



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 2025/2026.

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.

SECTION 2: OVERVIEW OF THE DISTRICT MUNICIPALITY

2.1 Location

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

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 people per square km.

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 following:

- **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 Rustlers valley in April and the Cherry Festival in November.
- **Bethlehem:** Air show in May.
- **Harrismith:** Free State Polo championships in May and the Berg Bohaai in October.

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 2025-2026 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

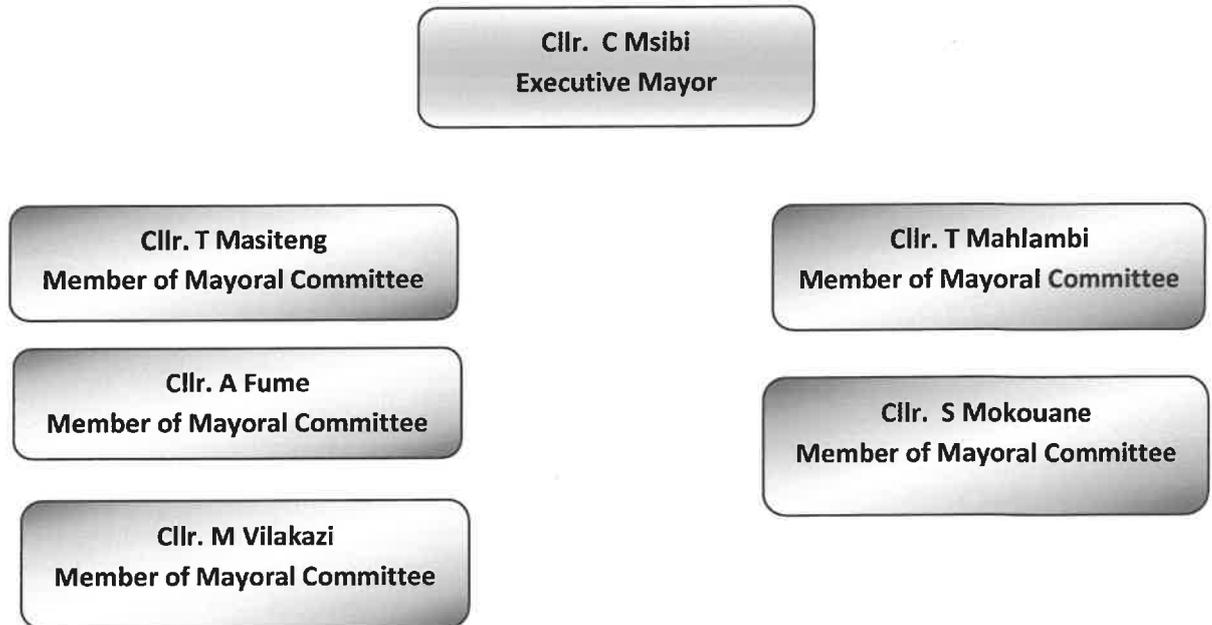
The allocated powers and functions to Thabo Mofutsanyana District Municipality in terms of the Local Government Municipal Structures Act No. 117 of 1998, sec. 84. Division of functions and powers between district and local municipalities - (1) A district municipality has the following functions and powers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

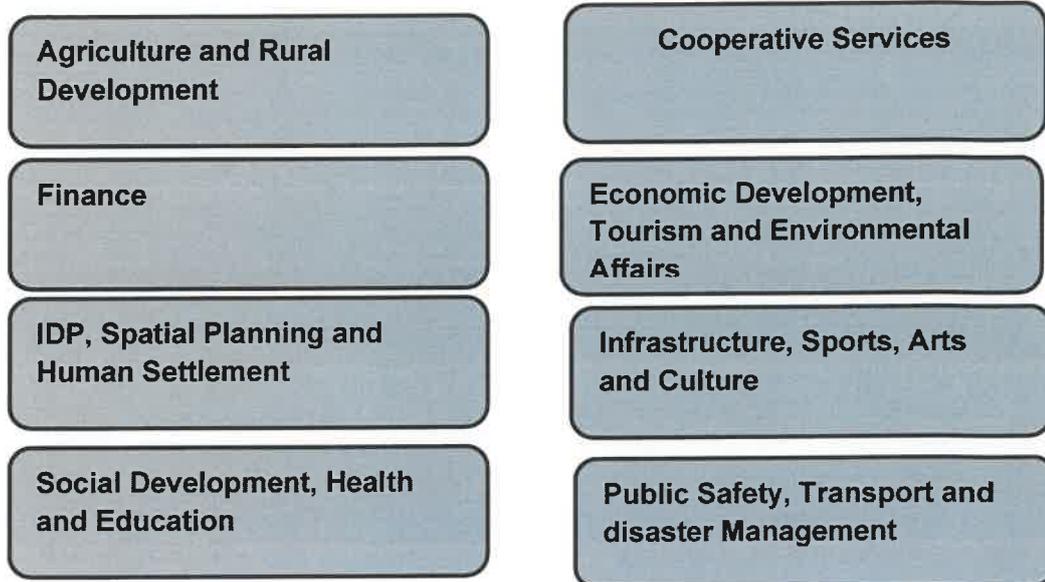
- n. Municipal public works relating to any of the above functions or any other functions assigned to the district municipality.
- o. The receipt, allocation and, if applicable, the distribution of grants made to the district municipality.
- p. The imposition and collection of taxes, levies and duties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

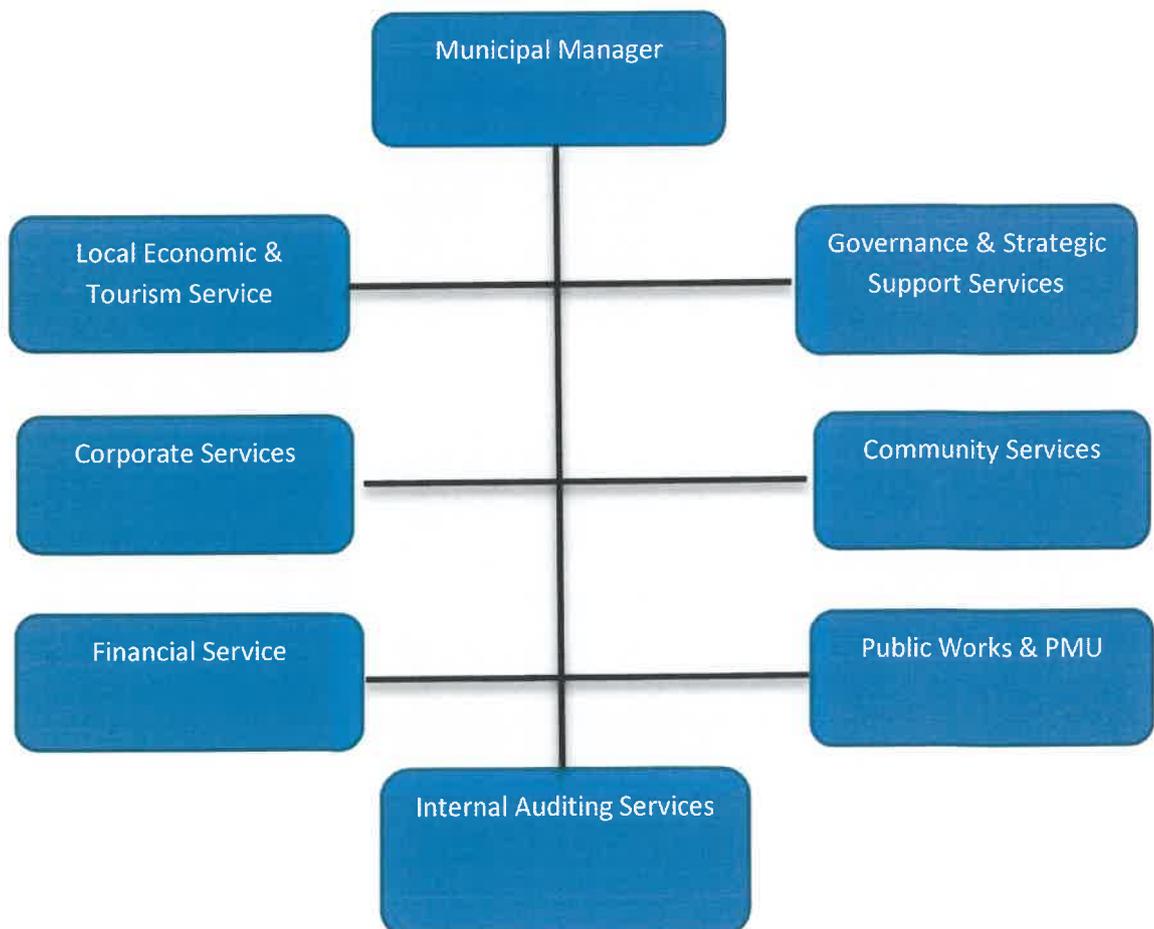
2.5.1 Political Structure



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 2025

Description	Approved Original Budget	First Quarter Results	Second Quarter Results	Year to date (YTD)	%
INCOME					
Operating Revenue	R191, 513, 319	R68, 709, 899	R55, 723,954	R124, 433, 853	65%
EXPENDITURE					
Operating Expenditure	R181, 593, 219	R38, 649, 199	R44,758,638	R83, 407, 837	46%
Capital Expenditure	R9, 920, 000	R3,465,011	R286, 496	R3, 751, 507	38%
TOTAL EXPENSE	R191, 513, 319	R42, 114, 210	R45, 045, 134	R87, 159, 344	46%
Surplus/ Deficit	R -	R26, 595, 689	R10, 678, 820	R37, 274, 509	

Operating budget analysis

- The operating revenue received during the half-year period appear to have performed 15% above the anticipated average revenue of 50% and this attributed to the additional grant received from COGTA which was not in line with National Treasury payment schedule during the period under review.
- The operating expenditure performed at 4% below the anticipated average of 50%, the effect is not material and therefore, acceptable.
- The capital expenditure has underspending variance of 12% 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.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
MID-TERM PERFORMANCE REPORT: 1 JULY 2025 – 31 DECEMBER 2025
2025/26 FINANCIAL YEAR

Actual Revenue, per revenue source

Operating Revenue	Approved Budget	1st Quarter Revenue	2nd Quarter Revenue	Year to Date Revenue	%
Grants and Subsidies	R154, 065,000	R65, 611, 000	R52, 175, 000	R117, 786,000	76%
Interest received	R6, 780, 199	R1, 114, 663	R964, 998	R2, 079, 661	31%
Other revenue	R30, 668, 120	R1, 984, 236	R2, 583, 955	R4, 568, 192	15%
Total	R191, 513, 319	R68, 709, 899	R55, 723, 954	R124, 433, 83	65%

Actual revenue, per revenue source analysis

- An additional revenue from COGTA has become available to the municipality to expedite expenditure programmes for the Kgosatsana Manapo Mopeli Water Testing Lab.
- All other 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 19% below the anticipated average interest received of 50% and this attributed to lower investment balance. This is as a result that the municipality investment strategy focuses higher investment deposits to be made in the third and fourth quarter of the 2025-2026 financial period.
- Other revenue is indicating below average projected anticipated income by 35%, 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.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
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Actual Expenditure per category

Operating Expenditure per Category	Approved Original Budget	Expenditure		(YTD) Expenditure	% Exp to date
		Actual per 1st Quarter	Actual per 2 nd Quarter		
Employee Cost	R111, 685,211	R26, 634, 716	R26, 882, 269	R53, 516, 985	48%
Councillors Allowance	R8, 922, 004	R2, 346, 205	R2, 338, 526	R4, 684, 730	53%
General Expenditure	R57, 991, 190	R9, 106, 069	R15, 023, 269	R24, 129, 338	42%
Property, Plant and Equipment	R9, 920, 000	R3, 465, 011	R286, 496	R3, 751, 507	38%
Depreciation	R2, 994, 915	R562, 210	R514, 574	R1, 076, 784	36%
TOTAL	R191, 513, 320	R42, 114, 210	R45, 045, 134	R87, 159, 344	46%

Actual expenditure, per category analysis

- Employee cost reflects a slight underspending variance of 2% 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 overspending of 3% as projected for the half-year, the effect is not material and therefore, acceptable.
- General expenditure reflects overspending variance of 2% as compared to the projected average spending of 50% for the half-year, is not material and therefore, acceptable
- Purchase of Property, Plant and Equipment reflects under-spending variance of 12% 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/(s) for projects pertaining to pothole repairs, cleaning of culverts, paving and grading of road surfaces as per the budget procurement plan.
- Depreciation reflects an underspending of 14% for the half -year, the effect is due to depreciation on items of Property and Equipment that are planned to be acquired as per the capital expenditure budget which are yet to be procured.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
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Actual Expenditure per capital programme

Capital Expenditure	Approved Budget	1 st Quarter Expenditure	2 nd Quarter Expenditure	Year To Date Expenditure	%
Furniture and equipment	R530, 000	R68, 600	R2742, 096	R340 696	64%
Computers	R890, 000	R71, 095	R14, 400	R85, 495	10%
Vehicles	R1, 400, 000	R0	R0	R0	0%
Fencing of royal grave sites	R0	R3, 325, 316	R0	R3, 325, 316	
Pothole Repairs, Cleaning of Culverts, Paving and Grading Surfaces	R6, 600,000	R0	R0	R0	0%
PPE & Disaster Equipment	R500, 000	R0	R0	R0	0%
Total Expenditure	R9, 920, 000	R3, 465, 011	R286, 496	R3, 751, 501	38%

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
MID-TERM PERFORMANCE REPORT: 1 JULY 2025 – 31 DECEMBER 2025
2025/26 FINANCIAL YEAR

3.2. Cash Flow Statement

Details	1 st Quarter Actual Results	2 nd Quarter Actual Results
Opening bank balance – 01 st July 2025	R5, 720, 81	R2, 731, 052
Add: Receipts		
<input type="checkbox"/> Government Grants	R65, 611, 000	R52, 175, 000
<input type="checkbox"/> Interest received	R307, 979	R102, 994
<input type="checkbox"/> Other income	R1, 498, 166	R2, 069, 382
<input type="checkbox"/> Investment withdrawn	R3, 000,000	R26, 500, 000
Sub-total (Income)	R70, 417, 145	R80, 847, 375
Less: Payments		
<input type="checkbox"/> Salaries and wages	R27, 819, 974	R31, 651, 293
<input type="checkbox"/> Cash and creditors payment	R12, 121, 689	R16, 604, 759
<input type="checkbox"/> Capital payment	R3, 465, 011	R286, 496
<input type="checkbox"/> Investment made	R30, 000, 000	R30, 000, 000
Sub-total (Expenditure)	R73, 406, 674	R78, 542, 548
Closing bank balance – 31st December 2025	R2, 731, 052	R5, 035, 880

3.3. Accounts Receivables (Outstanding debts)

Accounts details	Current	30 days	60 days	+90 days
Accrued interest income	R314, 388	R-	R-	R-
VAT receivable	R344, 176	R-	R-	R3, 607, 013
Other receivables	R-	R-	R-	R4, 325, 470
Total	R658, 664	R-	R-	R7, 932, 484

- As at 31 December 2025, R3, 745, 877 of the receivables for exchange and non-exchange transactions were impaired and provided for.
- The impairment of receivables is based on the continuous reassessment debtor accounts to identify doubtful accounts on basis of persistent default on payment of the accounts and the probability of payment.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
MID-TERM PERFORMANCE REPORT: 1 JULY 2025 – 31 DECEMBER 2025
2025/26 FINANCIAL YEAR

3.4 Accounts Payables (Outstanding creditors)

Accounts details	Current	30 days	60 days	+90 days
SARS EMP201 creditor (PAYE, UIF & SDL)	R66, 398	R-	R-	R-
Third party creditors	R-	R-	R-	R-
Workmen compensation (COIDA)	R-	R-	R-	R4, 807, 704
Unspent conditional grants	R2, 042, 532	R-	R-	R-
Other creditors	R494, 144	R-	R-	R432, 449
Total	R2, 603, 074	R-	R-	R5, 240, 153

3.5 Government Grants and Subsidies income

Operating Revenue	Approved Budget	1 st Quarter Revenue	2 nd Quarter Revenue	Year to Date Revenue	%
Equitable Share	R141, 227, 000	R58, 845, 000	R47, 039, 000	R105, 884,000	76%
Financial Management Grant	R2,300,000	R2, 300, 000	R0	R2,300,000	100%
Energy efficiency Grant	R5, 500, 000	R2, 000, 000	R1, 000, 000	R3, 000, 000	60%
EPWP Incentive Grant	R1, 968, 000	R492,000	R886,000	R1,378,000	70%
Rural Assets Management System	R2, 820,000	R1, 974, 000	R0	R1, 974, 000	70%
AgriSETA grant	R750, 000	R0	R750, 000	R750, 000	100%
COGTA Lab grant	R0	R0	R2, 500, 000	R2, 500, 000	-
TOTAL	R154, 065, 100	R65, 611,000	R52, 175, 000	R117, 786, 000	76%

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
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3.6. Short-term investment portfolio

Banking Institution	Type of Account	Capital Invested	Interest Received	Investment Made	Investment withdrawn	Closing
ABSA	Fixed Deposit Liquidity Plus	R8, 531, 709	R877,351	R60, 000,000	R25, 000,000	R44, 409,060
ABSA	Call Account1	R4, 974, 224	R113, 584	R0	R4, 500, 000	R587, 809
ABSA	Call Account2	R3, 888, 668	R139, 284	R0	R0	R4, 027, 952
ABSA	Call Account3	R5, 640, 446	R259, 208	R0	R0	R5, 899, 655
Nedbank	Call Account	R7, 819, 250	R279, 261	R0	R0	R8, 098, 511
TOTAL						R63, 022, 986

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 R63 million, which is sustainable in terms of cash liquidity.

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

The review of the budget performance reveals the following:-

- The receipt of COGTA Lab financial assistance grant of R2 500 000.00 requires an adjustment of budgeted revenue in terms of MFMA section 28(2)(c) which states that the municipality “may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;”
- MFMA section 28(2)(d) ‘may authorise the utilisation of projected savings in one vote towards spending under another vote;
- The overlap of expenditure on the project of Fencing of Royal Gravesites requires an adjustment of budgeted expenditure in terms of MFMA SECTION 28(2)(e) which states that the municipality “may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;”
- MFMA section 28(2)(f) states that a municipality “may correct any errors in the annual budget”

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

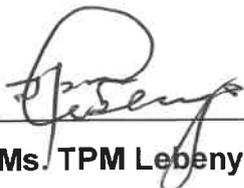
SECTION 5: CONCLUSION

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 councilor 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 Lebonya
Municipal Manager

23/01/2026

Date