

FETAKGOMO – TUBATSE
LOCAL MUNICIPALITY

SUBMISSION

To	:	Audit Committee
From	:	Municipal Manager
Item	:	
Date	:	31 August 2026
Subject	:	Budget Performance Assessment Report (Section 71) for the period ended August 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 August 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 August 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 Excluding capital receipts	1,256,544	-	209,424	342,449	64%
Total Operating Expenditure	1,146,703	-	191,117	116,197	-39%
Operating surplus / (deficit)	109,841	-	18,307	226,251	1136%

The annual budget for 2026/27 reflects a year-to-date budget surplus of R18.307 million. Actual operating revenue, excluding capital receipts, amounted to R342.449 million, while actual operating expenditure amounted to R116.197 million. This results in an operating surplus of R226.251 million (before capital transfers and contributions) as at the end of August 2026 (Month 02 of the 2026/27 financial year), which is 1,136% above the year-to-date budget of R18.307 million. The favourable variance continues to be driven largely by the early receipt of operational transfers relative to the profiled cash flow budget, together with sustained underspending on operating expenditure during the first two months of the financial year.

1.1 REVENUE PER SOURCE

LIM476 Tubatse Fetakgomo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 - August

Description	Ref	2025/26	Budget Year 2026/27							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
Revenue										
Exchange Revenue										
Service charges - Electricity		-	-	-	-	-	-	-	-	-
Service charges - Water		-	-	-	-	-	-	-	-	-
Service charges - Waste Water Management		-	-	-	-	-	-	-	-	-
Service charges - Waste management		29,800	31,120	-	2,657	5,188	5,187	1	0%	31,120
Sale of Goods and Rendering of Services		45,925	114,970	-	151	323	19,162	(18,839)	-98%	114,970
Agency services		9,338	10,439	-	830	1,858	1,740	119	7%	10,439
Interest		-	-	-	-	-	-	-	-	-
Interest earned from Receivables		8,247	8,078	-	710	1,421	1,346	75	6%	8,078
Interest from Current and Non Current Assets		13,912	14,511	-	1,281	1,847	2,418	(571)	-24%	14,511
Dividends		-	-	-	-	-	-	-	-	-
Rent on Land		-	-	-	-	-	-	-	-	-
Rental from Fixed Assets		340	467	-	25	51	78	(27)	-35%	467
Licence and permits		-	-	-	-	-	-	-	-	-
Special Rating Levies		-	-	-	-	-	-	-	-	-
Construction Contract Revenue		-	-	-	-	-	-	-	-	-
Development Charges		-	-	-	-	-	-	-	-	-
Operational Revenue		2,946	9,792	-	4,695	4,883	1,632	3,251	199%	9,792
Non-Exchange Revenue										
Property rates		247,759	354,336	-	29,175	67,027	59,056	7,971	13%	354,336
Surcharges and Taxes		-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		3,172	1,000	-	-	1	167	(166)	-99%	1,000
Licence and permits		7,563	21,846	-	738	1,528	3,641	(2,113)	-58%	21,846
Transfers and subsidies - Operational		664,765	660,212	-	983	252,547	110,035	142,511	130%	660,212
Interest		31,255	29,774	-	2,963	5,776	4,962	813	16%	29,774
Fuel Levy		-	-	-	-	-	-	-	-	-
Operational Revenue		-	-	-	-	-	-	-	-	-
Gains on disposal of Fixed and Intangible Assets		23,864	-	-	-	-	-	-	-	-
Other Gains		3,073	-	-	-	-	-	-	-	-
Discontinued Operations		-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		1,091,961	1,256,544	-	44,209	342,449	209,424	133,025	64%	1,256,544

Revenue Performance

- Operational revenue recognised, excluding capital transfers and contributions, as at the end of August 2026 (Month 02 of the 2026/27 financial year) amounted to R342.449 million against a year-to-date budget of R209.424 million, reflecting a favourable variance of R133.025 million or 64%.
- The municipality's year-to-date revenue performance reflects a favourable variance of 64% against the year-to-date budget, moderating from the 185% variance reported for July as the front-loaded receipt of the equitable share and other operational transfers in the opening month normalises against the linear cash flow profile assumed in the SDBIP. Excluding transfers and subsidies, underlying own-revenue collection remains mixed after the first two months of the 2026/27 financial year, with several revenue streams trailing their year-to-date targets.
- Performance across individual revenue streams remains 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:** No budget allocation or revenue was recorded against electricity service charges as at 31 August 2026, consistent with the treatment applied throughout the 2025/26 financial year, as billing for this service had not yet commenced at the start of the 2026/27 financial year.
- Service Charges – Waste Management:** Waste Management service charges reflect a negligible 0% variance against the year-to-date budget of R5.187 million, with actual revenue

billed of R5.188 million. The year-to-date variance of R1000 is immaterial and indicates that billing has remained consistent and on-target through the first two months of the 2026/27 financial year.

- **Sale of Goods and Rendering of Services:** Revenue from the sale of goods and rendering of services reflects a year-to-date variance of -98%, with actual receipts of R 323 000 against a year-to-date budget of R19.162 million, a shortfall of R18.839 million. This significant underperformance remains 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 later in the 2026/27 financial year, once all bulk infrastructure development has been completed.
- **Agency Services:** Revenue from agency services reflects a year-to-date favourable variance of 7%, with actual receipts of R1.858 million against a year-to-date budget of R1.740 million, a surplus of R 119 000. Per Supporting Table SC7, the favourable performance is attributable to increased demand for driver's licence transactions and will be monitored over the coming months to establish whether the trend is sustained.
- **Interest Earned from Receivables:** Interest earned from receivables reflects a 6% favourable variance, with actual revenue of R1.421 million against a year-to-date budget of R1.346 million, a positive variance of R75 000. This remains broadly within the National Treasury acceptable norm of 5% and reflects satisfactory performance through the first two months of the financial year.
- **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 -24%, with actuals of R1.847 million against a budget of R2.418 million, a shortfall of R 571 000. Per Supporting Table SC7, the underperformance is attributable to there being no uncommitted funds available for investment during the period. 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 -35%, with actual revenue of R 51 000 against a year-to-date budget of R 78 000, a shortfall of R 27 000. 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 31 August 2026. Management is engaging relevant internal departments to improve facility bookings and utilisation rates.
- **Operational Revenue:** Operational revenue (exchange) reflects a year-to-date favourable variance of 199%, with actual revenue of R4.883 million against a year-to-date budget of R1.632 million, a surplus of R3.251 million. The strong performance is attributable to higher-than-anticipated receipts from Clearance Certificates and Approval of Building Plans during the first two months of the 2026/27 financial year. This early favourable trend will be monitored over the coming months to establish whether it is sustained.

Revenue from Non-Exchange Transactions

- **Property Rates:** Property rates reflect a year-to-date favourable variance of 13%, with actual billed revenue of R67.027 million against a year-to-date budget of R59.056 million, a surplus of R7.971 million. Per Supporting Table SC7, the favourable variance is attributable to agricultural properties, which are billed once per year. This performance will be monitored over the coming months before any revision to the full-year forecast of R354.336 million is considered.
- **Fines, Penalties and Forfeits:** Fines, penalties and forfeits reflect a year-to-date unfavourable variance of -99%, with actual receipts of R1000 against a year-to-date budget of R 167 000 , a shortfall of R166 000. The underperformance reflects the continued low level of fines issued and processed during the first two months of the 2026/27 financial year and will be closely

monitored in subsequent months as law enforcement and revenue collection processes ramp up.

- **Licences and Permits:** Revenue from licences and permits reflects a year-to-date unfavourable variance of -58%, with actual receipts of R1.528 million against a year-to-date budget of R3.641 million, a shortfall of R2.113 million. The underperformance is attributable to lower-than-anticipated licence and permit applications processed during the period and will be monitored over the coming months.
- **Transfers and Subsidies – Operational:** Operational transfers and subsidies reflect a significant year-to-date favourable variance of 130%, with actual receipts of R252.547 million against a year-to-date budget of R110.035 million, a surplus of R142.511 million. This substantial favourable variance remains primarily attributable to the early receipt of the equitable share and other operational grant allocations gazetted in the Division of Revenue Act (DoRA), which continue to be received ahead of the linear cash-flow profile assumed in the year-to-date budget. This is a timing/cash-flow phasing variance rather than additional grant funding, and the full-year forecast remains unchanged at the gazetted allocation of R660.212 million.
- **Interest Charged on Property Rates (Interest – Non-Exchange):** Interest charged on overdue property rates accounts reflects a year-to-date favourable variance of 16%, with actual receipts of R5.776 million against a year-to-date budget of R4.962 million, a surplus of R 813 000. While above the National Treasury indicative norm of 5-10%, the variance is not considered material at this early stage of the financial year.

1.2 EXPENDITURE PERFORMANCE AS AT AUGUST 2026

LIM476 Tubatse Fetakgomo - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M02 - August

Description	Ref	2025/26	Budget Year 2026/27							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										

Expenditure By Type										
Employee related costs	312,799	303,129	–	21,071	40,172	50,521	(10,349)	-20%	303,129	
Remuneration of councillors	42,540	48,065	–	3,260	6,602	8,011	(1,409)	-18%	48,065	
Bulk purchases - electricity	–	–	–	–	–	–	–	–	–	
Inventory consumed	12,848	6,687	–	–	18	1,114	(1,096)	-98%	6,687	
Debt impairment	144,516	36,147	–	–	–	6,025	(6,025)	-100%	36,147	
Depreciation and amortisation	115,863	73,936	–	9,402	18,548	12,323	6,226	51%	73,936	
Interest	9,016	1,661	–	197	197	277	(80)	-29%	1,661	
Contracted services	376,518	516,506	–	13,046	22,830	86,084	(63,254)	-73%	516,506	
Transfers and subsidies	–	700	–	–	–	117	(117)	-100%	700	
Irrecoverable debts written off	6,310	12,398	–	6,371	6,818	2,066	4,752	230%	12,398	
Operational costs	130,076	147,475	–	7,178	21,012	24,579	(3,568)	-15%	147,475	
Disposal of Fixed and Intangible Assets	–	–	–	–	–	–	–	–	–	
Other Losses	12,247	–	–	–	–	–	–	–	–	
Total Expenditure	1,162,733	1,146,703	–	60,525	116,197	191,117	(74,920)	-39%	1,146,703	

Overall Expenditure Performance

The actual expenditure as at 31 August 2026 amounted to R116.197 million, whilst the approved year-to-date budget was R191.117 million. This resulted in a net underspending of R74.920 million, representing a 39% favourable variance against the year-to-date budget.

Analysis of Material Variances on Operating Expenditure

The underspending of R74.920 million on operating expenditure is attributable primarily to the following:

Employee Related Costs — Variance: R10.349 million (20% favourable)

Employee-related costs reflect a favourable variance of R10.349 million or 20% against the year-to-date budget of R50.521 million, with actual expenditure of R40.172 million recorded. Per Supporting Table SC7, this variance is attributable to the incomplete integration of salary data into the core financial system, rather than a genuine reduction in payroll costs. Management should confirm that all employee-related costs incurred during the period have been fully processed and recorded before this variance is relied upon as a saving.

Remuneration of Councillors — Variance: R1.409 million (18% favourable)

Remuneration of Councillors reflects a favourable variance of R1.409 million or 18% against the year-to-date budget of R8.011 million, with actual expenditure of R6.602 million recorded. Per Supporting Table SC7, the variance is attributable to the upper limits on councillor remuneration not yet having been implemented, and will be monitored as the applicable remuneration determination is applied during the year.

Inventory Consumed — Variance: R1.096 million (98% favourable)

Inventory consumed reflects a favourable variance of R1.096 million or 98% against the year-to-date budget of R1.114 million, with actual expenditure of R0.018 million recorded. The underspending is attributable to minimal inventory drawdown during the first two months of the financial year and will be monitored as operational demand increases.

Depreciation and Amortisation — Variance: R6.226 million (51% unfavourable)

Depreciation and amortisation reflects an unfavourable variance of R6.226 million or 51% against the year-to-date budget of R12.323 million, with actual charges of R18.548 million recorded. The overspend continues to arise because the year-to-date budget reflects only a partial monthly allocation, while depreciation charges are processed in full each month as the municipality continues integrating its asset register into the core financial management system (FMS). This will be monitored for consistency as the asset integration process is finalised.

Interest; Dividends and Rent on Land — Variance: R0.080 million (29% favourable)

Interest expenditure reflects a favourable variance of R 80 000 or 29% against the year-to-date budget of R 277 000, with actual expenditure of R197 000 recorded, all of which was incurred during August 2026 (no interest expenditure had been recorded in July). The lower-than-budgeted interest expenditure reflects the municipality's commitment to effective credit control and the timely settlement of financial obligations. Management will continue to prioritise sound cash flow management and proactive creditor engagement to sustain this performance trajectory.

Contracted Services — Variance: R63.254 million (73% favourable)

Contracted services reflect a favourable variance of R63.254 million or 73% against the year-to-date budget of R86.084 million, with actual expenditure of R22.830 million recorded. Per Supporting Table SC7, the underspending emanates from projects that have not yet been implemented in accordance with the approved support/demand management plan, as well as the phasing of contractor expenditure toward later periods in the year, consistent with the municipality's cost-containment strategy.

Irrecoverable Debts Written Off — Variance: R4.752 million (230% unfavourable)

Irrecoverable debts written off reflect an unfavourable variance of R4.752 million or 230% against the year-to-date budget of R2.066 million, with actual write-offs of R6.818 million recorded for the period, of which R6.371 million was written off in August alone. This represents a material reversal from the favourable position reported for July and should be investigated to confirm that the write-offs were processed in accordance with the municipality's credit control and debt management policy, following exhaustion of all reasonable recovery efforts, before being treated as routine.

Debt Impairment — Variance: R6.025 million (100% unfavourable)

Debt impairment reflects an unfavourable variance of R6.025 million or -100% against the year-to-date budget of R6.025 million, with no actual impairment expenditure recorded for the period. Per Supporting Table SC7, this is because the monthly impairment journal has not yet been run for August, rather than a true absence of impairment costs. This should be corrected by Budget and Treasury as a matter of priority, since understated debt impairment overstates both the operating surplus and the underspending reported in this section.

Operational Costs — Variance: R3.568 million (15% favourable)

Operational costs reflect a favourable variance of R3.568 million or 15% against the year-to-date budget of R24.579 million, with actual expenditure of R21.012 million recorded. Per Supporting Table SC7, the variance reflects lower actual spend relative to the budget projections across the operational costs sub-categories, including:

- Advertising, Publicity and Marketing, where promotional activities and campaigns are being phased within the approved cash flow profile for the year;
- Corporate and Municipal Activities, where institutional events and municipal programmes are being implemented in line with stringent cost-containment measures instituted by management; and
- Printing and Publications, where institutional communication and stakeholder material costs remain aligned with cost-containment initiatives.

1.3 Capital Budget Performance

LIM476 Tubatse Fetakgomo - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M02 - August

Vote Description	Ref	2025/26	Budget Year 2026/27							
		Audited	Original	Adjusted	Monthly actual	YearTD actual	YearTD	YTD	YTD %	Full Year
R thousands	1									
Capital Expenditure - Functional Classification										
Governance and administration		8,023	49,688	—	741	741	8,281	(7,540)	-91%	49,688
Executive and council		—	9,022	—	—	—	1,504	(1,504)	-100%	9,022
Finance and administration		8,023	39,970	—	741	741	6,662	(5,921)	-89%	39,970
Internal audit		—	696	—	—	—	116	(116)	-100%	696
Community and public safety		18,901	25,787	—	2,867	2,867	4,298	(1,431)	-33%	25,787
Community and social services		12,974	23,483	—	2,867	2,867	3,914	(1,047)	-27%	23,483
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		5,927	2,304	—	—	—	384	(384)	-100%	2,304
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
Economic and environmental services		247,120	221,256	—	11,306	13,165	36,876	(23,710)	-64%	221,256
Planning and development		—	36,522	—	5,961	7,533	6,087	1,446	24%	36,522
Road transport		247,120	184,734	—	5,345	5,633	30,789	(25,156)	-82%	184,734
Environmental protection		—	—	—	—	—	—	—	—	—
Trading services		19,548	133,974	—	—	—	22,329	(22,329)	-100%	133,974
Energy sources		17,351	63,539	—	—	—	10,590	(10,590)	-100%	63,539
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		2,197	70,435	—	—	—	11,739	(11,739)	-100%	70,435
Other		—	—	—	—	—	—	—	—	—
Total Capital Expenditure - Functional Classification	3	293,592	430,704	—	14,913	16,773	71,784	(55,011)	-77%	430,704
Funded by:										
National Government		172,041	83,112	—	11,062	12,634	13,852	(1,218)	-9%	83,112
Provincial Government		—	—	—	—	—	—	—	—	—
District Municipality		—	—	—	—	—	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies,		—	—	—	—	—	—	—	—	—
Transfers recognised - capital		172,041	83,112	—	11,062	12,634	13,852	(1,218)	-9%	83,112
Borrowing	6	—	137,774	—	—	—	22,962	(22,962)	-100%	137,774
Internally generated funds		116,497	139,818	—	3,851	3,851	23,303	(19,452)	-83%	139,818
Total Capital Funding		288,538	360,704	—	14,913	16,485	60,117	(43,632)	-73%	360,704

Overall Capital Expenditure Performance

Total capital expenditure for the year ended 31 August 2026 amounted to R16.773 million (year-to-date actual) against a year-to-date budget of R71.784 million, resulting in an under-expenditure of R55.011 million, equivalent to a -77% variance. The monthly actual expenditure recorded for August, being the second month of the 2026/27 financial year, was R14.913 million, a substantial increase on the R1.860 million spent in July.

National Government Transfers (Transfers Recognised – Capital)

Capital expenditure funded through national government transfers amounted to R12.634 million year-to-date against a year-to-date budget of R13.852 million, reflecting a year-to-date variance of R1.218 million or -9% underspending. Monthly actual transfers received during August amounted to R11.062 million. This category encompasses grant-funded programmes including MIG, INEP, and NDPG, and the variance is narrowing as project implementation gains momentum in the second month of the financial year.

Internally Generated Funds (Own-Funded Capital Projects)

Expenditure on own-funded capital projects amounted to R3.851 million year-to-date against a year-to-date budget of R23.303 million, reflecting an underspend of R19.452 million or -83% against the year-to-date target. Monthly actual expenditure of R3.851 million was recorded during August against the full-year allocation of R139.818 million, indicating that own-funded capital projects have only recently commenced in the 2026/27 financial year.

Economic and Environmental Services – Road Transport

Capital expenditure on road transport, the largest functional classification category, amounted to R5.633 million year-to-date against a year-to-date budget of R30.789 million. This reflects a year-to-date under-expenditure of R25.156 million or -82%, with a monthly actual spend of R5.345 million recorded in August, up from R0.288 million in July, indicating that infrastructure delivery projects are beginning to gain momentum in the opening months of the 2026/27 financial year.

Trading Services

Capital expenditure under trading services (energy sources and waste management) remained at R0 year-to-date against a year-to-date budget of R22.329 million, reflecting a full underspend relative to the profiled allocation. No capital expenditure has yet been recorded against trading services through the first two months of the 2026/27 financial year, with energy sources (year-to-date budget R10.590 million) and waste management (year-to-date budget R11.739 million) both yet to commence spending. This will require close monitoring to ensure implementation gains momentum in line with the approved capital programme.

1.4 FINANCIAL POSITION LIM476 Tubatse Fetakgomo - Table C6 Monthly Budget Statement -

Financial Position 31 August 2026

LIM476 Tubatse Fetakgomo - Table C6 Monthly Budget Statement - Financial Position - M02 - August

Description	Ref	2025/26	Budget Year 2026/27			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash and cash equivalents		279,353	98,000	–	376,713	98,000
Short term Investments		–	–	–	–	–
Trade and other receivables from exchange transactions		(199,186)	50,729	–	(180,634)	50,729
Receivables from non-exchange transactions		(602,436)	77,432	–	(567,971)	77,432
Current portion of non-current receivables		–	–	–	–	–
Inventory		140,330	47,311	–	140,288	47,311
VAT		66,912	52,181	–	39,173	52,181
Other current assets		81,503	0	–	81,306	0
Total current assets		(233,523)	325,653	–	(111,124)	325,653
Non current assets						
Investments		–	76,195	–	899	76,195
Investment property		53,300	54,550	–	53,300	54,550
Property, plant and equipment		3,024,209	3,284,555	–	3,022,537	3,284,555
Biological assets		–	–	–	–	–
Living resources		–	–	–	–	–
Heritage assets		1,068	1,068	–	1,068	1,068
Intangible assets		4,589	2,003	–	4,486	2,003
Trade and other receivables from exchange transactions		–	–	–	–	–
Non-current receivables from non-exchange transactions		–	–	–	–	–
Other non-current assets		–	–	–	–	–
Total non current assets		3,083,166	3,418,371	–	3,082,290	3,418,371
TOTAL ASSETS		2,849,643	3,744,024	–	2,971,166	3,744,024
LIABILITIES						
Current liabilities						
Bank overdraft		–	–	–	–	–
Financial liabilities		(74,495)	25,643	–	(81,585)	25,643
Consumer deposits		15,275	–	–	11,975	–
Trade and other payables from exchange transactions		314,170	88,380	–	191,945	88,380
Trade and other payables from non-exchange transactions		10,371	8,691	–	15,235	8,691
Provision		48,186	10,538	–	10,877	10,538
VAT		(220)	11,561	–	17,839	11,561
Other current liabilities		–	15,484	–	37,309	15,484
Total current liabilities		313,287	160,296	–	203,595	160,296
Non current liabilities						
Financial liabilities		99,399	132,797	–	99,366	132,797
Provision		13,130	38,219	–	13,130	38,219
Long term portion of trade payables		–	–	–	–	–
Other non-current liabilities		5,836	46,090	–	5,836	46,090
Total non current liabilities		118,364	217,105	–	118,332	217,105
TOTAL LIABILITIES		431,651	377,401	–	321,927	377,401
NET ASSETS	2	2,417,992	3,366,623	–	2,649,239	3,366,623
COMMUNITY WEALTH/EQUITY						
Accumulated surplus/(deficit)		2,415,704	3,366,623	–	2,649,406	3,366,623
Reserves and funds		–	–	–	–	–
Other		–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	2	2,415,704	3,366,623	–	2,649,406	3,366,623

- As at 31 August 2026, the municipality's total Community Wealth (Net Assets) amounts to R2,649,406,000, as reflected in the Table C6 Monthly Budget Statement of Financial Position, a decrease of R648.146 million from the R3,297,552 million reported for July 2026. This decline is driven primarily by a swing in total current assets from a positive R394.077 million in July to a negative R111.124 million in August, mainly reflecting movements in trade and other receivables and related

impairment provisions. This is a material movement that warrants urgent investigation and confirmation by Budget and Treasury before the report is finalised, notwithstanding that the municipality's overall net asset position remains positive at R2.649 billion.

1.5 KEY FINANCIAL RATIOS

The following financial ratios are derived from the Statement of Financial Position (Balance Sheet) as at 31 August 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 (M02)	Status
Cash Coverage Ratio	2 Months	Favourable
Current Ratio (Liquidity Ratio)	-0.55:1	Adverse
Acid Test Ratio (Quick Ratio)	1.85:1	Favourable
Revenue Collection Rate	49%	To be confirmed

1.5.1 Cash Coverage Ratio

- The municipality's cash coverage ratio for M02 (August 2026) is approximately 6.5 months, which exceeds the National Treasury minimum benchmark of one (1) month, though it has moderated from the 7.2 months reported for July. This indicates that the municipality maintains a strong liquidity position, with sufficient cash and near-cash investments (R377.612 million, comprising cash and cash equivalents of R376.713 million and non-current investments of R0.899 million) to fund its average monthly operating expenditure (R58.099 million, being year-to-date actual expenditure of R116.197 million divided by two months) 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 remains in a position to honour its financial obligations from available cash resources through the first two months of the 2026/27 financial year.

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 -0.55:1 for M02 (August 2026), a sharp deterioration from the 3.27:1 reported for July. This is derived from total current assets of negative R111.124 million against total current liabilities of R203.595 million, per Table C1 and Supporting Table SC8.
- A negative current ratio is a significant departure from the National Treasury norm of 1.5:1 and indicates, on the face of the source data, that current liabilities exceed current assets. This result is driven by the swing in current assets discussed in section 1.4 above and should be treated as a data-quality/impairment-presentation matter requiring urgent confirmation by Budget and Treasury, rather than an indication that the municipality is unable to meet its short-term obligations, given the strong cash position reflected elsewhere in this report.

1.5.3 Acid Test Ratio (Quick Ratio)

- The acid test (quick) ratio, which presents a more conservative measure of liquidity using monetary assets (cash and cash equivalents of R376.713 million) against current liabilities of R203.595 million, reflects a ratio of 1.85:1 for M02, moderating from the 2.80:1 reported for July but remaining favourable.
- This ratio continues to demonstrate 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, and the acid test ratio (unlike the current ratio in section 1.5.2 above) is not affected by the receivables/impairment presentation issue noted above.

1.5.4 Revenue Collection Rate - August 2026

- The revenue collection rate for M02 (August 2026) is 49 percent and the low collection is amongst the following reasons
- Agricultural Properties that are levied once a year in July (2026), payments are expected from August 2026.
- Billing on Special Rating on mining that was introduced on the 01 July 2026, payments are expected from August 2026.
- Culture of non-payment by the two townships
- Non-Payment on state own properties on improvements, only farm portions are paid.

1.6 CASH FLOW STATEMENT

LIM476 Tubatse Fetakgomo - Table C7 Monthly Budget Statement - Cash Flow - M02 - August

Description	Ref	2025/26	Budget Year 2026/27							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates		194,436	283,469	283,469	14,991	31,116	47,245	(16,128)	-34%	283,469
Service charges		21,548	28,631	28,631	1,646	4,024	4,772	(748)	-16%	28,631
Other revenue		74,374	156,414	156,414	7,318	8,649	26,069	(17,420)	-67%	156,414
Transfers and Subsidies - Operational		671,180	619,547	619,547	1,015	252,946	103,258	149,688	145%	619,547
Transfers and Subsidies - Capital		188,558	95,579	95,579	20,718	20,718	15,930	4,788	30%	95,579
Interest		7,670	49,334	49,334	404	987	8,222	(7,235)	-88%	49,334
Dividends		-	-	-	-	-	-	-		-
Payments										
Suppliers and employees		(494,148)	(1,057,752)	(1,057,752)	(29,448)	(123,650)	(176,292)	52,642	-30%	(1,057,752)
Interest		-	(1,578)	1,578	(197)	(197)	(263)	66	-25%	(1,578)
Transfers and Subsidies		-	(665)	665	-	-	(111)	111	-100%	(665)
NET CASH FROM/(USED) OPERATING ACTIVITIES		663,617	172,979	177,465	16,447	194,593	28,830	(165,763)	-575%	172,979
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		-	-	-	-	-	-	-		-
Decrease (increase) in non-current receivables		-	-	-	-	-	-	-		-
Decrease (increase) in non-current investments		-	-	-	450	899	-	899	#DIV/0!	-
Insurance Refund - Capital		-	-	158,440	-	-	-	-		-
Long Term Investments		-	-	-	-	-	-	-		-
Payments										
Capital assets		(307,083)	(409,169)	(409,169)	(22,618)	(59,015)	(68,195)	9,179	-13%	(409,169)
Retention (Capital)		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(307,083)	(409,169)	(250,729)	(22,168)	(58,116)	(68,195)	10,079	#DIV/0!	(409,169)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		-	-	-	-	-	-	-		-
Borrowing long term/refinancing		(45,099)	158,440	158,440	(3,562)	(7,320)	26,407	(33,726)	-128%	158,440
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-		-
Payments										
Repayment of borrowing		-	-	-	-	-	-	-		-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(45,099)	158,440	158,440	(3,562)	(7,320)	26,407	33,726	128%	158,440
NET INCREASE/ (DECREASE) IN CASH HELD		311,435	(77,750)	85,176	(9,283)	129,157	(12,958)			(77,750)
Cash/cash equivalents at beginning:		261,020	80,378	80,378		279,353	80,378			279,353
Cash/cash equivalents at month/year end:		572,456	2,628	165,554		408,510	67,420			201,603

- The month-end cash and cash equivalents as reflected in Table C7 (Cash Flow Statement) amount to R408.510 million for the period ending 31 August 2026 (Month 02 of the 2026/27 financial year), against a year-to-date budget of R67.420 million. The Table C6 Statement of Financial Position reflects cash and cash equivalents of R376.713 million as at 31 August 2026, against a budget of R98.000 million, reflecting a favourable variance of R278.713 million. The resultant reconciling variance of R31.797 million between the cash flow statement balance and the statement of financial position balance is currently under review as part of the standard month-end closing and reconciliation process.

1.7 DEBTORS

LIM476 Tubatse Fetakgomo - Supporting Table SC2 Monthly Budget Statement - aged debtors - M02 - August

Description	NT Code	Budget Year 2026/27										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		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		
R thousands													
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	27,402	27,055	7,677	19,257	5,987	6,445	7,775	355,760	457,358	395,224	(5,280)	–
Receivables from Exchange Transactions - Waste Water Management	1500	–	–	–	–	–	–	–	–	–	–	–	–
Receivables from Exchange Transactions - Waste Management	1600	3,701	1,811	1,539	1,428	1,416	1,370	1,382	87,970	100,616	93,566	(816)	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	23	19	19	14	14	14	14	391	507	446	–	–
Interest on Arrear Debtor Accounts	1810	3,726	3,420	3,426	3,200	3,137	3,130	3,020	58,428	81,487	70,915	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–	–	–	–	–
Other	1900	108	92	204	205	211	525	10	4,069	5,425	5,021	(274)	–
Total By Income Source	2000	34,960	32,398	12,864	24,103	10,766	11,484	12,200	506,618	645,393	565,170	(6,369)	–
2025/26 - totals only		–	–	–	–	–	–	–	–	–	–	–	–
Debtors Age Analysis By Customer Group													
Organs of State	2200	3,249	4,572	2,051	2,036	2,024	2,012	2,136	132,935	151,015	141,142	(594)	–
Commercial	2300	25,358	23,275	6,650	18,169	4,927	5,424	6,543	175,992	266,340	211,056	(2,761)	–
Households	2400	6,353	4,550	4,163	3,898	3,814	4,048	3,521	197,691	228,038	212,972	(3,014)	–
Other	2500	–	–	–	–	–	–	–	–	–	–	–	–
Total By Customer Group	2600	34,960	32,398	12,864	24,103	10,766	11,484	12,200	506,618	645,393	565,170	(6,369)	–

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 R645.393 million, of which approximately R565.170 million (87.6%) is older than 90 days. The majority of the outstanding debt relates to property rates (R457.358 million) and waste management/refuse removal (R100.616 million).

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 and, given the marked increase in the Organs of State share noted above, with government department accounts specifically, to improve cash realisation and enhance overall revenue collection performance.

Note: The table below reflects the top ten debtors per category (Business, Industrial, Mining and Residential) for August 2026, sourced from the municipality's billing system extract for the period, per account number.

TOP TEN DEBTORS PER CATEGORY (BUSINESS) AUGUST 2026		
NO.	ACCOUNT_NO	TOTAL
1	0001225290	R9,672,716.24
2	0001225321	R9,076,844.46
3	0001007661	R4,411,075.75
4	0010043674	R2,871,660.25
5	0001071696	R2,531,276.68
6	0007069197	R2,155,851.34
7	0001017527	R1,308,108.40
8	0001006339	R1,138,985.43
9	0001200402	R983,345.83
10	0001139177	R914,866.98
TOTAL		R35,064,731.36

TOP TEN DEBTORS PER CATEGORY (INDUSTRIAL) AUGUST 2026		
NO.	ACCOUNT_NO	TOTAL
1	0001035665	R1,580,757.97
2	0001225250	R1,131,865.88
3	0001132148	R960,086.23
4	0001016997	R690,672.37
5	0001018280	R629,803.72
6	0001129481	R542,943.82
7	0001110349	R518,783.28
8	0001097784	R305,880.83
9	0001224656	R274,183.79
10	0001033409	R160,217.95
TOTAL		R6,795,195.84

TOP TEN DEBTORS PER CATEGORY (MINING) AUGUST 2026		
NO.	ACCOUNT_NO	TOTAL
1	0001035797	R7,804,641.19
2	0001133829	R5,318,557.56
3	0001225313	R3,783,410.03
4	0007075839	R3,509,118.36
5	0001072226	R2,211,272.61
6	0001067966	R1,850,083.56
7	0007070446	R1,450,657.05
8	0001225307	R497,552.30
9	0001224657	R496,848.92
10	0001154230	R450,757.67
TOTAL		R27,372,899.25

TOP TEN DEBTORS PER CATEGORY (RESIDENTIAL) AUGUST 2026		
NO.	ACCOUNT_NO	TOTAL
1	0010043667	R1,586,237.13
2	0001128361	R1,524,718.78
3	0001222880	R1,065,398.86
4	0001005529	R902,993.04
5	0001106325	R593,348.94
6	0001060406	R583,759.67
7	0001057308	R559,687.34
8	0001035517	R500,695.96
9	0001223828	R493,597.80
10	0001017802	R489,138.80
TOTAL		R8,299,576.32

1.9 INVESTMENT PORTFOLIO

LIM476 Tubatse Fetakgomo - Supporting Table SC16 Monthly Budget Statement - Investment Portfolio - M02 - A											
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	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%		63,973	899			64,872
Standard Bank Tiered Account		Months	Call Account	Call	7%		878	7			885
Standard Bank Call Account		Months	Call Account	Call	8%		16,257	21	(16,100)		179
FNB Call Account		Months	Call Account	Call	7%		98	1			99
STANDARD BANK CALL ACCOUNT 008		Months	Call Account	Call	7%		426	840	(29,000)	130,000	102,266
Municipality sub-total							81,631	1,769	(45,100)	130,000	168,300
Entities											
											-
Entities sub-total							-	-	-	-	-
TOTAL INVESTMENTS AND INTEREST	2						81,631	1,769	(45,100)	130,000	168,300

Reference

The municipality's investment portfolio schedule (Supporting Table SC16) submitted for the August 2026 reporting period reflects a total investment and interest balance of R168.301 million at month-end, held entirely at municipal level (no entity-held investments), comprising fixed deposit and call/tiered accounts across two banking institutions.

- Portfolio Valuation:** The municipality's investment portfolio opened the 2026/27 financial year at R81.631 million and had grown to R168.301 million as at 31 August 2026, comprising a Standard Bank Fixed Deposit (11%, closing balance R64.872 million), a Standard Bank Tiered Account (7%, closing balance R 885 000), a Standard Bank Call Account (8%, closing balance R179 000), an FNB Call Account (7%, closing balance R 99 000), and a new Standard Bank Call Account opened during the period (7%, closing balance R102.266 million). The non-current investments balance per the Statement of Financial Position (Table C6) stands at only R0.899 million as at 31 August 2026, which does not reconcile with the Fixed Deposit component of the SC16 schedule and should be confirmed with Budget and Treasury.
- Liquidity Management:** Significant liquidity movements were recorded during the period: a R130.000 million top-up and a R29.000 million withdrawal were recorded

against the STANDARD BANK CALL A account, which grew from an opening balance of R0.426 million to a closing balance of R102.266 million. A further withdrawal of R16.100 million was recorded against the Standard Bank Call Account, reducing its balance from R16.257 million to R0.179 million. The scale of the movements on the STANDARD BANK CALL A account is unusual relative to its opening balance and should be confirmed with Budget and Treasury before the report is finalised.

- **Interest Realised:** Interest of R1.765 million was realised across the investment portfolio during the period, comprising R0.899 million from the Fixed Deposit, R 840 000 million from the STANDARD BANK CALL A account, and the balance from the remaining call and tiered accounts.
- **Institutional Concentration Risk:** The municipality's investment portfolio as at 31 August 2026 is concentrated in Standard Bank (four of five accounts, R168.202 million or 99.9% of the portfolio), with only a nominal balance (R99 000) held with FNB. This concentration risk has increased in absolute terms following the growth of the STANDARD BANK CALL A account, and management should consider diversifying the portfolio across additional institutions in line with the municipality's investment policy and National Treasury guidelines under the MFMA.

1.10 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. As reflected in the loan schedule below, the two loans (Loan No. 000819602 and Loan No. 000850945) had a combined opening balance of R24.498 million for the period under review. During the year (Year to date) capital repayments of R7.090 million and interest paid of R426 thousands were recorded, together with interest payable of R412 thousands, bringing total capital and interest expensed to R7 516 million. The balance on the loans as at end of August 2026 shows that the Municipality still owes R **17,408** million, comprising R4,801 million on Loan 000819602 and R12,607 million on Loan 000850945.

PLEDGED/SPECIFIC PURPOSE	LOAN NO	OPENING BALANCE	INTEREST PAYABLE	INTEREST PAID	CAPITAL REPAYMENT	CAPITAL & INTEREST EXPENSED	OUTSTANDING BALANCE
LAND ACQUISITION AND INFRASTRUCTURE DEVELOPMENT	000819602	9,513,565.92	(146,430.53)	(151,311.55)	-	-	4,800,786.38
	000850945	14,985,419.99	-265,950.64	-274,815.67	-	-	12,607,761.86
TOTAL LOANS		24,498,985.91	-412,381.17	-426,127.22	7,090,437.67	7,516,564.89	17,408,548.24

1.11 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 finalised, 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.

1.13 RECOMMENDATION

- That the Executive Committee notes and endorses the Section 71 report for the period ended 31 August 2026
- That the Debt Incentive Policy and targeted debtor engagements, particularly with Organs of State given the marked increase in that category's share of total debt, be sustained to maintain a strong collection rate trajectory.
- That this report be published on the municipal website in terms of Section 71(5) of the MFMA.



FETAKGOMO TUBATSE
LOCAL MUNICIPALITY

**Fetakgomo/Tubatse Local Municipality Section 71 Report for August
for 2026/ 2027 Financial Year**

Municipal Manager Quality Certification

QUALITY CERTIFICATE

I, MAKGATA MOGARAMEDI JOEL, Municipal Manager, of Fetakgomo Tubatse Local Municipality, hereby certify that the Section 71 report for August 2026 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and Regulations made under that Act,

MAKGATA MJ

Municipal Manager of Fetakgomo Tubatse Local Municipality (LIM476)

Signature

Date 11 September 2026

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