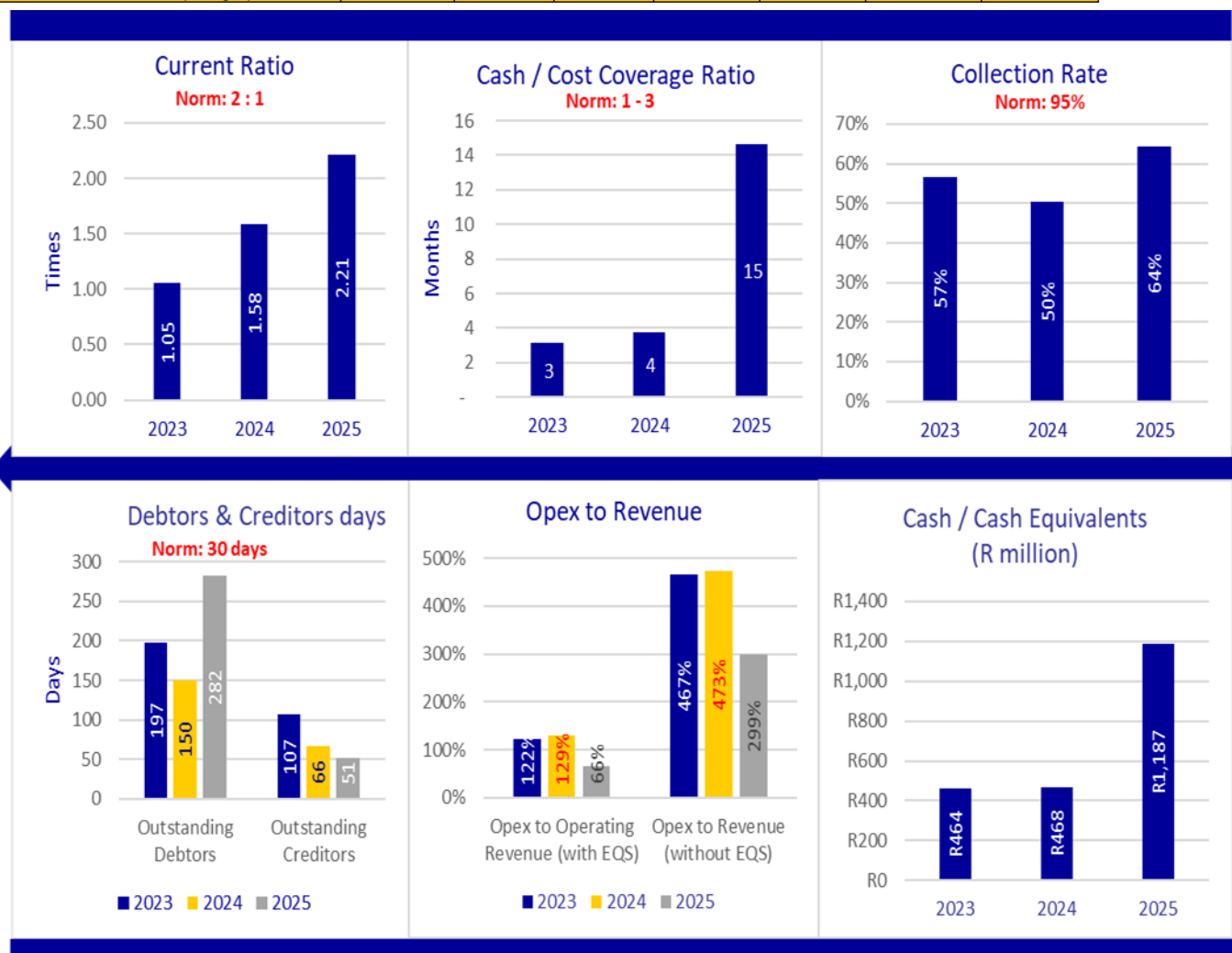
The table below reflects the balances at the end of the mid-term:

BANK	AMOUNT
Main account	R200.1 million
Call and short-term investments	R1.005 billion

Ratios

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PERFORMANCE INDICATOR	NORM	2019/20 AUDIT OUTCOME	2020/21 AUDIT OUTCOME	2021/22 AUDIT OUTCOME	2022/23 AUDIT OUTCOME	2023/24 AUDIT OUTCOME	DEC 2024
Operating Revenue	n/a	2,045,817,792	2,023,411,613	1,890,111,176	2,284,427,156	2,467,064,869	1,683,417,923
Operating Expenditure	n/a	(1,752,900,012)	(1,780,063,028)	(1,600,460,325)	(1,733,126,592)	(1,989,987,996)	(761,244,790)
Operating Surplus / (Deficit) - GRAP	n/a	292,917,781	243,348,585	289,650,851	551,298,564	477,076,873	922,173,133
Operating Surplus / (Deficit) Ex. Capital revenue recognised	n/a				(213,079,386)	(432,381,127)	405,026,714
Capital Expenditure	n/a	(735,926,941)	(570,475,173)	(491,302,262)	(520,827,858)	(624,495,902)	(450,279,753)
Cash / Cash Equivalents at the year end	n/a	322,955,526	397,403,054	383,801,357	464,155,458	468,035,695	1,187,028,135
Conditional Grant Performance	100%	90%	77%	75%	87%	100%	59%
Current Ratio	2 : 1	0.71 : 1	0.69 : 1	0.7 : 1	1.05 : 1	1.58 : 1	2.21 : 1
Cash / Cost Coverage Ratio	1 - 3 Months	-1 Month	1 Month	2 Months	3 Months	4 Months	15 Months
Collection Rate	95%	48%	75%	54%	57%	50%	64%
Debt to Revenue Ratio	<= 45%	0%	0%	0%	0%	0%	0%
Outstanding Debtors	30 days	166 Days	195 Days	185 Days	197 Days	150 Days	282 Days
Outstanding Creditors	30 days	88 Days	93 Days	171 Days	107 Days	66 Days	51 Days
Debt to Assets Ratio	> 1	1 : 7.33	1 : 6.8	1 : 8.08	1 : 11.68	1 : 15.77	1 : 12.93
Remuneration to Operating Expenditure	25 - 40%	41%	44%	47%	42%	38%	50%
Opex to Revenue (with EQS)					1,216,647,284	1,299%	66%
Opex to Revenue (without EQS)					467%	473%	299%
Contracted Services % of Total Operating Expenditure	2% - 5%				10%	7%	8%



5.1.6 MSCOA COMPLIANCE

2024/2025 Mid-Year Report (s72)

The municipality has successfully submitted the July, August, September October, November and December 2024 mSCOA data strings during the mid-term within the deadlines.

The following mSCOA data strings were successfully submitted:

- Monthly Actuals for July, August, September, October, November, and December 2024.
- Monthly Aged Creditors for July, August, September, October, November and December 2024.
- Monthly Aged Debtors for July, August, September, October, November and December 2024.
- Quarterly Borrowing and Monitoring Q1 and Q2.
- Quarterly Investment and Monitoring Q1 and Q2.
- Restated Audited Actuals for 2022-2023
- Pre-Audited and Audited Actuals for 2023-2024
- Pre-Audited and Audited Aged Creditors for 2023-2024
- Pre-Audited and Audited Aged Debtors for 2023-2024

An mSCOA quarterly report for the second quarter for 2024-2025 has been prepared and will be tabled in council by end January 2025 as per the mSCOA requirements. The mSCOA steering committee sat on the 13 December 2024.

5.1.7 ASSET MANAGEMENT

The municipality adopted an asset management policy for proper guidance in managing municipal assets including acquisition, safeguarding, maintenance, and disposal. The municipality has both movable and immovable asset registers. The current financial system does not have a module for asset management.

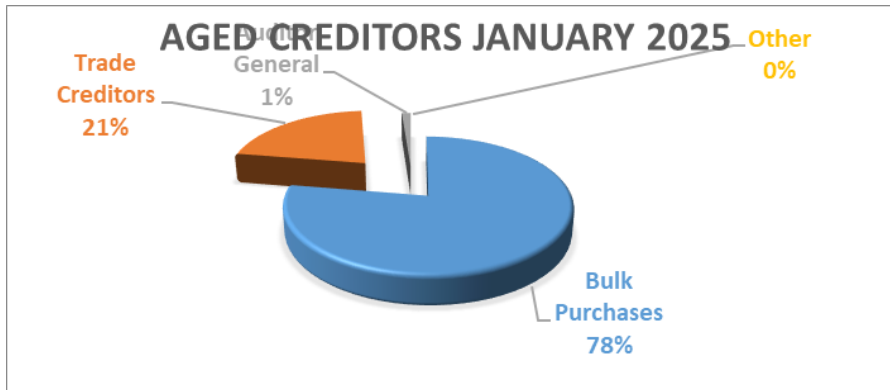
ASSETS VALUES AS 31 DECEMBER 2024					
ASSET TYPES	Opening balance	Additions	Impairment	Depreciation	Total
TRANSPORT ASSETS	42,765,389.09	3,388,813.01	0.00	-4,006,541.16	42,147,660.94
OFFICE AND FURNITURE EQUIPMENT	7,489,498.80	267,438.00	0.00	-887,685.85	6,869,250.96
COMPUTER EQUIPMENT	5,381,861.81	3,985,644.24	0.00	-838,941.67	8,528,564.38
MACHINERY AND EQUIPMENT	942,013.11	83,200.00	0.00	-136,942.75	888,270.36
BUILDINGS	72,167,216.88	0.00	0.00	-1,444,575.45	70,722,641.42
HERITAGE ASSETS	247,025.00	0.00	0.00	0.00	247,025.00
INFRASTRUCTURE ASSETS	6,611,899,069.18	0.00	0.00	-141,026,660.61	6,470,872,408.57
WIP	1,239,128,200.54	403,037,970.02	0.00	0.00	1,642,166,170.56
INTANGIBLE ASSETS	211,951.88	0.00	0.00	-52,987.97	158,963.91
LAND	13,798,000.00	0.00	0.00	0.00	13,798,000.00
FINANCE LEASE	2,262,283.99	0.00	0.00	-848,356.50	1,413,927.49
	7,996,292,510.29	410,763,065.27	0.00	-149,242,691.97	8,257,812,883.59

All municipal assets are insured with Kunene Makopo Insurance. All municipal assets damages, accidents, losses, etc including third party claims are reported to the insurance company.

5.1.8 CREDITORS

Creditors for December 2024 amounted to R83.3million. For more details, please refer to the summarised creditor's age analysis sheet as at 31st December 2024 below:

	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
0100 BULK ELECTRICITY	-	-	-	-	-	-	-	-	-
0200 BULK WATER	-	7 028 061,20	-	-	-	-	-	57 666 409,61	64 694 470,81
0300 PAYE DEDUCTIONS	-	-	-	-	-	-	-	-	-
0400 VAT (OUTPUT LESS INPUT)	-	-	-	-	-	-	-	-	-
0500 PENSIONS / RETIREMENT DEDUCTI	-	-	-	-	-	-	-	-	-
0600 LOAN REPAYMENTS	-	-	-	-	-	-	-	-	-
0700 TRADE CREDITORS	16 949 329,57	-	725 188,77	-	-	-	-	-	17 674 518,34
0800 AUDITOR GENERAL	1 004 328,91	-	-	-	-	-	-	-	1 004 328,91
0900 OTHER	-	-	-	-	-	-	-	-	-
	17 953 658,48	7 028 061,20	725 188,77	-	-	-	-	57 666 409,61	83 373 318,06
	22%		78%						



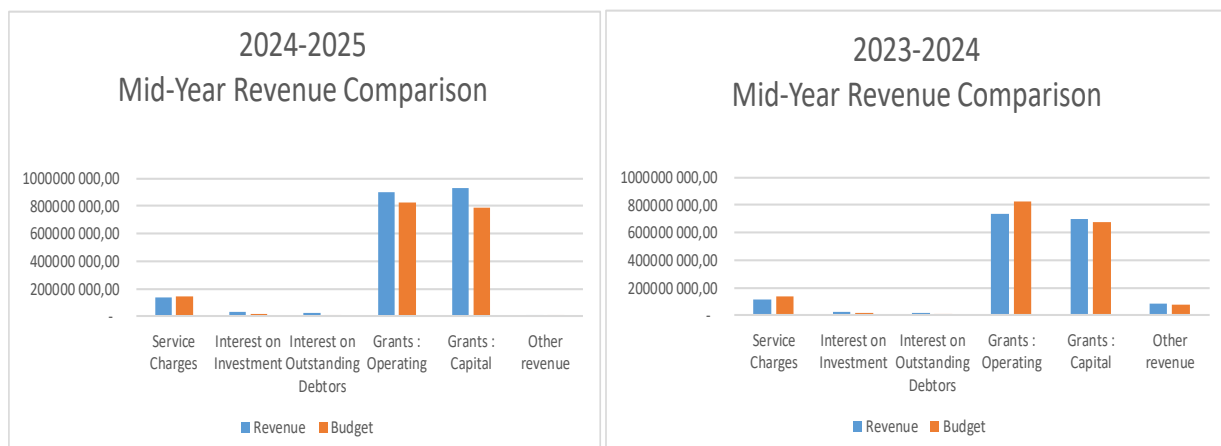
The municipality has an arrangement with the Department of Water and Sanitation to pay R2 688 916,26 in respect of the old debt and settle the current invoices in full on the due date.

The municipality has a dispute arising from the statement from DWS statements. The Provincial Treasury has been mandated to facilitate dispute resolution between the two parties.

The biggest creditors are Department of Water Affairs for bulk water and KSD municipality for electricity.

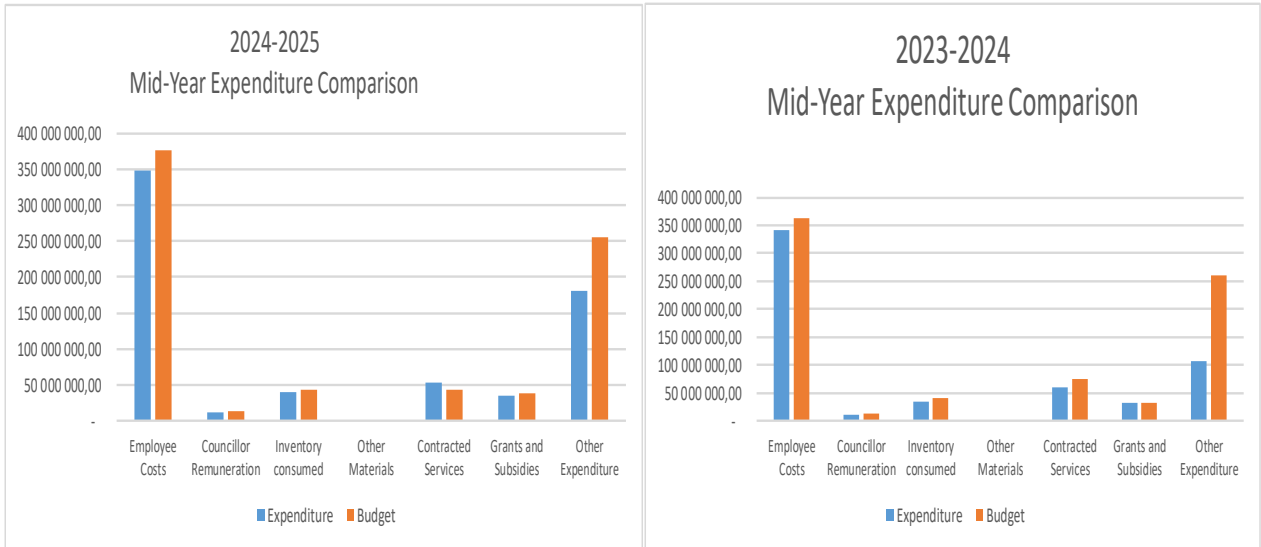
5.1.9 COMPARISON BETWEEN 2023/2024 AND 2024-20245

Revenue comparisons



Expenditure comparison

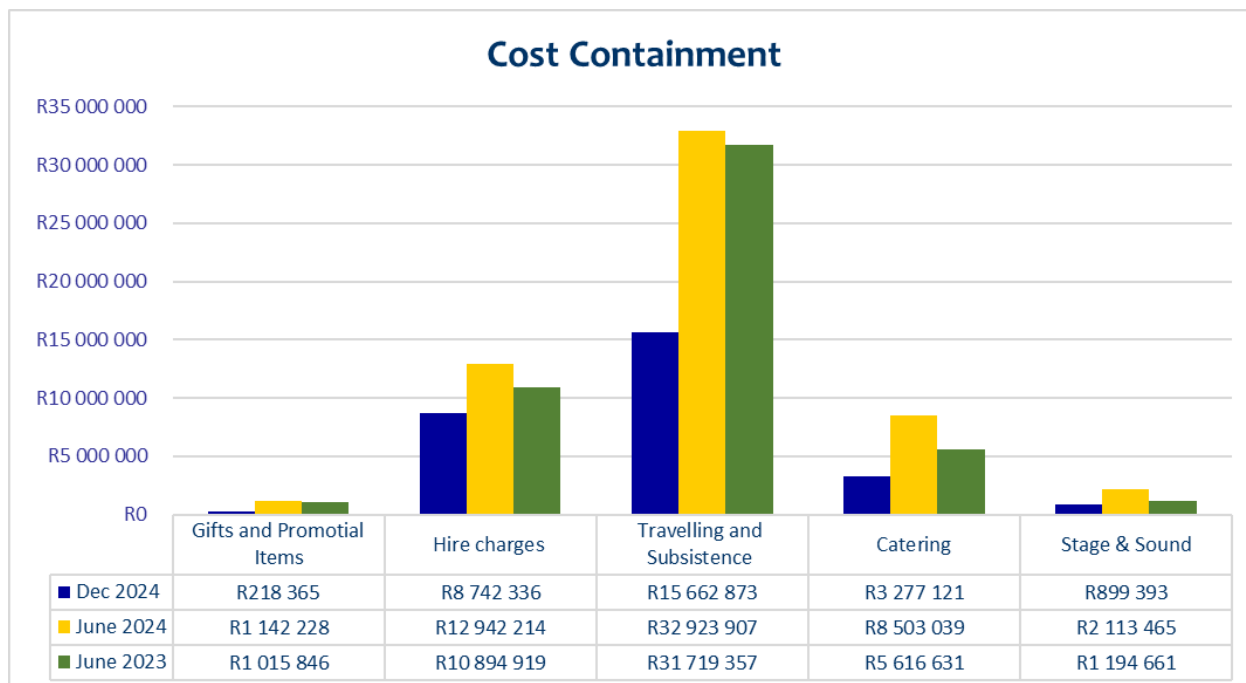
2024/2025 Mid-Year Report (s72)



The table below represents a comparison of 2024/25 and 2023/24:



Cost Containment



Projected Cash Flows

The following table presents cash flow projections until the end of the financial year 2025:

Description	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Opening Balance Cash and cash equivalents	1 205 900 825	1 025 433 891	858 690 026	1 440 885 662	1 274 979 811	1 147 197 456
Projected Collection	9 026 506	31 883 569	49 413 564	22 915 202	30 875 943	29 461 131
Service Charges						
Grants Revenue	17 083 333	18 044 833	753 639 627	17 083 333	17 083 333	17 083 337
Interest on investment	3 548 362	3 375 000	3 629 945	3 375 000	3 375 000	3 375 000
Total Revenue	1 235 559 026	1 078 737 293	1 665 373 162	1 484 259 197	1 326 314 087	1 197 116 924
Salaries	64 862 085	64 862 085	64 862 085	64 862 085	64 862 085	64 859 987
Grants Expenditure	85 684 618	102 912 369	103 739 602	88 537 949	60 167 786	54 918 555
General Expenditure	59 578 432	52 272 813	55 885 813	55 879 352	54 086 760	55 204 997
Total	210 125 135	220 047 267	224 487 500	209 279 386	179 116 631	174 983 539
Surplus/(Deficit)	1 025 433 891	858 690 026	1 440 885 662	1 274 979 811	1 147 197 456	1 022 133 385

5.1.10 AUDIT OUTCOMES

2024/2025 Mid-Year Report (s72)

The municipality has received an unqualified audit opinion for the 2nd time, two consecutive years in a row. This represents positive change and fundamental culture shift by the municipality as this should in future translate towards the realization of the mandate, the values, vision and mission of organization.

Even though the municipality has received an unqualified audit opinion, there were material findings/ misstatements that we subsequently corrected to the satisfaction of the AGSA

Subsequently, an audit action has been developed. Below is the summary of issues to be actively monitored per department:

Department	Total number of activities
Municipal Manager and Strategic Planning and Governance	8
Budget and Treasury	21
ICT	8
Total	37

Compliance with legislation

To improve and to ensure full compliance with existing laws, processes and procedures, targeted training on municipal processes and effective implementation Accountability Framework as prescribed by the MFMA Circular No. 121 including other policies of the municipality must be adhered to by all affected (political oversight structures and administrative units).

In addition, and whereas it becomes the sole responsibility of every official to adhere to existing legislation, a mechanism and/or a reliable tool to track and monitor compliance with laws and regulations must also be developed with the aim of ensuring compliance by all. The above, especially the implementation of accountability framework, may assist in improving business continuity and limit the results of the material non-compliance on laws and regulations as identified by AGSA.

Internal controls

There are still significant deficiencies on internal controls that have been identified by AGSA. Whereas certain improvements can be identified on the ICT environment a need to undertake an overhaul of our working environment to improve efficiency of doing business need to be considered and be given priority during municipal planning and budgeting.

5.1.11 SUPPLY CHAIN MANAGEMENT

MFMA requires each municipality to have and implement a Supply Chain Management Policy, which gives effect to the provisions of Part 1 of Chapter 11 of the Act that deals with 'Supply Chain Management'. On May 30, 2005, the Municipal Supply Chain Management Regulations were promulgated. The SCM Policy is reviewed regularly with the last review approved in the current financial year.

Section 117 of the MFMA prohibit Councilors from being a member of a bid committee or any other committee evaluating or approving quotations or tenders. The SCM Policy indicates that the Council has an oversight role in ensuring that the accounting officer implements all supply chain management activities in accordance with the SCM Regulations and the policy approved by the Council.

Bid committees

The competitive bidding process and bid committee structures are functioning effectively. The bid committees are composed of the following members:

Committee	Composition and Function
Bid Specification Committee- BSC	The appointed chairperson, the project manager(s) and an SCM official - Considers tender specifications recommend to the Accounting Officer for approval.
Bid Evaluation Committee- BEC	The project manager, a SCM official and other members evaluate the tenders, prepare the report and make recommendations to the BAC.

Bid Adjudication Committee- BAC	At least four (04) Senior Managers and a Senior SCM official, with the CFO as Chairperson. (Not the same SCM official as BEC)- Considers recommendations from the BEC and recommend to the Accounting Officer for award.
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As required by the legislation, members of the bid committees are required to declare to undertake the following:

- ✓ That all information, documentation and decisions regarding any matter before the committee is confidential and undertakes not to make anything known in this regard;
- ✓ To treat all service providers and potential service providers equitably and will not purposefully favour or prejudice anybody; and
- ✓ To make known details of any private or business interest he or she or any close family member, partner or associate may have in any proposed procurement or disposal of, or in any award or contract that they will immediately withdraw from participating in any matter whatsoever.

The members of the bid committees have duly undertaken to uphold confidentiality, to be fair in all dealings and to declare their personal interests, if any.

The table below depicts the sitting of all bid committees for the first six months:

Number of Bid Meetings	July 2023 to December 2024
BSC	8
BEC (non-infrastructure)	5
BEC (Infrastructure)	9
BAC	12
TOTAL	34

The table below shows the summary of bids awarded during the first six months:

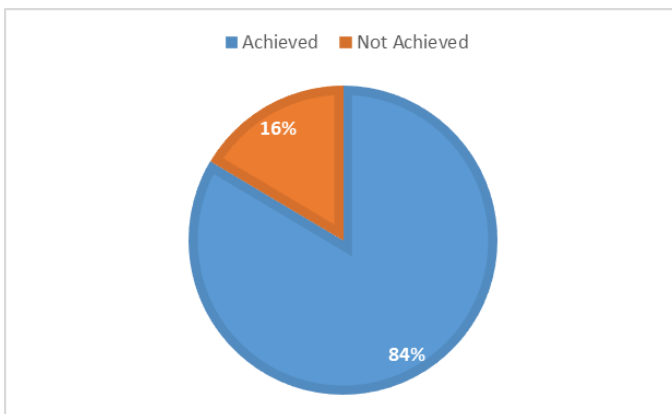
NUMBER OF BIDS AWARDED	TOTAL VALUE OF BIDS
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25	R 426 993 719,66
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5.2 NON-FINANCIAL PERFORMANCE (SERVICE DELIVERY)

The service delivery performance assessment reflects that the institution reported on 79 set targets across all the Key Performance Areas (KPA) for the mid-year. Out of the 79 targets 66 are reported as achieved and 13 targets were not achieved. Thus, 84% of the measured targets were achieved, whilst 16% of the measured targets were not achieved. The 84% performance level recorded shows increase from 2023/24 mid-year performance which was 74%. The tables and figures below illustrate break down of targets per the KPAs as well as per department or financial votes of the institutions, as well as the summary overview of performance.

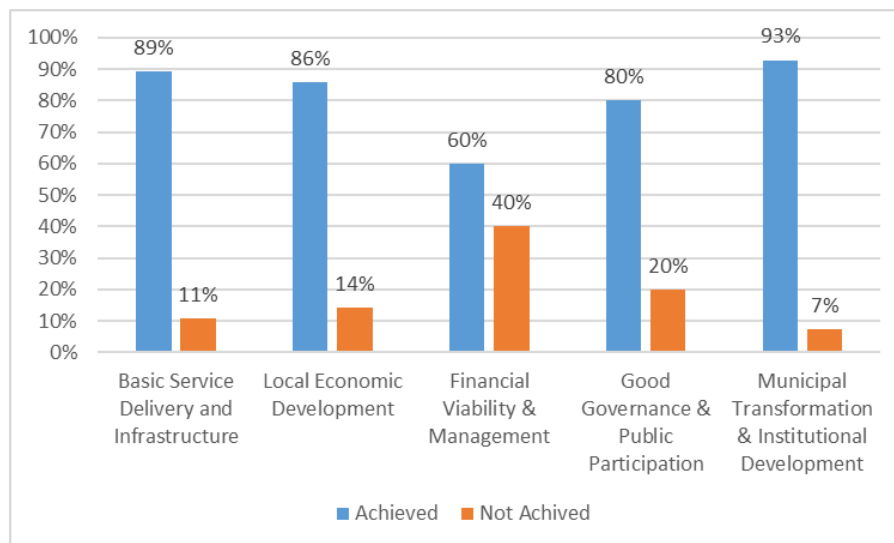
Overall institutional performance



Mid-year Performance per KPA

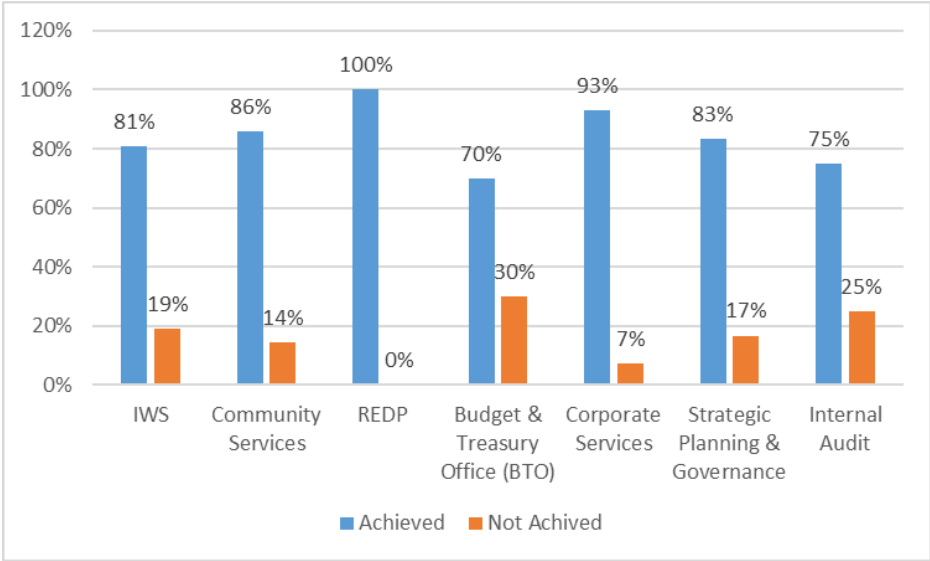
Key Performance Areas	Achieved Targets	Non-Achieved Targets	Total
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Key Performance Areas	Achieved Targets	Non-Achieved Targets	Total
Basic Service Delivery & Infrastructure Development	25	3	28
Local Economic Development	6	1	7
Financial Management & Viability	6	4	10
Good Governance & Public Participation	16	4	20
Municipal Transformation & Institutional Development	13	1	14
TOTAL	66	13	79



Mid-year Performance per department

Departments	Achieved Targets	Non-Achieved Targets	Total
Infrastructure, Water & Sanitation	17	4	21
Community Services	6	1	7
Rural Economic and Development Planning (REDP)	5	0	5
Budget & Treasury Office (BTO)	7	3	10
Corporate Services	13	1	14
Strategic Planning & Governance	15	3	18
Internal Audit	3	1	4
TOTAL	66	13	79



5.2.1 PROGRESS MADE WITH THE IMPLEMENTATION OF CORRECTIVE MEASURES OF KPI'S NOT MET IN THE 2023/24 FINANCIAL YEAR

As prescribed in section 72(1)(a)(iii) of the MFMA the Accounting Officer must 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 municipality has prepared the Management Audit Action Plan (MAAP) which captures all the issues in the audit report and actions to be taken by the municipality in resolving those issues. The MAAP will be monitored on a quarterly basis through Internal Audit and the office of the Municipal Manager.

Targets not achieved in the 2023/2024 Annual Report have been reported in the performance for quarter 1 and others were considered in the plans for the 2024/2025 2024/2025 Mid-Year Report (s72)

financial year upon realization that they were not going to be achieved after assess assessment of quarter 3 performance.

6. FINANCIAL IMPLICATION

The non-monitoring of cash-flow projections may negatively affect the cash flow of the institution. Commitments above the approved amount may put a strain on the financial resources of the municipality.

7. COMMENTS

Revenue –

- Collections were slightly under collected for the mid-term by R12.1 million.
- Interest on investment was over collected by R14.6 million for the mid-term.

8. RECOMMENDATION

It is therefore recommended that:

- Council notes the 2024/25 mid-year report on state of financial affairs; and
- Council notes that the Budget & SDBIP will be adjusted.