EXTRACT FROM THE MINUTES OF ORDINARY COUNCIL MEETING OF MASILONYANA LOCAL MUNICIPALITY HELD ON THE 30th JANUARY 2026 IN TOWN HALL THEUNISSEN AT 11H00.

IN ATTENDANCE	
Cllr SN Makata	Speaker
Cllr DE Modise	Mayor
Cllr PS Tlahadi	Councillor/Absent
Cllr MTW Moroane	Councillor/Absent
Cllr TC Tladi	Councillor
Cllr MS Letsie	Councillor
Cllr MZ Likoebe	Councillor
Cllr MG Fosi	Councillor
Cllr NH Kototsa	Councillor
Cllr B Phehlane	Councillor
Cllr D Xhalabile	Councillor
Cllr KE Mokalolise	Councillor/Absent
Cllr S Brown	Councillor /Absent
Cllr TB Molahloe	Councillor/Absent
Cllr M Visser	Councillor
Cllr SE Putsoenyane	Councillor
Cllr BG Rossouw	Councillor
Cllr W Potgieter	Councillor /Absent
Cllr SP Mabesa	Councillor
Mr. MJ Matlole	Municipal manager
Me. ME Makgahlela	Director: Social & Community Services
Mr. P Tsotetsi	Director: Corporate Services
Mr. T. Mthimkulu	Director: Technical Services/Absent
Mr. A. Makoae	Chief financial officer
Me. P. Mahlophe	Director: Planning & Development Services

Me. K. Lebusho	Manager: Programme
Me. M Morigihlane	Manager: Office of the Municipal Manager
Mr. M. Mahula	Senior Administration Officer
Mr. S. Ngwenya	Chairperson: APC
Me. S. Steenbok	AGSA
Me. N. Zwane	AGSA
Mr. G. Coetze	AGSA

NO	ITEMS	BACKGROUND	DISCUSSIONS	RESOLUTIONS
14	**14.1.1 Mid-year budget and performance assessment report for 2025/2026 financial year.**	Section 72(1) of the MFMA requires from the Municipal Manager, as Accounting Officer of the Municipality, to submit a mid-year budget assessment report to the Mayor by 25 January of each year detailing the state of the municipality's capital and operational budget, based on the Section 71 reports submitted; the municipality's service delivery performance for the first half of the financial year taking into account the service delivery targets and performance indicators set in the Service Delivery and Budget Implementation Plan (SDBIP); and also taking into account the previous year's Annual Report and progress made on resolving problems identified in the Annual Report. This mid-year budget assessment report addresses only the financial-related matters (budget versus actuals for operating income, operating expenditure, and capital expenditure) and the progress made on the financial-related concerns identified in the 2024/2025 Annual Report.	This Mid-Year Assessment evaluates the Municipality's financial and non-financial performance for the first half of the 2025/2026 fiscal year. The assessment is informed by Section 71 Monthly Budget Statements (August 2025 – M02), the Audited Annual Financial Statements, the Auditor-General's report, and Provincial Treasury monitoring. • Key findings indicate that: • Revenue billing remains functional but can be improved. • Cash collection remains low, impacting liquidity. • A large historic debtor book continues to constrain sustainability. • Governance and leadership interventions have been implemented to stabilize the institution.	**That the mid-year budget and performance assessment as tabled is noted by Council.** **That the 2025/26 annual budget be adjusted in February 2026 in terms of Section 28 of the MFMA.** **That the mid-year budget and performance assessment report be submitted to COGTA and both National and Provincial Treasuries as required by Section 72 of the MFMA.** **That the Midyear budget and performance report be placed on the municipal website withing five (5) days after being adopted by COUNCIL.**

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<td>The municipality's service delivery performance assessment of the service delivery indicators, as specified in the SDBIP, will be provided in a separate report.</td>
<td>Operating Revenue and Expenditure Summary

The high-level budget assessment of operating revenue (capital grants included) and operating expenditure is presented in Table 1 below.

The municipality's total approved budget amounts to R450. million on income and R.449 million on expenditure (Operating Budget), and a capital budget of R43 million, and this resulted in a budgeted operating surplus of R1 million

The total budget for the 2025/2026 financial year stands as follows:

• R450 903 245 is allocated to the operating revenue budget, ensuring day-to-day service delivery
• R449 851 937 is allocated to the operating expenditure budget and ensures day-to-day delivery
• R43 114 000 is dedicated to capital investment in key infrastructure projects.</td>
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			Total operating revenue (capital grants excluded) for the half year of 2025 projects a variance of R282.2 million (Row 1 & Column H). These projections exclude grants; this is the amount the Municipality still needs to collect before the financial year ends. (62% of the budget), A reduction in the revenue and expenditure needs to be considered for downward adjustments. Total operating expenditure projects over-expenditure R398 million (Row 2 and Column H), which still need to be incurred and recorded against the budget. 88% of Operating expenditure is not yet incurred, and 40% of this amount is part of Employee cost, which is not yet integrated in the system and reported.	

			Operating Revenue per Category. The year-to-date actual revenue (capital grants excluded) as at 31 December 2025 amounted to R 168 million (Row 15 & Column E) and represents 37. % (Row 15 & Column F) of the original budgeted revenue of R 450 million (Row 15 & Column C). There is very little collection in terms of revenue, and billing is not close to 50% in six months because there are always negative variances monthly, meaning it is not clear whether all households are billed for all service charges. Notable variances are as follows: • **Service charges**, **Sales of Goods and rendering of services**, Property **Rates,** The Municipality, however, embark on data cleansing with CCG to ensure that proper records are kept and exist to ensure that realistic revenue is collected and based on the debtors that exist on the system. The audit action plan will be implemented as well.	

			• To ensure that the Meter Readers are appointed in all 3 Towns so that the readings are taken on monthly basis. • To ensure that billings are made on monthly basis for all 4 Towns. • To ensure that accounts are correct and issued on monthly basis. • To ensure that accounts queries are dealt with on a weekly basis and customers are informed timeously. • To conduct public meetings to encourage the communities to pay the current accounts and that arrear debts will be suspended and dealt with, and the Council will be informed about the out outcomes and recommend to the Council to pronounce itself. **Operating Expenditure per Category.** • The municipality captured the invoices; hence, most balances are no longer on credit. The current expenditure, when compared to the budget, shows unsatisfactory variances due to the December period, where there was a cooling period to	

			• **Interest Earned from Receivable:** Interest was calculated for the month 06 and billed correctly without any errors. • **Transfer and subsidies operation.** The Grant Module was activated in month 05, and all grants' allocations were recorded in the system. The process was reviewed to ensure that all grants were recorded correctly as it constitutes huge amount of revenue received. • **Service charges constitute** revenue collection for month 6, and this is due to the municipality embarking on operation Patala to ensure that the accounts are billed and statements are se**3.2 Billing vs Collections.** Collection revenue is set at 37% of the budgeted amount during the first 6 months of the year, and this seems to be unfavorable and does not give the courage to collect the whole 63 % of the budget by the end of the year. Seeing this result, the municipality may need to adjust the budget downward during the adjustment budget and then implement the following revenue collection measures:	

			procure, but expenditure tried to capture and pay invoices for the month the services were done. • **As for employee-related cost and Remuneration**, Employee related cost journals were done up to month 04(90% in progress) we experienced system clinches before month 05 close and the municipality decided not to upload on month 06 as the employee cost journal would have caused the delay in month 06 data string submission if decided to wait and fix those system clinches on CCG. Every month of 01 to 05 journal integration will be uploaded when the process is now clear with validations. • **Bulk Purchases:** Invoices for bulk Electricity were captured and now can now be shown on the system for the months of 05 and 06 after intervention with the service provider.	

			Capital Expenditure per Directorate Council originally approved a capital budget of R 43 million (Row 9 & Column C) for the 2025/2026 financial year, Actual capital expenditure during the first six months of the 2025/2026 financial year (capital commitments excluded) equates to R10 million (Row 7 & Column D) or 3.8%. **Municipal grants for the 2025/2026 financial year are as follows:** • Equitable Share: this is an unconditional grant meant to subsidize the poor and council support, and is allocated R173 418 000.00 • Finance Management Grant (FMG): This is a conditional grant aimed at improving Finance management within the municipality and allocated R2 600 000 • Water Services Infrastructure Grant (WSIG): this is a conditional grant aimed to provide water and sanitation	

			services and reduce backlogs, allocated R18 220 000 000. • Expanded Public Works Programme (EPWP): a job creation conditional grant, allocated R1 354 000. • Municipal Infrastructure Grant (MIG): a conditional grant aimed at addressing backlogs of poor and ageing infrastructure, as well as improving the capacity on the performance of the water and sanitation networks, is allocated R20 894 000. • Energy Efficiency and Demand-Side Management Grant (EEDG): an in-kind capital grant for energy improvements, allocated R4 000 0000. • DBSA Grant: Installation of bulk and domestic meters (Water and Electricity) R23 800 000.	

			Debtor Age Analysis. Indicated in the table is the total outstanding debt by Income Source and Customer Group, with the total O/S Debt amounting to R2 055 483 000 listed above as at the end of December 2025. A Debt Collection Incentive was introduced to encourage consumers with long outstanding debt to receive a fifty percent discount on settlement of their accounts from July 2025. This is a limited-period incentive expiring on 30 June 2026, and it does not apply to balances raised in the 2025/26 financial year. The Writing-Off of Irrecoverable Debt Policy will be revised and amended to cater for the envisaged incentive Dedicated measures to keep Electricity and Water Distribution Losses below the national norm of a maximum of 10% and 30%, respectively. The measures include a monthly report indicating the calculations of the losses, as well as remedial action to address the significant losses.	

			Creditors Age Analysis. • This age analysis report shows creditors per category and shows a total of creditors amounting to R429 830 000 outstanding as of December 2025. The age, however, does not show Bulk Electricity; the issue was logged with CCG to check the linking. This issue is correct, and on the C4 but not on the SC4; the matter is still under investigation and was logged into with the service provider. **Investment Portfolio analysis.** Investments play a crucial role in a municipality's financial management, as they enable the municipality to be able to meet its short-term liabilities, bridge shortfalls, and earn interest on surplus cash. However, due to cash flow challenges, a huge list of creditors, and constant attachment of the municipal bank account, however, here is the investment Register submitted to the treasury for reporting on **Q2.**	

			These calculations are guided by the National Treasury norm as set out in Circular 71. • The municipality conducted an electricity meter audit, wherein it was discovered that some meters were tempered with and bypassed by our customers resulting in under collection of electricity revenue thus the municipality is in the process of taking corrective remedial action to address the inconsistency discovered above by the installation of New Meters for both electricity and water to enhance revenue. • It should be noted that the municipality took initiative to appoint a debt collector to assist in revenue collection, which will improve the performance on collection, and put measures in place to follow up on disputed on accounts. Waste management and other debtors' accounts are in a credit balance, which are under investigation and thereafter will be corrected.	

			Allocation, grant receipt, and expenditure. In terms of the Division of Revenue Bill for 2025/26, the municipality has been allocated a total of R220 million, of which R43 million is conditional grants. **<u>NON-FINANCIAL MID-YEAR PERFORMANCE ASSESSMENT REPORT 2025/2026.</u>**	

			Department: Municipal Manager's Office: The Municipal Manager's Office had (15) half yearly targets as per the key performance indicators, achieved (10) and not achieved (5) **Department: Corporate Services** The Department of Corporate Services had (47) half-yearly targets as per the key performance indicators, achieved (35) and not achieved (12) **Department: Planning and Economic Development** The Department of Local Economic Development had (22) half yearly targets as per key performance indicators, achieved (18) and not achieved (4)	

			Department: Finance The Department of Finance had (28) half-yearly targets as per key performance indicators, achieved (18) and not achieved (10) **Department: Infrastructure and Technical Services** The Department of Infrastructure and Technical Services had a (66) half-yearly target as per key performance indicators, achieved (23) and not achieved (43) **Department: Social and Community Services** The Department of Social and Community Services had (24) half-yearly targets as per key performance indicators, achieved (6) and not achieved (18).	

			Department: Speaker's Office The Department of the Speaker's Office had (8) half-yearly targets as per key performance indicators, achieved (8), and not achieved (0). **Department: Mayor's Office** The Department of the Mayor's Office had 8 half-yearly targets as per key performance indicators, achieved (8), and not achieved (0).	

Certified to be a true reflection of the original minutes.

Cllr SN Makata
SPEAKER