

Duncan M. Mhlahlo

MfMA SEC.72 Mid- year budget and performance assessment

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SECTION 1: INTRODUCTION

In terms of Section 72 (a) of the Local Government Municipal Finance Management Act the Accounting Officer must assess the performance of the municipality during the first half of the financial year. A report on such assessment must then be submitted to the Executive Mayor, Provincial Treasury and National Treasury in terms of Section 72 (b) of the Act.

The following aspects should form part of the Mid-Year Budget and Performance Assessment Report:

- Monthly Budget Statement – MFMA Section 71 report
- The Performance of the Municipality during the first half of the financial year in terms of the service delivery targets and performance indicators as set in the adopted Service Delivery and Budget Implementation Plan
- The past year's Annual Report and progress in resolving the issues contained in the Annual Report relating to the previous financial year 2022/2023.

The following report will contain all the elements as mentioned above, except for the Annual Report and action plan to resolve the issues raised in the past year's annual report. The latter has been presented as a standing item in the Council Agenda.

- **Fouriesburg:** Surrender Hill Marathon in February and the Rose Show in October.
- **Qwaqwa:** Basotho Cultural Village traditional workshop and Family Day celebration in March
- **Ficksburg:** Easter Festival at Rusters valley in April and the Cherry Festival in November.
- **Bethlehem:** Air show in May.
- **Harrismith:** Free State Polo championships in May and the Berg Bohaal in October.

following:

Thabo Mofutsanyana is well known for several tourists' attractions and destinations and also features a variety of annual festivals. These annual includes among others the

people per square km.

The area is primarily agricultural in nature and includes the former homelands of Qwaqwa and the municipal area is (km²) 26 035, 4 big. The main centres in the District are Bethlehem, Ficksburg, Harrismith, Vrede, Memel, Phuthaditjhaba, Senekal, Reitz, Ladybrand and Warden. The most populated municipality is Maluta-Phofung which was declared as a node and has 52% of the district population and a density of about 88

Harrismith (R712) and 142km North-east of Ficksburg.

Thabo Mofutsanyana District Municipality (DC 19) is situated in the North eastern Section of the Free State Province and borders for most of Lesotho and Kwazulu Natal. It nestles in the shades of the Maluti between the Orange River in the south and the Vaal River in the north. Its Head Office is situated in Phuthaditjhaba about 48km south-west of

2.1 Location

SECTION 2: OVERVIEW OF THE DISTRICT MUNICIPALITY

2.2 Mission and Vision

The vision and mission of the municipality is:

Vision

To create integrated, self-reliant and sustainable communities throughout the Thabo Mofutsanyana highlands, with financially viable, participative and developmental local municipalities.

Mission

Continuously improving and developing living conditions of our communities by providing efficient and effective bulk services and create a conducive environment for business opportunities and job creation.

2.3 Strategic Objectives

Thabo Mofutsanyana District Municipality has adopted Strategic Objectives that will support its programs to meet the 2023-2024 government priorities. These key priorities are as follow:

- Sustainable infrastructures
- Local Economic Development, job creation and Tourism
- Agriculture and Rural Development,
- Social Development, Sports, Arts and Culture
- Good Governance and Community Participation
- Financial viability

2.4 Allocated Powers and Functions

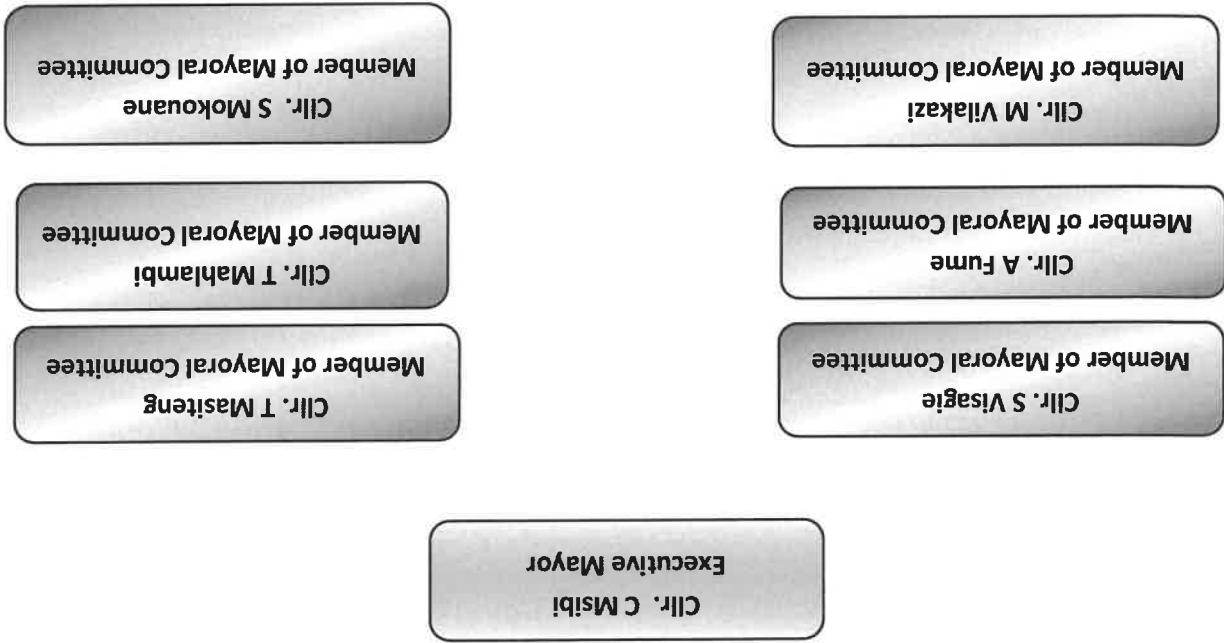
The allocated powers and functions to Thabo Mofutsanyana District Municipality in terms of the Local Government Municipal Structures Act No. 117 of 1998, sec. 84. Division of functions and powers between district and local municipalities - (1) A district municipality has the following functions and powers are as follows:

- a. Integrated development planning for the district municipality as a whole, including framework for integrated development plans of all municipalities in the area of the district municipality.
- b. Potable water supply systems.
- c. Bulk supply of electricity, which includes for the purposes of such supply, the transmission, distribution and, where applicable, the generation of electricity.
- d. Domestic waste- water and sewage disposal systems.
- e. Solid waste disposal sites, in so far as it relates to - (i) the determination of a waste disposal strategy; (ii) the regulation of waste disposal; (iii) the establishment, operation and control of waste disposal sites, bulk waste transfer
- f. Municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole.
- g. Regulation of passenger transport services.
- h. Municipal airports serving the area of the district municipality as a whole.
- i. Municipal health services.
- j. Firefighting services serving the area of the district municipality as a whole, which includes - (i) planning, co-ordination and regulation of fire services; (ii) specialized firefighting services such as mountain, veld and chemical fire services; (iii) co-ordination of the standardisation of infrastructure, vehicles, equipment and procedures; (iv) training of fire officers.
- k. The establishment conduct and control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the district.
- l. The establishment, conduct and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the district.
- m. Promotion of local tourism for the area of the district municipality.

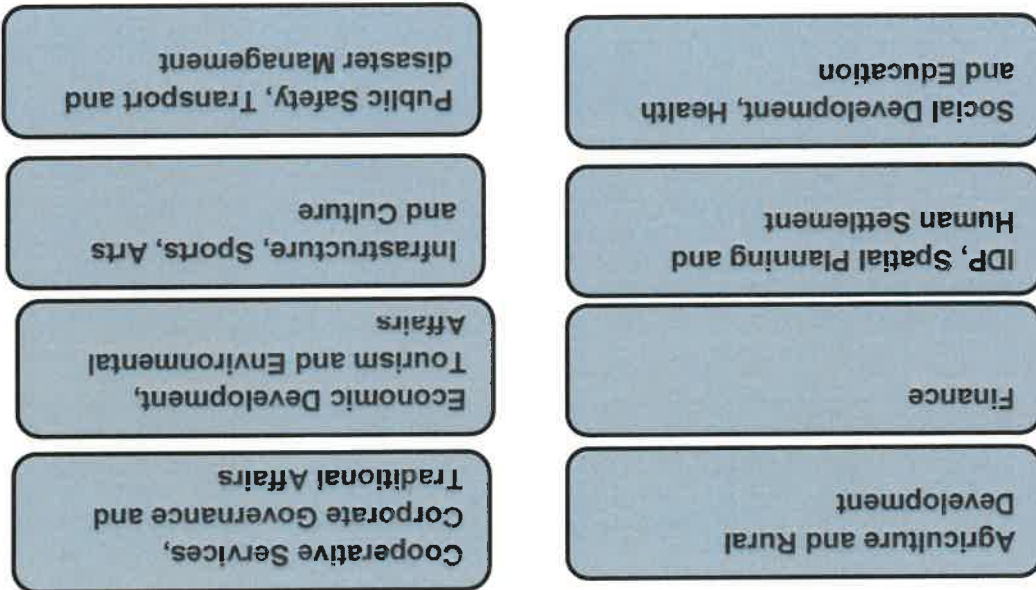
- n. Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.
- o. The receipt, allocation and, if applicable, the distribution of grants made to the district municipality.
- p. The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

2.5 High Level Organizational Arrangements

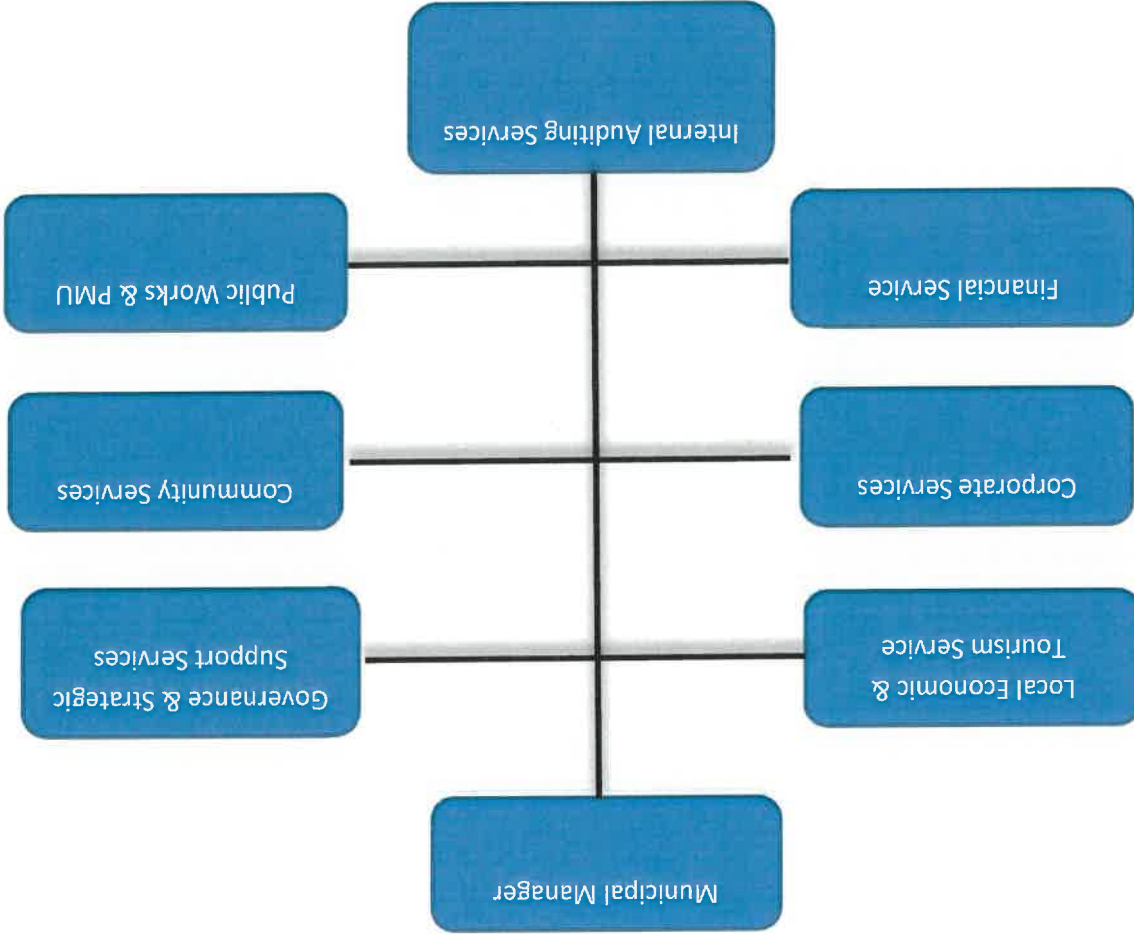
2.5.1 Political Structure



2.5.2 Portfolio Committees



2.5.3 Administrative Structure



SECTION 3: MONTHLY BUDGET STATEMENT – SECTION 71 REPORTS

3.1. Operating Budget

The overall operating results for the mid-term period ending 31st December 2023

Description	Approved Original Budget	Adjustment Budget	First Quarter Results	Second Quarter Results	Year to date (YTD)	%
INCOME						
Operating Revenue	R199,209,390	R -	R69,924,632	R53,528,735	R123,453,367	62%
EXPENDITURE						
Operating Expenditure	R184,407,390	R -	R35,382,046	R44,9647,898	R80,030,030	43%
Capital Expenditure	R14,802,000	R -	R123,463	R45,499	R168,962	1%
TOTAL EXPENSE	R199,209,390	R -	R35,505,509	R44,694,080	R80,198,992	40%
Surplus/ Deficit	R -	R -	R34,419,123	R8,835,252	R43,254,375	

Operating budget analysis

- The operating revenue received during the half-year period appear to have performed 12% above the anticipated average revenue of 50% and this attributed to tranches of grants received in line with National Treasury payment schedule during the period under review.
- The operating and capital expenditure have underspending variance of 7% and an underspending of 49% respectively as compared to the projected average spending of 50% for the half-year, the effect is primarily caused by the decrease procurement of goods of capital nature and the depreciation and debt impairment that usually get accounted at year end.

Actual Revenue, per revenue source

Operating Revenue	Approved	1 st Quarter	2 nd Quarter	Year to Date	%
Operating Revenue	Budget	Revenue	Revenue	Revenue	
Grants and Subsidies	R148,082,000	R63,510,000	R47,481,000	R110,991,000	75%
Interest received	R4,131,376	R1,565,393	R1,166,052	R2,731,446	66%
Other revenue	46,996,014	R4,849,239	R4,881,683	R9,730,922	21%
Total	R199,209,390	R69,924,632	R53,528,735	R123,453,367	62%

Actual revenue, per revenue source analysis

- Grants and subsidies have been received in line with the National Treasury payment schedule,
- Interest received during the half-year period appear to have performed 16% above the anticipated average interest received of 50% and this attributed to greater balances of investments during the period under review.
- Other revenue is indicating below average projected anticipated income by 29%, this due to the depreciation reserve being a non-cash item and cash backed reserved from the prior period to be recognized at year end.

Actual Expenditure per category

Operating Expenditure per Category	Approved Budget	Adjustment Budget	Expenditure		Exp to date %	
			Actual per 1 st Quarter	Actual per 2 nd Quarter		
Employee Cost	R102,325,341	R -	R24,691,169	R25,195,974	R49,675,974	49%
Councillors Allowance	R9,196,504	R -	R2,111,994	R2,754,275	R4,866,269	53%
General Expenditure	R68,528,047	R -	R8,180,320	R16,120,148	R24,299,870	35%
Property, Plant and Equipment	R14,802,000	R -	R123,463	R45,499	R168,962	1%
Depreciation	4,357,498	R -	R609,733	R578,185	R1,187,918	27%
Finance Charges	R -	R -	R -	R -	R -	0%
TOTAL	R199,209,390	R -	R35,505,509	R44,694,081	R80,198,992	40%

Actual expenditure, per category analysis

- Employee cost reflects a slightly underspending variance of 1% as compared to the projected average spending of 50% for the half-year, the effect is not material and therefore, acceptable.

- Councilor's allowance reflects an underspending of 3% as projected for the half-year, the effect is not material and therefore, acceptable.

- General expenditure reflects underspending variance of 15% as compared to the projected average spending of 50% for the half-year, the effect is due multi-year contracts ending in the current year and the municipality is yet to appoint new service providers.

- Purchase of Property, Plant and Equipment reflects under-spending variance of 49% as compared to the projected average spending of 50% for the half-year, the effect is primarily caused by the pending appointment of a service provider for the construction of bridges as per budget.

- Depreciation reflects projected underspending of 15% for the half-year, due to budgeted additions to Property, Plant and Equipment not yet been procured.

Actual Expenditure per capital programme

Capital Expenditure	Approved Budget	Adjustment Budget	1 st Quarter Expenditure	2 nd Quarter Expenditure	Year To Date Expenditure	% To
Furniture and equipment	R1,900,000	R -	R65,524	R45,499	R111,023	6%
Computers	R860,000	R -	R57,940	R -	R57,940	7%
Vehicles	R500,000	R -	R -	R -	R -	0%
PPE & Disaster Equipment	R350,000	R -	R -	R -	R -	0%
LAB Management Information system	R392,000	R -	R -	R -	R -	0%
Bridge and Constructions	R10,000,000					
Plant and Equipment	R800,000	R -	R -	R -	R -	0%
Total Expenditure	R14,802,000	R -	R123,463	R45,499	R168,962	1%

- Furniture and equipment reflects an under-spending variance of 46% as compared to the projected average spending of 50% for the half-year.
- Computers reflect an underspending variance of 43% as compared to the projected spending of 50% for the half year.
- There has been no movement in expenditure in all other classes of capital expenditure to date.

- 3.2. Cash Flow Statement

Details	1 st Quarter Actual Results		2 nd Quarter Actual Results	
	1 st Quarter	Actual	2 nd Quarter	Actual
Opening bank balance – 01 st July 2023	R12, 655, 110		R10, 497, 858	
Add: Receipts				
Government Grants	R62, 716, 742		R49, 821, 803	
Interest received	R1, 565, 394		R1, 166, 052	
Other income	R61, 612		R94, 056	
Investment withdrawn	R -		R -	
Sub-total (Income)	R64, 343, 748		R51, 081, 912	
Less: Payments				
Salaries and wages	R25, 019,205		R29, 322, 163	
Cash and creditors payment	R11, 358, 333		R18, 814, 450	
Capital payment	R123, 463		R45, 499	
Investment made	R -		R10, 000, 000	
Sub-total (Expenditure)	R36, 501, 000		R58, 182, 112	
Closing bank balance – 31 st December 2023	R40, 497, 858		R33, 397, 528	

3.3. Accounts Receivables (Outstanding debts)

Accounts details	Current	30 days	60 days	+90 days
Accrued interest income	R320, 531	R-	R-	R-
VAT receivable	R-	R-	R-	R4, 760, 468
Other receivables	R-	R-	R-	R7, 941, 553
Total	R320, 531	R-	R-	R12, 702, 020

3.4 Accounts Payables (Outstanding creditors)

Accounts details	Current	30 days	60 days	+90 days
SARS EMP201 creditor (PAYE, UIF & SDL)	R-	R-	R-	R-
Third party creditors	R-	R-	R-	R-
Workmen compensation (COIDA)	R-	R-	R-	R2, 927, 782
Other creditors	R245, 623			
Total	R245,623	R-	R-	R2, 927, 782

3.5 Government Grants and Subsidies Income

Operating Revenue	Approved Budget	Adjustment	1 st Quarter Revenue	2 nd Quarter Revenue	Year to Date Revenue	%
Equitable Share	R135, 615,000	R -	R56,506,000	R44,868,000	R101,374,000	75%
Financial Management Grant	R2,300,000	R -	R2,300,000	R	R2,300,000	100%
Energy efficiency Grant	R4,000,000	R -	R2,000,000	R1,000,000	R3,000,000	75%
EPWP Incentive Grant	R3,584,000	R -	R896,000	R1,613,000	R2,509,000	70%
Rural Assets Management System	R2,583,000	R -	R1,808,000	R -	R1,808,000	70%
Municipal Systems Improvement Grant (MSIG)	R -	R -	R -	R -	R -	0%
TOTAL	R148,082,000	R -	R63,510,000	R47,481,000	R110,991,000	75%

3.6. Short-term investment portfolio

Banking Institution	Type of Account	Capital Invested	Interest Received	Investment Made	Investment withdrawn	Closing
ABSA	Fixed Deposit Plus Liquidity	R63	-	R -	R -	R63
ABSA	Call Account	R18,339,571	R833,713	R -	R -	R19,173,283
ABSA	Call Account	R3,313,049	R138,905	R -	R -	R3,451,954
ABSA	Call Account	R3,292,446	R353,452	R10,000,000	R -	R13,645,898
Nedbank	Call Account	R6,664,459	R278,728	R -	R -	R6,943,187
TOTAL						R43,214,385

Short-term investment analysis

- The ability of the District to discharge its legislative mandate depends on a solid liquidity ratio, thus, mean the sustainability of the cash investment translate to ability to delivery on local government mandate. The District currently has a favourable balance of R43.2 million, which sustainable in terms of cash liquidity.

SECTION 4: BUDGET ADJUSTMENT (MFMA Sec. 72(3)(a))

The review of the budget performance reveals the following:-

- To include grants received during the year which was not anticipated (South African National Biodiversity Institute (SANBI) Green Sebenza grant),
- To adjust upwards with the expenditure associated with the SANBI green Sebenza grant;
- To adjust the revenue projections upwards (interest on current account)
- To adjust expenditure downwards in relation to Depreciation expense
- To adjust upwards the expenditure projection of the EPW Programme to cater for tools of trade, safety boots and uniforms and protective clothing.
- To adjust upwards the expenditure projections of the remuneration of the Kgosatsana Mopeli Laboratory staff and other general expenditure items that were overspent during the first half of the 2023 – 2024 financial year.

Under the above-mentioned circumstances, a budget adjustment is recommended and will be tabled at the next council sitting.

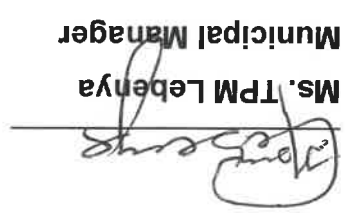
SECTION 5: CONCLUSION

The overall performance of the municipality during the first half of the financial year indicates a steady improvement especially regarding aspects of financial management and administration in general. This improvement could be attributed to strict financial measures and control which are put in place and the procurement planning which is aligned to the cash flow management.

Service Delivery and Budget Implementation Plans also reflects short comings in relation to unfunded Key Performance Target as the results SDBIP is not fully aligned with Budget and thus require a review of the performance objectives and targets to be aligned with the budget adjustment.

The budget adjustment and SDBIP review is recommended to address the budget shortfall, new allocations and other statutory obligations as a result of the latest determination for councillor remuneration.

The Mid-Year Budget and Performance Report is hereby submitted in terms of Section 72 of the Municipal Finance Management Act No. 56 of 2003.


Ms. TPM Lebanya
Municipal Manager

25/01/2024
Date