

TMDM COUNCIL MEETING

ANNEXURE E

JANUARY 2025



**REPORT OF THE EXECUTIVE MAYOR FOR SUBMISSION TO COUNCIL MID YEAR
BUDGET AND PERFORMANCE ASSESSMENT REPORT
(1 JULY 2024 TO 31 DECEMBER 2024)**

EXECUTIVE SUMMARY

Thabo Mofutsanyana District municipality adopted Performance Framework, and the service Delivery and Budget Implementation Plan, read with the municipal Finance Management Act No. 56 of 2003 mandates the municipality to assess the performance of the municipality during the first half of the year taking into account –

- 1) The monthly statement for the first half of the financial year and the targets set in the service delivery and budget implementation plan.
- 2) The council's annual report for the past year and progress on resolving problems identified in the annual report and submit a report on such assessment to council.

1. BUSINESS PLAN

None

2. COMPLIANCE WITH STRATEGIC OBJECTIVE

Good governance

3. POLICY

Performance Management Framework

4. ANNEXURE

Mid-year budget and performance assessment report.

5. DELEGATED AUTHORITY

Council

6. LEGAL REQUIREMENTS

Municipal Finance Management Act No. 56 of 2003



7. BACKGROUND

The SDBIP is a tool developed in terms of the MFMA to track and monitor Performance of a municipality. Report for the first quarter has been done and approved by Council.

8. FINANCIAL IMPLICATIONS

Reports production costs

9. STAFF IMPLICATIONS

Council has provided staff for this purpose

10. RISK IMPLICATIONS

None

11. RECOMMENDATION

👤 That the council approves the mid-year budget and performance assessment report. 🗣️
That the report forms part of the evaluation of the Municipal Manager and all Managers in terms of the performance agreements.

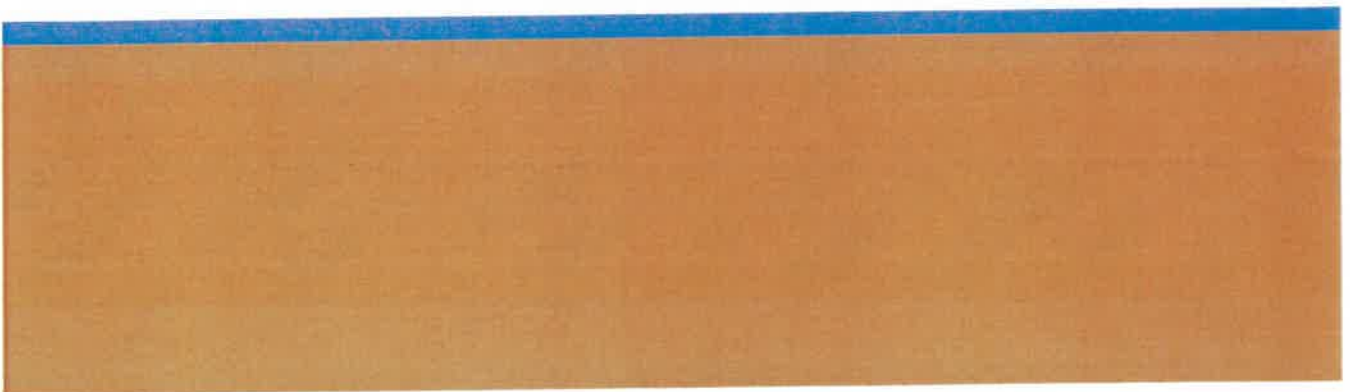
12. RECOMMENDED FOR SUBMISSION

Cllr. AC Msibi

Executive Mayor



MFMA SEC.72 Mid- year budget and performance assessment



**THABO MOFUTSANYANA DISTRICT MUNICIPALITY
MID-TERM PERFORMANCE REPORT: 1 JULY 2024 – 31 DECEMBER 2024
2024/25 FINANCIAL YEAR**

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SECTION 1: INTRODUCTION

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

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

- Monthly Budget Statement – MFMA Section 71 report
- The Performance of the Municipality during the first half of the financial year in terms of the service delivery targets and performance indicators as set in the adopted Service Delivery and Budget Implementation Plan
- The past year's Annual Report and progress in resolving the issues contained in the Annual Report relating to the previous financial year 2024/2025.

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

SECTION 2: OVERVIEW OF THE DISTRICT MUNICIPALITY

2.1 Location

Thabo Mofutsanyana District Municipality (DC 19) is situated in the North eastern Section of the Free State Province and borders for most of Lesotho and Kwazulu Natal. It nestles in the shades of the Maluti between the Orange River in the south and the Vaal River in the north. Its Head Office is situated in Phuthaditjhaba about 48km south-west of Harrismith (R712) and 142km North-east of Ficksburg.

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

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

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

2.2 Mission and Vision

The vision and mission of the municipality is:

Vision

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

Mission

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

2.3 Strategic Objectives

Thabo Mofutsanyana District Municipality has adopted Strategic Objectives that will support its programs to meet the 2024-2025 government priorities. These key priorities are as follow:

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

2.4 Allocated Powers and Functions

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

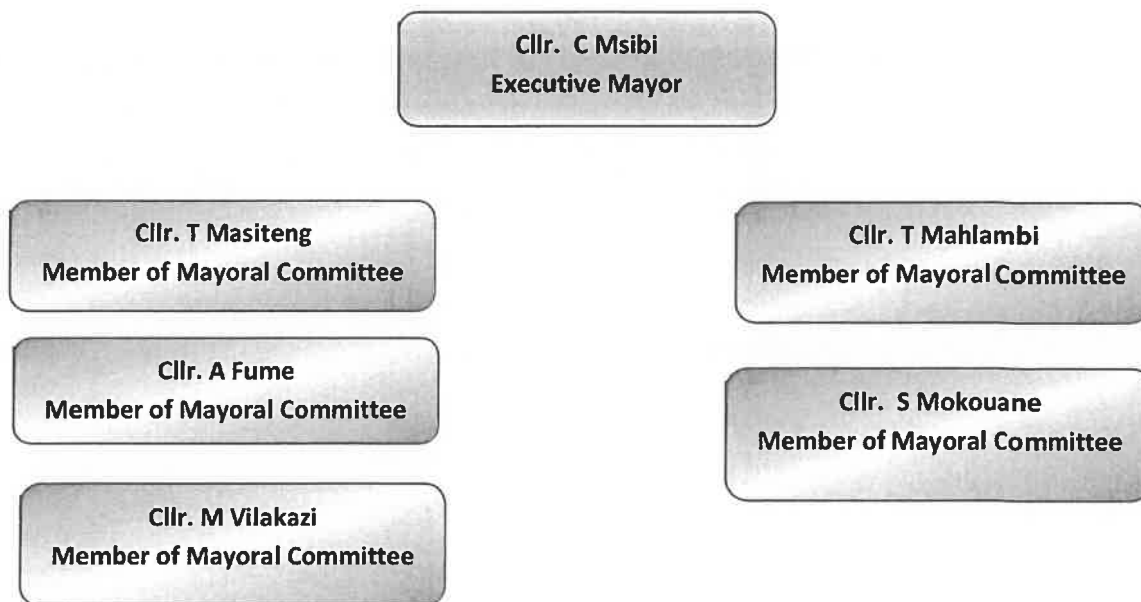
- a. Integrated development planning for the district municipality as a whole, including framework for integrated development plans of all municipalities in the area of the district municipality.
- b. Potable water supply systems.
- c. Bulk supply of electricity, which includes for the purposes of such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

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

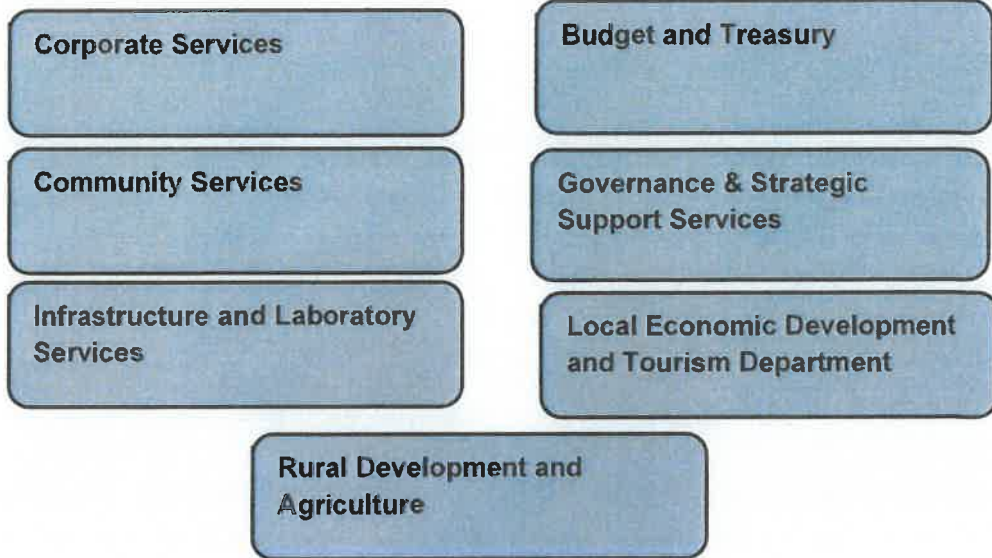
2.5 High Level Organizational Arrangements

2.5.1 Political Structure



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2.5.2 Portfolio Committees



2.5.3 Administrative Structure



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SECTION 3: MONTHLY BUDGET STATEMENT – SECTION 71 REPORTS

3.1. Operating Budget

The overall operating results for the mid-term period ending 31st December 2024

Description	Approved Original Budget	Adjustment Budget	First Quarter Results	Second Quarter Results	Year to date (YTD)	%
INCOME						
Operating Revenue	R178, 030, 256	R -	R68, 300, 038	R51, 898, 006	R120, 198, 044	68%
EXPENDITURE						
Operating Expenditure	R169, 927, 169	R -	R37, 514, 863	R47, 207, 394	R84, 722, 257	50%
Capital Expenditure	R8, 103, 087	R -	R68,785	R253, 598	R322, 383	4%
TOTAL EXPENSE	R178, 030, 256	R -	R37, 583, 648	R47, 460, 992	R85, 044, 640	41%
Surplus/ Deficit	R -	R -	R30, 716, 390	4, 437, 014	R35, 153, 404	

Operating budget analysis

- The operating revenue received during the half-year period appear to have performed 18% above the anticipated average revenue of 50% and this attributed to tranches of grants received in line with National Treasury payment schedule during the period under review.
- The operating expenditure performed at 50% as anticipated.
- The capital expenditure has underspending variance of 96% as compared to the projected average spending of 50% for the half-year, the effect is primarily caused by the decrease procurement of goods of capital nature and the depreciation and debt impairment that usually get accounted at year end.

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Actual Revenue, per revenue source

Operating Revenue	Approved Budget	1 st Quarter Revenue	2 nd Quarter Revenue	Year to Date Revenue	%
Grants and Subsidies	R152, 821, 100	R64, 896, 000	R49, 284, 826	R114,180,826	75%
Interest received	R4,333,813	R1, 599,326	R1, 308,102	R2, 907, 338	67%
Other revenue	R20, 875, 343	R1, 804, 712	R1, 305, 168	R3, 109,880	15%
Total	R178, 030, 256	R68, 300, 038	R51, 898, 006	R120,198, 044	68%

Actual revenue, per revenue source analysis

- Grants and subsidies have been received in line with the National Treasury payment schedule,
- Interest received during the half-year period appear to have performed 17% above the anticipated average interest received of 50% and this attributed to greater balances of investments during the period under review.
- Other revenue is indicating below average projected anticipated income by 35%, this due to the depreciation reserve being a non-cash item and cash backed reserved from the prior period to be recognized at year end.

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Actual Expenditure per category

Operating Expenditure per Category	Approved Original Budget	Expenditure		(YTD) Expenditure	% Exp to date
		Actual per 1st Quarter	Actual per 2 nd Quarter		
Employee Cost	R104, 459, 428	R25, 526, 016	R25, 484, 321	R51, 010, 337	49%
Councillors Allowance	R8, 795, 892	R2, 080, 094	R2, 446, 263	R4, 526, 357	51%
General Expenditure	R53, 49, 884	R9, 222, 917	R18, 611, 924	R27, 834, 840	52%
Property, Plant and Equipment	R8, 103, 087	R68, 785	R253, 598	R322, 383	4%
Depreciation	3, 175, 965	R685, 837	R664, 887	R1, 350, 723	43%
Finance Charges	R -	R0	R0	R0	0%
TOTAL	R178, 030, 256	R37, 583, 648	R47, 460, 992	R85, 044, 640	48%

Actual expenditure, per category analysis

- Employee cost reflects a slight underspending variance of 1% as compared to the projected average spending of 50% for the half-year, the effect is not material and therefore, acceptable.
- Councilor's allowance reflects an overspending of 1% as projected for the half-year, the effect is not material and therefore, acceptable.
- General expenditure reflects overspending variance of 2% as compared to the projected average spending of 50% for the half-year, is not material and therefore, acceptable
- Purchase of Property, Plant and Equipment reflects under-spending variance of 46% as compared to the projected average spending of 50% for the half-year, the effect is primarily caused by the pending appointment of a service provider for the construction of a bridge and Fencing of Royal burial sites as per budget procurement plan.
- Depreciation reflects an underspending of 7% for the half -year, the effect is not material and therefore, acceptable.

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Actual Expenditure per capital programme

Capital Expenditure	Approved Budget	1 st Quarter Expenditure	2 nd Quarter Expenditure	Year To Date Expenditure	%
Furniture and equipment	R60, 000	R68, 785	R0	R68, 785	115%
Computers	R -	R -	R154, 448	R154, 448	(100%)
Vehicles	R -	R -	R -	R -	0%
Fencing of royal grave sites	R250, 000	R -	R -	R -	0%
LAB Management Information system	R -	R -	R -	R -	0%
Bridge Constructions	R7,793,087				
Plant and Equipment	R0	R -	R99, 150	R99, 150	0%
Total Expenditure	R8, 103, 087	R68, 785	R253, 598	R322, 383	4%

- Furniture and equipment reflects' an overspending variance of 65% as compared to the projected average spending of 50% for the half-year.
- Computers reflect an overspending variance of 100% as compared to the projected spending of 0% for the half year.

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- 3.2. Cash Flow Statement

Details	1 st Quarter Actual Results	2 nd Quarter Actual Results
Opening bank balance – 01 st July 2024	R2, 813, 980	R2, 647, 926
Add: Receipts		
<input type="checkbox"/> Government Grants	R66, 321, 912	R50, 811, 030
<input type="checkbox"/> Interest received		
<input type="checkbox"/> Other income		
<input type="checkbox"/> Investment withdrawn	R0	R21, 000, 000
Sub-total (Income)	R66, 321, 912	R71, 811, 030
Less: Payments		
<input type="checkbox"/> Salaries and wages	R25, 986, 339	R30, 697, 651
<input type="checkbox"/> Cash and creditors payment	R13, 432, 842	R20, 594, 613
<input type="checkbox"/> Capital payment	R68, 785	R253, 598
<input type="checkbox"/> Investment made	R27, 000, 000	
Sub-total (Expenditure)	R66, 487, 966	R51, 545, 862
Closing bank balance – 31st December 2024	R2, 647, 926	R22, 913, 094

3.3. Accounts Receivables (Outstanding debts)

Accounts details	Current	30 days	60 days	+90 days
Accrued interest income	R304, 359	R-	R-	R-
VAT receivable	R527, 724	R-	R-	R4, 532, 869
Other receivables	R-	R-	R-	R3, 608, 655
Total	R832 083	R-	R-	R8, 141, 524

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3.4 Accounts Payables (Outstanding creditors)

Accounts details	Current	30 days	60 days	+90 days
SARS EMP201 creditor (PAYE, UIF & SDL)	R-	R-	R-	R-
Third party creditors	R9,819	R9,819	R-	R-
Workmen compensation (COIDA)	R-	R-	R-	R3, 368, 380
Other creditors	R42,850	R-	R-	R-
Total	R42,850	R9,819	R-	R3, 368, 380

3.5. Government Grants and Subsidies income

Operating Revenue	Approved Budget	1 st Quarter Revenue	2 nd Quarter Revenue	Year to Date Revenue	%
Equitable Share	R139,749, 100	R58, 229,000	R46, 576, 000	R104,805, 000	75%
Financial Management Grant	R2, 300, 000	R2, 300, 000		R2, 300, 000	100%
Energy efficiency Grant	R5, 500, 000	R2, 000, 000	R1, 500, 000	R3, 500, 000	64%
EPWP Incentive Grant	R1, 913, 000	R478, 000	R861, 000	R1, 339, 000	70%
Rural Assets Management System	R2, 699, 000	R1, 889, 000		R1, 889, 000	70%
LGSETA grant	-		R45, 057	R45, 057	
AgriSETA grant	R660, 000		R302, 769	R302, 769	46%
Municipal Systems Improvement Grant (MSIG)	R -	R -	R -	R -	0%
TOTAL	R152, 821, 000	R64, 896, 000	R49, 284, 000	R114, 180,826	75%

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3.6. Short-term investment portfolio

Banking Institution	Type of Account	Capital Invested	Interest Received	Investment Made	Investment withdrawn	Closing
ABSA	Fixed Deposit Liquidity Plus	R5, 307, 060	R192, 738	R10, 000,000	R1, 000, 000	R14, 499, 798
ABSA	Call Account1	R10, 044, 895	R1, 147, 528	R27, 000,000	R30, 000, 000	R8, 192, 423
ABSA	Call Account2	R3, 596, 684	R148, 733			R3, 745, 416
ABSA	Call Account3	R14, 266, 237	R640, 328			R14, 906, 564
Nedbank	Call Account	R7, 233, 571	R249, 940			R7, 483, 512
TOTAL						R48, 827, 712

Short-term investment analysis

- The ability of the district to discharge its legislative mandate depends on a solid liquidity ratio, thus, mean the sustainability of the cash investment translate to ability to delivery on local government mandate. The district currently has a favourable balance of R48.8 million, which sustainable in terms of cash liquidity.

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

Mid-year budget and performance assessment. — (1) The accounting officer of a municipality must by 25 January of each year—

- (a) assess the performance of the municipality during the first half of the financial year, considering —
 - (i) the monthly statements referred to in section 71 for the first half of the financial year.
 - (ii) the municipality's service delivery performance during the first half of the financial year, and the service delivery targets, and performance indicators set in the service delivery and budget implementation plan.
 - (iii) the past year's annual report, and progress on resolving problems identified in the annual report; and
 - (iv) the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and

SECTION 5: BUDGET ADJUSTMENT (MFMA Sec. 28(2))

Municipal adjustments budgets. — (1) A municipality may revise an approved annual budget through an adjustments budget.

- a) must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year.
- b) may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programs already budgeted for.
- c) may, within a prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality.
- d) may authorize the utilization of projected savings in one vote towards spending under another vote.
- e) may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen

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at the time to include projected roll-overs when the annual budget for the current year was approved by the council.

- f) may correct any errors in the annual budget
- g) may provide for any other expenditure within a prescribed framework.

The review of the budget performance reveals the following:

- To adjust Grants allocation downwards of (south African National Biodiversity Institute (SANBI) Groen Sebenza grant, period allocated for spending of the grant money came to an end as per the agreement.
- To adjust downwards the expected Agri Seta grant allocation, only half of the initial agreement of R660 000 is due for the budget period under review.
- To adjust the revenue projections upwards (interest on current account)
- To adjust expenditure projections downwards in relation to depreciation expense (delay in capital projects)
- To adjust upwards the expenditure projection of the EPWP programme, allocation decrease in the year under review.
- To authorize the utilization of projected savings in one vote towards spending under another vote.
- To authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council (RRAMS Grant)
- To correct any errors in the annual budget

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

SECTION 5: CONCLUSION

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

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

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

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



Ms. TPM Lebenya
Municipal Manager

24/01/2025
Date