FETAKGOMO – TUBATSE

LOCAL MUNICIPALITY

SUBMISSION

To	**:**	**Audit Committee**
From	**:**	**Municipal Manager**
Item	**:**	
Date	**:**	**31 May 2026**
Subject	**:**	**Budget Performance Assessment Report (Section 71) for the period ended May 2026**
Ref / Commitment Nr:		**Ordinary Meeting**

To : The Mayor

: Provincial Treasury

: National Treasury

: Cooperative Governance Human Settlement and Traditional Affairs

: All Strategic Managers

: Staff

: Interested Members of the Community

: Any other stakeholder

SUBJECT: SECTION 71 REPORT FOR THE PERIOD ENDED 31 May 2026

PURPOSE

The purpose of this report is to comply with section 71 of the MFMA, and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009 (Municipal Budgeting Monitoring and Reporting Regulations: **MBMRR**)

STRATEGIC OBJECTIVE

To provide up to date financial and non-financial information to all interested parties as prescribed by MFMA section 71.

BACKGROUND

Section 71 of the MFMA and in terms of Section 28 of the Government Notice 32141 dated 17 April 2009, regarding the "Local Government: Municipal Finance Management Act 2003 **Municipal Budget and Reporting Regulations"** necessitates that specific financial information be reported on and in the format prescribed, hence this report to meet legislative compliance.

The mayor of a municipality—

(a) must provide general political guidance over the fiscal and financial affairs of the municipality.

(b) in providing such general political guidance, may monitor and, to the extent provided in this Act, oversee the exercise of responsibilities assigned in terms of this Act to the accounting officer and the chief financial officer, but may not interfere in the exercise of those responsibilities.

(c) must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget.

(d) must, within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial situation of the municipality; and

(e) must exercise the other powers and perform the other duties assigned to the mayor in terms of this Act or delegated by the council to the mayor

EXECUTIVE SUMMARY

1. INTRODUCTION

The monthly budget statement is prescribed in the MFMA and seeks to report on the implementation of the adopted IDP and budget.

The report covers revenue performance, operating expenditure performance, capital expenditure performance, and grant received, and grants spend, cash flow, financial position, and investment portfolio, and external loans, debtors and creditors age analysis.

The tables are also prescribed by the MFMA with intention to bring comparability of financial and non-financial information across all municipalities. The report must be read together with the SDBIP for better understanding.

The budget monitoring and reporting office relies on various internal stakeholders to provide information for this report.

The financial result for the period ending **31 May 2026** is summarised as follows.

Description	**Annual Budget (R'000)**	**Adjusted Budget (R'000)**	**YTD Budget (R'000)**	**YTD Actual (R'000)**	**Variance%** R'000
Total Revenue Including capital receipts	1,121,282	1,079,552	994,457	994,662	0%
Total Operating Expenditure	998,092	1,007,827	925,598	743,671	-20%
Operating surplus / (deficit)	**303,290**	**217,384**	**206,399**	**387,865**	**88%**

The annual budget for 2025/26 has an operating year-to-date budget surplus of R303.3 million. Actual operating revenue, including capital receipts, amounted to R994.7 million, while actual operating expenditure amounted to R743.7 million. This results in an operating surplus of R387.9 million as at the end of May 2026, which is 88% above the year-to-date budget of R206.4 million.

1.1 **REVENUE PER SOURCE**

LIM476 Tubatse Fetakgomo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M11 - May

Description	Ref	2024/25	Budget Year 2025/26							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Revenue										
Exchange Revenue										
Service charges - Electricity		–	200	(0)	–	–	23	(23)	-100%	(0)
Service charges - Water		–	–	–	–	–	–	–		–
Service charges - Waste Water Management		–	–	–	–	–	–	–		–
Service charges - Waste management		28,456	31,400	30,751	2,189	28,368	28,264	104	0%	30,751
Sale of Goods and Rendering of Services		20,173	141,070	8,811	175	2,257	23,507	(21,251)	-90%	8,811
Agency services		8,498	9,201	10,096	526	8,626	9,150	(524)	-6%	10,096
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		7,492	7,643	7,812	755	7,451	7,141	310	4%	7,812
Interest from Current and Non Current Assets		12,662	14,376	14,033	470	11,803	12,904	(1,101)	-9%	14,033
Dividends		–	–	–	–	–	–	–		–
Rent on Land		–	–	–	–	–	–	–		–
Rental from Fixed Assets		456	469	452	29	317	416	(100)	-24%	452
Licence and permits		–	–	–	–	–	–	–		–
Special Rating Levies		–	–	–	–	–	–	–		–
Operational Revenue		48,617	3,926	9,470	5	83	8,034	(7,951)	-99%	9,470
Non-Exchange Revenue								–		
Property rates		222,685	240,179	258,752	19,818	232,234	235,023	(2,788)	-1%	258,752
Surcharges and Taxes		–	–	–	–	–	–	–		–
Fines, penalties and forfeits		1,627	3,644	11	1	11	434	(423)	-97%	11
Licence and permits		7,317	7,842	7,588	578	6,958	6,985	(27)	0%	7,588
Transfers and subsidies - Operational		628,174	625,403	698,145	12,994	664,874	631,480	33,394	5%	698,145
Interest		23,015	35,930	33,631	1,878	30,252	31,096	(844)	-3%	33,631
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		–	–	–	–	–	–	–		–
Other Gains		9	–	–	–	1,428	–	1,428	#DIV/0!	–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and contributions)		**1,009,179**	**1,121,282**	**1,079,552**	**39,419**	**994,662**	**994,457**	**205**	**0%**	**1,079,552**

Revenue Performance

- Operational revenue recognised, excluding capital transfers and contributions, as at the end of May 2026 (Month 11) amounted to R994.7 million against a year-to-date budget of R994.5 million, reflecting a marginal positive variance of R0.2 million or 0%.
- The municipality's year-to-date revenue performance is on par with the approved adjusted budget, with a negligible favourable variance of 0%, indicating overall revenue collection is in line with the profiled cash flow projections as per the Service Delivery and Budget Implementation Plan (SDBIP).
- Performance across individual revenue streams is mixed, certain revenue sources have met or exceeded year-to-date targets, whilst others reflect underperformance against profiled budgets. Explanations for material variances are provided below in accordance with National Treasury reporting requirements under the Municipal Finance Management Act (MFMA), Section 71.

Revenue from Exchange Transactions

- Service Charges – Electricity: Electricity service charges reflect a year-to-date variance of -100% against the adjusted year-to-date budget of R0.023 million. The adjusted budget reflects a nominal allocation of R(0), and no revenue has been collected as at end of May 2026. This line item will be monitored in the final reporting month.
- Service Charges – Waste Management: Waste Management service charges reflect a 0% (favourable) variance against the year-to-date adjusted budget of R28.3 million, with actual revenue billed of R28.4 million. The year-to-date variance of R0.1 million is within the National Treasury-approved threshold of 5%, indicating satisfactory billing and collection performance.
- Sale of Goods and Rendering of Services: Revenue from the sale of goods and rendering of services reflects a year-to-date variance of -90%, with actual receipts of R2.3 million against a year-to-date budget of R23.5 million. This significant underperformance is primarily attributable to lower-than-anticipated sales of land parcels in Extension 54 and Mashifane, resulting from delays in the completion of bulk infrastructure necessary to enable the sale of stands. The commencement of sales is anticipated in the next financial year, once all bulk infrastructure development has been completed.
- Agency Services: Revenue from agency services reflects a year-to-date variance of -6%, with actual receipts of R8.6 million against a year-to-date budget of R9.2 million, a shortfall of R0.5 million. Although slightly outside the National Treasury norm of 5%, the variance is marginal and is being monitored. Performance is expected to improve in the final month of the financial year.
- Interest Earned from Receivables: Interest earned from receivables reflects a 4% favourable variance, with actual revenue of R7.5 million against a year-to-date budget of R7.1 million, a positive variance of R0.3 million. This is within the National Treasury acceptable norm of 5% and reflects satisfactory performance.
- Interest Earned from Current and Non-Current Assets: Interest earned on investments and other current and non-current assets reflects a year-to-date unfavourable variance of -9%, with actuals of R11.8 million against a budget of R12.9 million, a shortfall of R1.1 million. The underperformance is primarily attributable to a reduction in the prevailing interest rates effected from November 2025, which has reduced investment returns. The municipality continues to manage its investments in accordance with its Investment Policy and Section 13 of the MFMA.
- Rental from Fixed Assets: Rental income from fixed assets reflects a year-to-date unfavourable variance of -24%, with actual revenue of R0.3 million against a year-to-date budget of R0.4 million, a shortfall of R0.1 million. This underperformance is

primarily attributable to the under-utilisation of Council-approved municipal facilities, including Community Halls and the Civic Hall, which were not utilised to the anticipated levels as at the end of May 2026. Management is engaging relevant internal departments to improve facility bookings and utilisation rates.

- Operational Revenue: Operational revenue reflects a year-to-date variance of -99%, with actual revenue of R0.1 million against a year-to-date adjusted budget of R8.0 million, a shortfall of R8.0 million. The significant underperformance is primarily attributable to lower-than-anticipated receipts from Clearance Certificates and Approval of Building Plans. The municipality is reviewing its operational processes to improve the realisation of revenue from these sources in the final month of the 2025/26 financial year.

Revenue from Non-Exchange Transactions

- Property Rates: Property rates reflect a year-to-date unfavourable variance of -1%, with actual billed revenue of R232.2 million against a year-to-date budget of R235.0 million, a shortfall of R2.8 million. The variance is within the National Treasury guideline of 5% and reflects satisfactory performance. The full-year forecast is maintained at the adjusted budget of R258.8 million.
- Fines, Penalties and Forfeits: Fines, penalties and forfeits reflect a year-to-date variance of -97%, with actual receipts of R0.011 million against a year-to-date budget of R0.4 million, a shortfall of R0.4 million. The underperformance is attributable to very low levels of fine issuance and collection. The municipality is in the process of procuring specialised law enforcement equipment to enhance the issuing, verification, and collection of fines, which is expected to improve revenue performance in future periods.
- Licences and Permits: Revenue from licences and permits reflects a 0% variance against the year-to-date budget of R7.0 million, with actual receipts of R7.0 million, a marginal shortfall of R0.027 million. Performance is within the National Treasury acceptable norm of 5% and is considered satisfactory.
- Transfers and Subsidies – Operational: Operational transfers and subsidies reflect a year-to-date favourable variance of 5%, with actual receipts of R664.9 million against a budget of R631.5 million, a positive variance of R33.4 million. This indicates that operational grant funding has been received as anticipated and is broadly in line with allocations as gazetted in the Division of Revenue Act (DoRA). The favourable variance is largely due to the timing of grant receipts from national and provincial transferring departments.
- Interest Charged on Property Rates (Interest – Non-Exchange): Interest charged on overdue property rates accounts reflects a year-to-date unfavourable variance of -3%, with actual receipts of R30.3 million against a year-to-date budget of R31.1 million, a shortfall of R0.8 million. The underperformance is attributable to increased billing adjustments on long-outstanding debtor accounts as at the end of April 2026. The variance is within the National Treasury acceptable norm of 5% and is considered acceptable.

1.2 EXPENDITURE PERFORMANCE AS AT MAY 2026

LIM476 Tubatse Fetakgomo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M11 - May

Description	Ref	2024/25	Budget Year 2025/26							
R thousands		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
Expenditure By Type										
Employee related costs		296,514	282,883	289,251	24,542	277,542	264,394	13,147	5%	289,251
Remuneration of councillors		44,388	46,350	46,350	3,459	39,516	42,487	(2,972)	-7%	46,350
Bulk purchases - electricity		-	-	-	-	-	-	-		-
Inventory consumed		17,692	6,504	6,166	-	2,772	5,691	(2,919)	-51%	6,166
Debt impairment		77,463	54,501	44,501	-	-	41,959	(41,959)	-100%	44,501
Depreciation and amortisation		100,661	74,288	73,197	(0)	17,778	67,006	(49,229)	-73%	73,197
Interest		15,093	900	500	958	4,825	505	4,320	855%	500
Contracted services		372,991	391,104	411,478	35,235	301,893	376,151	(74,258)	-20%	411,478
Transfers and subsidies		-	-	600	-	-	480	(480)	-100%	600
Irrecoverable debts written off		4,016	2,919	2,319	2,707	5,404	2,196	3,208	146%	2,319
Operational costs		143,407	138,644	133,465	10,092	92,303	124,727	(32,424)	-26%	133,465
Losses on Disposal of Assets		709	-	-	-	-	-	-		-
Other Losses		6	-	-	-	1,639	-	1,639	#DIV/0!	-
Total Expenditure		**1,072,938**	**998,092**	**1,007,827**	**76,993**	**743,671**	**925,598**	**(181,926)**	**-20%**	**1,007,827**

Overall Expenditure Performance

The actual expenditure as at 31 May 2026 amounted to R743.7 million, whilst the approved year-to-date budget was R925.6 million. This resulted in a net underspending of R181.9 million, representing a 20% favourable variance against the year-to-date budget.

Analysis of Material Variances on Operating Expenditure

The underspending of R181.9 million on operating expenditure is attributable to the following:

Employee Related Costs — *Variance: R13.1 million (5% unfavourable)*

Employee-related costs reflect an unfavourable variance of R13.1 million or 5% against the year-to-date budget of R264.4 million, with actual expenditure of R277.5 million recorded. The overspending is primarily attributable to performance bonus payments and travel allowances claimed during the reporting period, whereas the budgeted bonus provision was apportioned on an equal monthly basis across the financial year. This constitutes a cash flow phasing variance and is expected to normalise over the full 12-month budget cycle, with minimal impact anticipated at year-end. Additional allowances paid during the period further contributed to the variance.

Remuneration of Councillors — *Variance: R2.972 million (-7% unfavourable)*

Remuneration of Councillors reflects an unfavourable variance of R2.972 million or 7% against the year-to-date budget of R42.5 million, with actual expenditure of R39.5 million recorded. The variance is attributable to increased travel claims processed and settled during the period under review.

Inventory Consumed — *Variance: R2.919 million (-51% favourable)*

Inventory consumed reflects a favourable variance of R2.919 million or 51% against the year-to-date budget of R5.691 million, with actual expenditure of R2.772 million recorded. The underspending is attributable to lower-than-projected operational demand relative to the original budget and constitutes a saving on this expenditure item.

Depreciation and Amortisation — *Variance: R49.229 million (-73% favourable)*

Depreciation and amortisation reflects a significant favourable variance of R49.229 million or 73% against the year-to-date budget of R67.006 million, with actual charges of R17.778 million recorded. The underspending is attributable to the pending integration of the municipality's asset register into the core financial management system (FMS). Once the asset integration is finalised, depreciation charges will be processed on a monthly basis in accordance with the applicable accounting policies.

Interest; Dividends and Rent on Land — *Variance: R4,320,000 (855% unfavourable)*

Interest expenditure reflects an unfavourable variance of R4.320 million or 855% against the year-to-date budget of R0.505 million, with actual expenditure of R4.825 million recorded. Notwithstanding this variance, no material penalty interest was incurred on overdue accounts during the period. The variance is largely attributable to the phasing of interest obligations relative to the approved budget allocation. The outcome reflects the municipality's commitment to effective credit control and the timely settlement of financial obligations, which has minimised exposure to penalty interest charges. Management will continue to prioritise sound cash flow management and proactive creditor engagement to sustain this performance trajectory.

Contracted Services — *Variance: R74.258 million (-20% favourable)*

Contracted services reflect a favourable variance of R74.258 million or 20% against the year-to-date budget of R376.151 million, with actual expenditure of R301.893 million recorded. The underspending emanates from projects that were not yet implementable in accordance with the approved demand management plan. Contractor expenditure was considerably below budget due to projects deferred to later periods in the financial year, as well as more favourable contract rates secured through competitive supply chain management processes, consistent with the municipality’s cost-containment strategy.

Irrecoverable Debts Written Off — *Variance: R3.208 million (146% unfavourable)*

Irrecoverable debts written off reflect an unfavourable variance of R3.208 million or 146% against the year-to-date budget of R2.196 million, with actual write-offs of R5.404 million recorded for the period. The overspend is primarily driven by the write-off of long-outstanding consumer debtors’ accounts deemed irrecoverable following exhaustive debt recovery efforts, in accordance with the municipality’s credit control and debt management policy.

Operational Costs — *Variance: R32.424 million (-26% favourable)*

Operational costs reflect a favourable variance of R32.424 million or 26% against the year-to-date budget of R124.727 million, with actual expenditure of R92.303 million recorded. The underspending is attributable to, amongst others, the following:

- Advertising, Publicity and Marketing —reduced promotional activities and the deferral of planned campaigns to later periods in the financial year;
- Corporate and Municipal Activities — fewer institutional events and municipal programmes were held during the period, supported by stringent cost-containment measures instituted by management; and
- Printing and Publications — implementation of cost-containment initiatives relating to institutional communication and stakeholder materials.

1.2 Capital Budget Performance

LIM476 Tubatse Fetakgomo - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M11 - May

Vote Description	Ref	2024/25	Budget Year 2025/26							
R thousands	1	Audited	Original	Adjusted	Monthly actual	YearTD actual	YearTD	YTD	YTD %	Full Year
Capital Expenditure - Functional Classification										
Governance and administration		8,676	38,900	7,500	569	3,644	10,538	(6,894)	-65%	7,500
Executive and council		805	6,900	500	–	–	1,205	(1,205)	-100%	500
Finance and administration		7,871	32,000	7,000	569	3,644	9,333	(5,689)	-61%	7,000
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		5,627	7,800	6,730	–	3,155	6,294	(3,139)	-50%	6,730
Community and social services		4,320	6,600	3,530	–	192	3,594	(3,402)	-95%	3,530
Sport and recreation		–	–	–	–	–	–	–		–
Public safety		1,307	1,200	3,200	–	2,963	2,700	263	10%	3,200
Housing		–	–	–	–	–	–	–		–
Health		–	–	–	–	–	–	–		–
Economic and environmental services		155,859	213,628	187,759	16,126	172,384	175,130	(2,746)	-2%	187,759
Planning and development		–	1,000	(0)	–	–	117	(117)	-100%	(0)
Road transport		155,859	212,628	187,759	16,126	172,384	175,013	(2,630)	-2%	187,759
Environmental protection		–	–	–	–	–	–	–		–
Trading services		7,522	29,074	0	7,000	16,779	3,392	13,387	395%	0
Energy sources		–	23,474	(0)	7,000	14,582	2,739	11,844	432%	(0)
Water management		–	–	–	–	–	–	–		–
Waste water management		–	–	–	–	–	–	–		–
Waste management		7,522	5,600	0	–	2,197	653	1,543	236%	0
Other		–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	3	**177,685**	**289,401**	**201,989**	**23,694**	**195,962**	**195,354**	**607**	**0%**	**201,989**
Funded by:										
National Government		88,467	180,101	145,659	6,172	117,933	137,539	(19,606)	-14%	145,659
Provincial Government		(0)	–	–	–	–	–	–		–
District Municipality		–	–	–	–	–	–	–		–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies,		–	–	–	–	–	–	–		–
Transfers recognised - capital		**88,467**	**180,101**	**145,659**	**6,172**	**117,933**	**137,539**	**(19,606)**	**-14%**	**145,659**
Borrowing	6	–	–	–	–	–	–	–		–
Internally generated funds		78,043	109,300	56,330	17,522	77,947	57,816	20,131	35%	56,330
Total Capital Funding		**166,510**	**289,401**	**201,989**	**23,694**	**195,880**	**195,354**	**526**	**0%**	**201,989**

Overall Capital Expenditure Performance

Total capital expenditure for the month ended 31 May 2026 amounted to R195.962 million (year-to-date actual) against a year-to-date budget (adjusted) of R201.989 million, resulting in a marginal underspending of R6.027 million, equivalent to a 3% variance. The monthly actual expenditure recorded was R23.694 million.

National Government Transfers (Transfers Recognised – Capital)

Capital expenditure funded through national government transfers amounted to R117.933 million year-to-date against an adjusted budget of R145.659 million, reflecting a year-to-date variance of R19.606 million or -14% underspending. Monthly actual transfers received amounted to R6.172 million. This category encompasses grant-funded programmes including MIG, INEP, and NDPG, and the variance is primarily attributable to project implementation schedules extending beyond the reporting period.

Internally Generated Funds (Own-Funded Capital Projects)

Expenditure on own-funded capital projects amounted to R77.947 million year-to-date against an adjusted budget of R56.330 million, reflecting an over-expenditure of R20.131 million or 35% above the year-to-date target. Monthly actual expenditure was R17.522 million against the full-year allocation of R56.330 million, indicating accelerated spending on internally funded projects during the reporting period.

Economic and Environmental Services – Road Transport

Capital expenditure on road transport, the largest functional classification category, amounted to R172.384 million year-to-date against an adjusted budget of R187.759 million. This reflects a year-to-date shortfall of R2.630 million or -2%, with a monthly actual spend of R16.126 million, demonstrating generally sound execution on infrastructure delivery.

Trading Services

Capital expenditure under trading services (primarily waste management and energy sources) amounted to R16.779 million year-to-date against an adjusted budget of R0, reflecting an over-expenditure of R13.387 million or 395% above target. Monthly actual spend was R7.000 million, with energy sources accounting for R14.582 million of the year-to-date actual. This overrun warrants monitoring to ensure alignment with funding authorisations.

1.4 FINANCIAL POSITION LIM476 Tubatse Fetakgomo - Table C6 Monthly Budget Statement - Financial Position 31 May 2026

Choose name from list - Table C6 Monthly Budget Statement - Financial Position - M11 - May

Description	Ref	2024/25	Budget Year 2025/26			
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
ASSETS						
Current assets						
Cash and cash equivalents		202,273	213,576	80,378	266,408	80,378
Trade and other receivables from exchange transactions		(68,515)	109,003	20,421	(47,831)	20,421
Receivables from non-exchange transactions		(104,090)	65,370	95,347	(34,214)	95,347
Current portion of non-current receivables		–	–	–	–	–
Inventory		4,065	78,654	63,081	4,502	63,081
VAT		61,788	49,856	81,601	51,423	81,601
Other current assets		85,931	52,150	–	80,738	–
Total current assets		181,452	568,608	340,828	321,026	340,828
Non current assets						
Investments		58,748	–	61,685	63,537	61,685
Investment property		54,550	55,624	54,550	54,550	54,550
Property, plant and equipment		2,913,140	2,845,750	3,047,786	3,090,926	3,047,786
Biological assets		–	–	–	–	–
Living and non-living resources		–	–	–	–	–
Heritage assets		1,068	–	1,068	1,068	1,068
Intangible assets		2,118	354	2,118	2,091	2,118
Trade and other receivables from exchange transactions		–	–	–	–	–
Non-current receivables from non-exchange transactions		–	–	–	–	–
Other non-current assets		–	–	–	–	–
Total non current assets		3,029,624	2,901,727	3,167,207	3,212,172	3,167,207
TOTAL ASSETS		3,211,076	3,470,336	3,508,035	3,533,199	3,508,035
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Financial liabilities		(34,491)	36,000	36,000	(71,007)	36,000
Consumer deposits		41,880	–	–	4,380	–
Trade and other payables from exchange transactions		156,559	245,420	78,181	117,823	78,181
Trade and other payables from non-exchange transactions		0	–	8,405	43,862	8,405
Provision		36,562	22,342	24,782	36,102	24,782
VAT		8,650	9,667	13,810	11,769	13,810
Other current liabilities		–	–	–	–	–
Total current liabilities		209,160	313,429	161,178	142,929	161,178
Non current liabilities						
Financial liabilities		99,399	–	24,501	99,399	24,501
Provision		30,267	31,376	36,399	30,267	36,399
Long term portion of trade payables		–	–	–	–	–
Other non-current liabilities		5,836	106,846	43,895	5,836	43,895
Total non current liabilities		135,501	138,222	104,794	135,501	104,794
TOTAL LIABILITIES		344,661	451,651	265,972	278,430	265,972
NET ASSETS	2	2,866,415	3,018,684	3,242,063	3,254,768	3,242,063
COMMUNITY WEALTH/EQUITY						
Accumulated surplus/(deficit)		2,855,761	3,018,684	3,242,063	3,254,768	3,242,063
Reserves and funds		–	–	–	–	–
Other		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	2,855,761	3,018,684	3,242,063	3,254,768	3,242,063

- As at 31 May 2026, the municipality's total Community Wealth (Net Assets) amounts to R3 283 201 000, as reflected in the Table C6 Monthly Budget Statement of Financial Position. This favourable position confirms that the municipality is operating within a budgetary surplus, which is indicative of sound fiscal stewardship and adherence to the principles of financial sustainability as envisaged under the Municipal Finance Management Act (MFMA), Act 56 of 2003. The accumulated surplus further serves as a fiscal buffer to accommodate future unforeseen and unavoidable expenditure, in line with Section 26 of the MFMA and the municipality's commitment to long-term financial resilience.

1.5 KEY FINANCIAL RATIOS

The following financial ratios are derived from the Statement of Financial Position (Balance Sheet) as at 31 May 2026 and are assessed against National Treasury benchmarks in terms of the *Municipal Finance Management Act (MFMA), No. 56 of 2003* and the *Local Government: Municipal Budget and Reporting Regulations.*

Ratio	Actual (M11)	Status
Cash Coverage Ratio	**2.9 months**	**Favourable**
Current Ratio (Liquidity Ratio)	**2.25:1**	**Favourable**
Acid Test Ratio (Quick Ratio)	**1.86:1**	**Favourable**
Revenue Collection Rate	**153.13%**	**Favourable**

1.5.1 Cash Coverage Ratio

- The municipality's cash coverage ratio for M11 (May 2026) is 2.9 months, which exceeds the National Treasury minimum benchmark of one (1) month. This indicates that the municipality maintains a sound liquidity position, with sufficient cash and cash equivalents (R266.408 million) to fund its monthly fixed operational commitments through to year-end without reliance on external borrowings.
- In terms of Section 18 of the MFMA, a municipality may only spend funds that have been appropriated. The cash coverage ratio affirms that the municipality is in a position to honour its financial obligations for the remainder of the 2025/26 financial year from available cash resources.

1.5.2 Liquidity Ratio (Current Ratio)

- The current ratio, which measures the municipality's ability to discharge short-term financial obligations as and when they become due, is 2.25:1 for M11. This is derived from total current assets of R321.026 million against total current liabilities of R142.929 million.
- The ratio exceeds the acceptable National Treasury norm of 1.5:1 and demonstrates that the municipality has adequate working capital to meet its current obligations. A ratio above 1:1 confirms that current assets sufficiently cover current liabilities.

1.5.3 Acid Test Ratio (Quick Ratio)

- The acid test (quick) ratio, which presents a more conservative measure of liquidity by excluding inventories (R4.502 million) and VAT receivables (R51.423 million) from current assets, reflects a ratio of 1.86:1 for M11**.**
- This ratio further demonstrates the municipality's capacity to meet its immediate short-term liabilities from liquid assets alone, without the need to liquidate slower-moving

current assets. A ratio above 1:1 is considered acceptable in terms of National Treasury guidelines.

1.5.4 Revenue Collection Rate – May 2026

- The revenue collection rate for M11 (May 2026) is 153.13%, which significantly exceeds the National Treasury benchmark of 95% and the municipality's own internal target of 80%. This reflects a notable improvement in debt management and revenue realisation for the reporting period.

Reasons for Over-Performance Against Collection Target:

1. Targeted bilateral engagements were conducted with mining entities whose accounts exceeded 30 days outstanding, resulting in the accelerated settlement of historical debt balances.
2. Positive outcomes were achieved from these engagements, with mining companies affecting payment of long-outstanding historical debt, contributing materially to the elevated collection rate for the period.
3. Interest write-offs were approved in respect of qualifying accounts settled in full, incentivising payment and reducing overall debtor exposure.
4. The municipality continued with proactive handover of debtors exceeding 90 days to legal processes and debt collection agents, in line with the municipality's Credit Control and Debt Collection Policy adopted in terms of Section 96 of the Local Government: Municipal Systems Act, No. 32 of 2000.

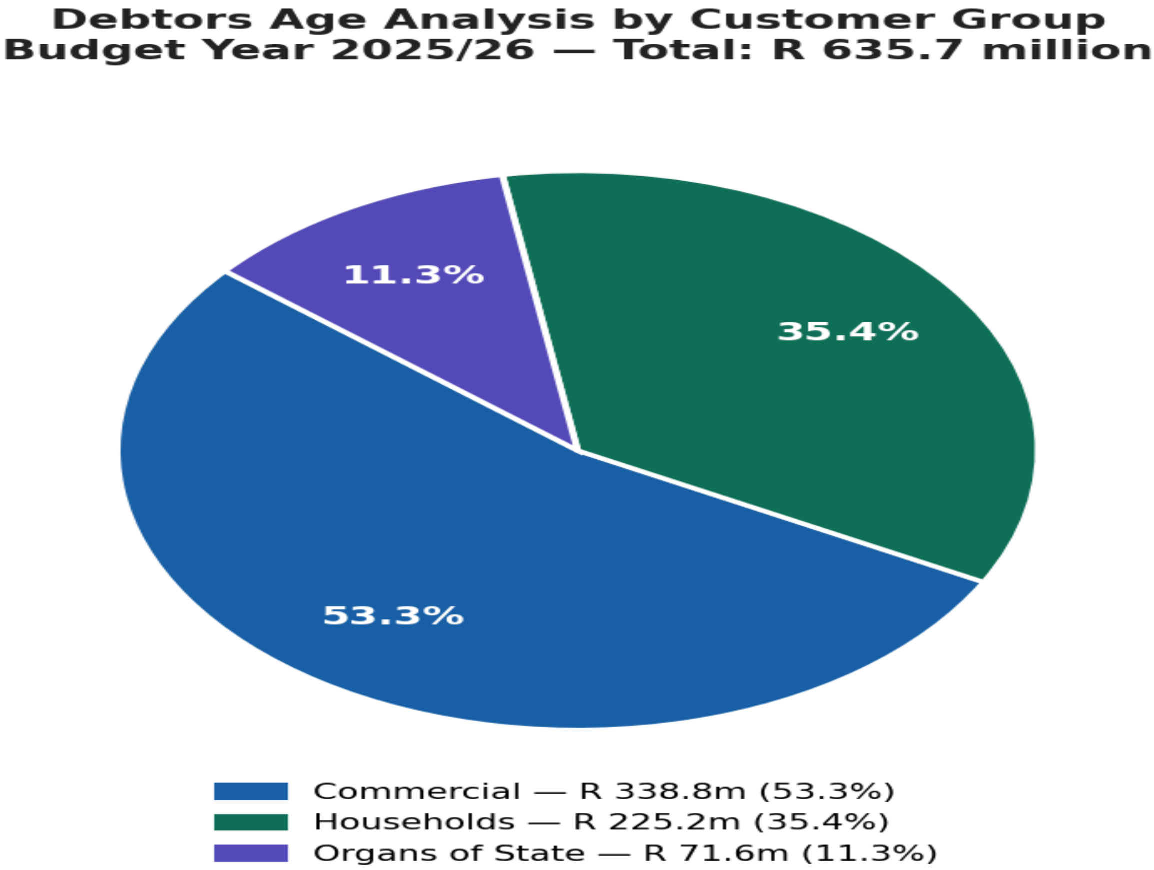
1.6 CASH FLOW STATEMENT

LIM476 Tubatse Fetakgomo - Table C7 Monthly Budget Statement - Cash Flow - M11 - May

Description	Ref	2024/25	Budget Year 2025/26							
R thousands	1	Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		–	180,134	193,135	30,854	177,672	175,524	2,148	1%	193,135
Service charges		–	23,700	23,096	2,029	19,451	21,242	(1,790)	-8%	23,096
Other revenue		–	252,670	86,023	(1,001)	74,467	98,297	(23,829)	-24%	86,023
Transfers and Subsidies - Operational		–	625,403	698,145	1,003	657,083	631,480	25,603	4%	698,145
Transfers and Subsidies - Capital		–	180,101	145,659	–	188,558	137,539	51,019	37%	145,659
Interest		–	47,055	33,988	1,153	6,549	32,680	(26,131)	-80%	33,988
Dividends		–	–	–	–	–	–	–		–
Payments										
Suppliers and employees		–	(864,384)	(885,609)	(33,257)	(453,978)	(812,263)	358,286	-44%	(885,609)
Interest		–	–	(400)	–	–	320	(320)	-100%	(400)
Transfers and Subsidies		–	–	600	–	–	(480)	480	-100%	600
NET CASH FROM/(USED) OPERATING ACTIVITIES		–	**444,679**	**294,637**	**780**	**669,803**	**284,338**	**(385,465)**	**-136%**	**294,637**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		–	–	–	–	–	–	–		–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–		–
Decrease (increase) in non-current investments		5,295	–	–	435	4,790	–	4,790	#DIV/0!	–
Payments										
Capital assets		349,717	(289,401)	(201,989)	(18,352)	(290,778)	(195,354)	(95,424)	49%	(201,989)
NET CASH FROM/(USED) INVESTING ACTIVITIES		**355,012**	**(289,401)**	**(201,989)**	**(17,916)**	**(285,989)**	**(195,354)**	**90,634**	**-46%**	**(201,989)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		–	–	–	–	–	–	–		–
Borrowing long term/refinancing		–	–	–	(3,758)	(41,341)	–	(41,341)	#DIV/0!	–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–		–
Payments										
Repayment of borrowing		–	–	–	–	–	–	–		–
NET CASH FROM/(USED) FINANCING ACTIVITIES		–	–	–	(3,758)	**(41,341)**	–	**41,341**	**#DIV/0!**	–
NET INCREASE/ (DECREASE) IN CASH HELD		**355,012**	**155,278**	**92,649**	**(20,895)**	**342,473**	**88,984**			**92,649**
Cash/cash equivalents at beginning:		283,676	99,298	17,896		202,273	17,896			202,273
Cash/cash equivalents at month/year end:		638,688	254,576	110,544		544,746	106,879			294,921

- The month-end cash and cash equivalents as reflected in Table C7 (Cash Flow Statement) amount to R544.7 million for the period ending 31 May 2026 (Month 11). Preliminary bank reconciliations currently indicate a cash position of R202.3 million as per the bank statement as at 31 May 2026, against a Year-TD budget of R17.9 million, reflecting a favourable variance of R184.4 million. The resultant reconciling variance between the system-generated cash balance and the verified bank statement is currently under review as part of the standard month-end closing and reconciliation process.

1.7 DEBTORS



The pie chart breaks down the total debtors’ balance of R637.6 million (May 2026) by customer group:

- **Commercial** dominates at 53.1% (R338.8 million), driven largely by the over-1-year bucket
- **Households** make up 35.3% (R225.2 million)
- **Organs of State** account for 11.2% (R71.6 million)

1.7 DEBTORS

LIM476 Tubatse Fetakgomo - Supporting Table SC3 Monthly Budget Statement - aged debtors - M11 - May

Description	NT Code	Budget Year 2025/26											
R thousands		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days	Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	–	–	–	–	–	–	–	–	–	–	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	–	–	–	–	–	–	–	–	–	–	–	–
Receivables from Non-exchange Transactions - Property Rates	1400	31,695	9,476	8,521	9,053	6,018	5,996	5,905	375,378	452,042	402,350	(2,570)	–
Receivables from Exchange Transactions - Waste Water Management	1500	–	–	–	–	–	–	–	–	–	–	–	–
Receivables from Exchange Transactions - Waste Management	1600	2,577	1,661	1,560	1,536	2,868	1,429	1,438	87,516	100,584	94,786	(6)	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–	–	–	–	–	–	–	–	–
Interest on Arrear Debtor Accounts	1810	3,584	3,510	3,523	3,376	3,245	3,165	3,103	53,788	77,294	66,677	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–	–	–	–	–
Other	1900	326	261	858	25	13	23	11	4,257	5,774	4,329	(131)	–
Total By Income Source	**2000**	**38,181**	**14,908**	**14,462**	**13,990**	**12,143**	**10,612**	**10,457**	**520,940**	**635,694**	**568,142**	**(2,707)**	**–**
2024/25 - totals only		–	–	–	–	–	–	–	–	–	–	–	–
Debtors Age Analysis By Customer Group													
Organs of State	2200	529	493	487	589	450	449	420	68,231	71,649	70,140	(65)	–
Commercial	2300	31,179	9,970	9,159	9,480	7,853	6,457	6,391	258,329	338,819	288,510	(2,253)	–
Households	2400	6,473	4,445	4,816	3,921	3,840	3,706	3,646	194,380	225,225	209,492	(389)	–
Other	2500	–	–	–	–	–	–	–	–	–	–	–	–
Total By Customer Group	**2600**	**38,181**	**14,908**	**14,462**	**13,990**	**12,143**	**10,612**	**10,457**	**520,940**	**635,694**	**568,142**	**(2,707)**	**–**

Debtors Management and Aged Analysis

The debtors' report has been prepared in the prescribed format required for electronic submission to the National Treasury. The report provides a detailed extended aged analysis, as well as an aged analysis by debtor category.

The summary indicates that total outstanding consumer debt amounts to R637.6 million, of which approximately R528.9 million (83%) is older than 90 days. The majority of the outstanding debt relates to refuse removal and property rates.

In response to the high level of long-outstanding debt, the municipality is in the process of finalising and approving a Debt Incentive Policy, aimed at encouraging settlement of arrear accounts. In addition, focused engagement and follow-up actions are being undertaken with key business debtors to improve cash realisation and enhance overall revenue collection performance.

	TOP TEN DEBTORS PER CATEGORY (BUSINESS) MAY 2026		
NO.	**NO.**	**ACCOUNT_NO**	**TOTAL**
1	1	0001225290	9,048,913.06
2	2	0001225321	8,269,224.96
3	3	0001007661	4,147,378.13
4	4	0010043674	2,712,764.78
5	5	0001071696	2,200,947.77
6	6	0001202227	1,898,220.13
7	7	0007069197	1,845,124.62
8	8	0001202510	1,771,531.76
9	9	0001014635	1,108,914.54
10	10	0001006339	1,071,144.54
TOTAL			**34,074,164.29**

TOP TEN DEBTORS PER CATEGORY INDUSTRIAL (MAY) 2026		
NO.	**ACCOUNT_NO**	**TOTAL**
1	0001035665	1,401,429.79
2	0001225250	1,026,650.79
3	0001132148	897,058.51
4	0001016997	617,842.52
5	0001018280	572,913.59
6	0001129481	496,499.07
7	0001224656	306,877.65
8	0001097784	262,378.77
9	0001225158	252,684.89
10	0001224655	221,747.60
TOTAL		**6,056,083.18**

TOP TEN DEBTORS PER CATEGORY MINING MAY 2026		
NO.	**ACCOUNT_NO**	**TOTAL**
1	0001225313	2,873,064.65
2	0001225028	2,470,998.63
3	0001067966	1,557,061.15
4	0001225307	484,588.80
5	0001224657	470,924.50
6	0001225368	226,310.85
7	0001155989	201,326.47
8	0001225308	195,470.94
9	0001199773	160,070.20
10	0001199781	160,063.91
	TOTAL	**8,799,880.10**

TOP TEN DEBTORS PER CATEGORY (RESIDENTIAL) MAY 2026

NO.	ACCOUNT_NO	TOTAL
1	0001128361	1,517,186.15
2	0010043667	1,458,306.68
3	0001222880	976,139.27
4	0001005529	883,252.89
5	0001005537	624,080.34
6	0001106325	574,544.05
7	0001060406	566,484.30
8	0001138103	551,147.53
9	0001035517	478,976.41
10	0001017802	473,094.43
TOTAL		**8,103,212.05**

1.7 CREDITORS

As at end of May 2026 outstanding trade creditors were standing at R32.823 million as per the financial system.

LIM476 Tubatse Fetakgomo - Supporting Table SC4 Monthly Budget Statement - aged creditors - M11 - May

Description R thousands	NT Code	Budget Year 2025/26									Prior year totals for chart (same period)
		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	
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	–	–	–	–	–	–	–	–	–	–
Bulk Water	0200	–	–	–	–	–	–	–	–	–	–
PAYE deductions	0300	–	–	–	–	–	–	–	–	–	–
VAT (output less input)	0400	–	–	–	–	–	–	–	–	–	–
Pensions / Retirement deductions	0500	–	–	–	–	–	–	–	–	–	–
Loan repayments	0600	–	–	–	–	–	–	–	–	–	–
Trade Creditors	0700	31,678	–	75	0	–	616	454	–	32,823	–
Auditor General	0800	–	–	–	–	–	–	–	–	–	–
Other	0900	–	–	–	–	–	–	–	–	–	–
Total By Customer Type	**1000**	**31,678**	**–**	**75**	**0**	**–**	**616**	**454**	**–**	**32,823**	–

The ageing profile reflects that the majority of trade creditor obligations, R31.678 million, representing 96.5% of total creditors, fall within the current 0–30 day payment bracket, consistent with the municipality's commitment to honouring short-term financial obligations within prescribed payment terms in accordance with Section 65(2)(e) of the MFMA, No. 56 of 2003, which requires all money owing to be paid within 30 days of receiving an invoice. However, R1.145 million (3.5%) of trade creditor balances remain outstanding beyond 30 days, of which:

- R0.616 million (1.9%) falls within the 151–180 day bracket, and
- R0.454 million (1.4%) falls within the 181 days to 1 year bracket.

1.8 INVESTMENT PORTFOLIO

LIM476 Tubatse Fetakgomo - Supporting Table SC5 Monthly Budget Statement - investment portfolio - M11 - May

Investments by maturity Name of institution & investment ID	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
R thousands		Yrs/Months												
Municipality														
Standard Bank Fixed Deposit		Yrs	Fixed Deposit	Fixed	11%					62,653	885	–	–	63,537
Stabdard Bank Tiered Account		Months	Call Account	Call	7%					871	–	–	–	871
Stabdard Bank Call Account		Months	Call Account	Call	8%					156,081	653	(136,000)	–	20,734
FNB Call Account		Months	Call Account	Call	7%					97	1	–	–	98
STANDARD BANK CALL ACCOUNT 00		Months	Call Account	Call	7%					418	2	–	–	420
														-
														-
Municipality sub-total										220,120		(136,000)	-	85,660
Entities														
														-
														-
														-
														-
														-
														-
														-
Entities sub-total										-		-	-	-
TOTAL INVESTMENTS AND INTEREST	2									220,120		(136,000)	-	85,660

The municipality's investment portfolio recorded a net contraction during the May reporting period, attributable to a partial/premature withdrawal processed in terms of section 13 of the Municipal Finance Management Act (MFMA).

- **Portfolio Valuation:** The total closing balance of the investment portfolio decreased by 61.1%, from an opening balance of R220.120 million to a closing balance of R85.660 million. The movement is primarily attributable to a partial/premature withdrawal of R136.000 million from the Standard Bank Call Account, consistent with cash flow requirements reported under the municipality's liquidity management framework.
- **Liquidity Management:** A partial/premature withdrawal of R136.000 million was effected from the Standard Bank Call Account (variable interest rate instrument at 8%). This reflects a planned drawdown of short-term cash investments to fund operational expenditure or capital project payments, as anticipated in the municipality's cash flow projections.
- **Interest Realised:** Total interest to be realised for the period amounted to R1.541 million across all investment instruments. The Standard Bank Fixed Deposit (fixed rate at 11%) remains the highest-yielding instrument in the portfolio, realising R885,000, and constitutes the primary source of investment income.
- **Institutional Concentration Risk:** The municipality's investment exposure remains materially concentrated within Standard Bank, which holds in excess of 99% of the total portfolio value. This concentration warrants monitoring against the municipality's investment policy provisions regarding counterparty exposure limits, as required under National Treasury investment guidelines issued in terms of the MFMA.

1.9 EXTERNAL LOAN REPAYMENT AND INTEREST

Long-term loan amounts were received amounting to R60 million and R40 million during November 2023 and August 2024 respectively for purposes of purchase of land at Mashifane Park. The balance on the loan as at end of May 2026 shows that the Municipality still owes R27.987 million.

PLEDGED/SPECIFIC PURPOSE	LOAN NO	OPENING BALANCE	INTEREST PAYABLE	INTEREST PAID	CAPITAL REPAYMENT	CAPITAL & INTEREST EXPENSED	OUTSTANDING BALANCE

LAND ACQUISITION AND INFRASTRACTURE DEVELOPMENT	**000819602**	36,117,621.71	-2,349,635.82	-2,469,678.23	-24,282,822.80	-26,752,501.03	11,834,798.91
	000850945	28,385,876.86	-2,200,504.84	-2,355,215.39	-12,233,389.74	-14,588,605.13	16,152,487.12
TOTAL		**64,503,498.57**	**- 4,550,140.66**	**-4,824,893.62**	**-36,516,212.54**	**-41,341,106.16**	**27,987,286.03**

1.10 Proposed solution to address financial sustainability.

- The municipality is intensifying revenue enhancement initiatives through the full implementation of the Debt Incentive Policy, targeted engagement with major debtors (especially government departments and businesses), and improved enforcement of credit control measures within the limits of service availability. Priority given to reducing debt older than 90 days through structured payment arrangements and monitored settlement agreements. Improved billing accuracy and data cleansing and follow-up on unverified government accounts will further enhance cash inflows and financial sustainability.
- The municipality has institutionalised cost-containment measures by strengthening demand management planning, prioritising only critical and implementable projects, and continuously reviewing operational expenditure for efficiency gains. Improving asset management practices, including timely depreciation once the system integration is done by June 2026 and maintenance planning, will ensure long-term asset sustainability while preventing future unfunded liabilities. Ongoing monitoring of expenditure trends will support value-for-money outcomes without compromising service delivery.

1.11 CONCLUSION

- The municipality's financial performance for the period ended 31 May 2026 is satisfactory and commendable. An operating surplus of R387.865 million (88% above year-to-date budget), a revenue collection rate of 153.13% against a National Treasury benchmark of 95%, and all four key liquidity ratios exceeding National Treasury norms collectively confirm that the municipality is financially stable, liquid, and sustainably managed. Creditor obligations are 96.5% settled within 30 days, capital expenditure is on track, and total Community Wealth(Net Assets) stands at a healthy R3.283 billion. Management is proactively addressing residual areas of improvement, including aged debtors and asset register integration, ahead of financial year-end.

1.12 RECOMMENDATION

- That the Executive Committee notes and endorses the Section 71 report for the period ended 31 May 2026.
- That the Debt Incentive Policy and targeted debtor engagements be sustained to maintain the strong collection rate trajectory.
- That asset register integration into the FMS be finalised by 30 June 2026 to ensure accurate annual financial statements.
- That minor budget realignments be tabled at the next Council sitting in terms of Section 28 of the MFMA.
- That this report be published on the municipal website in terms of Section 71(5) of the MFMA.
- That the Adjustments Budget process be utilised in terms of Section 28 of the MFMA to formally recognise and incorporate the positive financial outcomes and savings realised during the 2025/26 financial year, reflecting the municipality's improved fiscal performance.

PART 2

MONTHLY BUDGET STATEMENT TABLES

The monthly financial results for the period ended May 2026 attached consisting of the following tables, in Annexure A: -

(a) Table C1: Consolidated Monthly Budget Statement – Summary
(b) Table C2: Consolidated Monthly Budget Statement – Financial Performance (standard Classification)
(c) Table C3: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure by Municipal vote)
(d) Table C4: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure)
(e) Table C5: Consolidated Monthly Budget Statement – Capital Expenditure by vote, standard classification and funding
(f) Table C6: Consolidated Monthly Budget Statement – Financial Position (g) Table C7: Consolidated Monthly Budget Statement – Cash Flow

Part 2

(a) Table SC1: Material variance explanations
(b) Table SC2: Monthly Budget Statement – Performance Indicators
(c) Table SC3: Monthly Budget Statement – Aged Debtors
(d) Table SC4: Monthly Budget Statement – Aged Creditors
(e) Table SC5: Monthly Budget Statement – Investment Portfolio
(f) Table SC6: Monthly Budget Statement – Transfers and grant receipts
(g) Table SC7: Monthly Budget Statement – Transfers and grant expenditures
(h) Table SC8: Monthly Budget Statement – Councillor and Staff Benefits
(I) Table SC9: Monthly Budget Statement – Actual and Revised targets for cash receipts
(j) Table SC12: Monthly Budget Statement – Capital Expenditure Trend
(k) Table SC13a: Monthly Budget Statement – Capital expenditure on new assets by asset class
(l) Table SC13c: Monthly Budget Statement – Capital expenditure on repairs and maintenance by asset class
(m) Municipal manager's quality certification