Quarterly report on Budget implementation

!Kheis
Munisipaliteit
Municipality

Period ending 30 September 2025

In compliance with section 52 of the Local Government
Municipal Finance Management Act No.56 of 2003

Quarterly report on budget implementation for the period ending 30 September 2025

To: The mayor and members of the Council

In accordance with section 52 of the Local Government: Municipal Finance Management Act 2003 (the "MFMA)", this report is required to assess the budget implementation of! Kheis Municipality during the first quarter of the 2025/26 financial year.

Section 52 of the MFMA requires the mayor to submit within 30 days after the end of each quarter a report in a prescribed format to the Council on the implementation of the budget and the financial situation of the municipality.

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Mr. M.P Dichaba (Acting Municipal Manager)

Contents

1. PURPOSE

To inform Council of progress made in the implementation of the budget and the performance outcomes in respect of the third quarter of the 2025/26 financial year, and to ensure that implementation of the budget is in-line with the Service Delivery Budget Implementation Plan (SDBIP).

2. LEGAL REQUIREMENTS

In terms of section 52(d), of the MFMA, the quarterly report for the period 01 July 2025 to 30 September 2025 is submitted for your consideration.

In terms of section 54 (1), (2) and (3) of the MFMA the following applies: -

(1) "On receipt of a statement or report submitted by the accounting officer of the Municipality in terms of section 52 or 72, the mayor must –

(a) Consider the statement or report.

(b) Check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan.

(c) Issue any appropriate instructions to the accounting offices to ensure –

- (i) That the budget is implemented in accordance with the service delivery and budget implementation plan; and
- (ii) That spending of funds and revenue collection proceed in accordance with the budget.

(d) Identify any financial problems facing the municipality, including any emerging or impending financial problems; and report them to the council.

3. IMPLEMENTATION OF BUDGET IN TERMS OF SDBIP

The quarterly report has been completed for legislative compliance.

3.1 Financial problems or risks facing the municipality.

Currently! Kheis Municipality is experiencing cash flow problems. The turnaround strategy has been implemented partially and will be fully implemented as we anticipate positive results which may contribute to improvement in the cash flow which results in better service delivery to all.

3.2 Other information

During November 2021 a new council had been elected. A new Acting Municipal Manager had been appointed by Cogsta on request of the Council and the appointment was in October 2023. The figures and information in this report are from 01 July 2025 – 30 September 2025.

4. EXECUTIVE SUMMARY

This quarterly report assesses the performance of the municipality during the last three months of the current financial year, considering –

- (i) Revenue collected against set targets in the A7 of the original budget.
- (ii) The budgeted v/s actual expenditure figures in the monthly C- schedules.
- (iii) The budgeted v/s actual capital expenditure figures in the monthly C-schedules.
- (iv) The service delivery targets, and performance indicators set in the service delivery and budget implementation plan.

(v) The budgeted cash flow in the original A schedules of the budget.
(vi) The performance of every municipal directorate in line with the strategies set out in the SDBIP.
(vii) Municipal Standard Chart of Accounts (mSCOA)
(viii) Remedial steps to improve processes hampering services delivery and compliance challenges.

4.1. Revenue collected.

The year-to-date (01July 2025 - 30 September 2025) reflects an achievement of 7.48%. This is a decrease in comparison to the similar period of the previous financial year. Notwithstanding this decrease, it contributes to debtors not paying their monthly accounts! Kheis Municipality experiences challenges in terms of revenue collection:

(a) Consumers: Low payment rate; and
(b) State Departments: cost-reflective payments rate.

4.2. Operating expenditure

The operating year - to- date expenditure is still in line with the budgeted amount in the A-schedules of the original budget. The municipality's operating expenditure for the first quarter is R **10** million on revenue for the year -to-date or (7.48%) and capital expenditure for the first quarter remain unchanged as there were no Capital projects active although there was budgeted for Capital projects. Expenditure items such as bad debts and depreciation are recorded at the end of the financial year, and this is why it remains at 0% and that's the reason why these expenses show unspent balances at the end of the first quarter.

4.3. Capital Expenditure

Capital expenditure budget is R 21, 9 million for the year under review. Expenditure on the Capital budget for the first quarter is zero because not one of the projects have started although all SCM processes were completed.

4.4. Performance indicator

The performance indicators for the first quarter of the 2025/2026 financial year had been measured against the strategic objectives in the SDBIP. The position that was vacant has been filled with a warm body since the third quarter of the previous financial year.

4.5. Cash flow

Cash and cash equivalents amounted to a positive with the cash flow of the municipality on 30 September 2025. A huge challenge that the municipality is facing is the collection of outstanding debtors, measures were put in place for the collection of these outstanding amounts owed by the debtors. More emphasis was implemented on the collection of outstanding debt towards debtors, especially residential and commercial.

Conditional grants have been received and invested in line with the conditions of the grants. These funds are only spent in line with the payment schedules for the projects funded by MIG, EPWP and FMG. All this spending on the grants should be in line with an approved business plan. No operational expenses are covered under the conditions of these grants.

4.6. Directorate's performance

This department has appointed someone in that vacancy, due to the fact that this department was not fully active and could not measure all Directors and departments. The quarterly reports on the performance targets of all directorates in the municipality will be submitted for the year under review.

4.7. Municipal Standard Chart of Accounts

The municipality implemented the mSCOA system since 01 July 2017. Since the implementation of mSCOA the municipality encounters problems with certain reports especially Section 71 report and facing challenges such as balancing and Income statement Budgeting. The Finance Dept is busy with the transgression and migration to move from SAMRAS to SAMRAS Web and is busy implementing the Expenditure and Asset modules in nearby future. The municipality also faces challenges implementing all modules but due to financial problems they are unable to.

4.8. Remedial steps

The municipality is still experiencing challenges in maintaining the budgeted expenditure and income, especially on maintenance and other related expenses. The data strings on compilation of section 71 reports are in line with the requirements from National Treasury, however, the following need further attention:

- ➢ The income codes from NT on the system need intervention, because it needs to give a better report on the financial and cash flow position of the municipality.
- ➢ Service delivery target and performance indicators had been measured against the SDBIP, through the C-schedules for the first quarter of the financial year; and
- ➢ Not all monthly reconciliations for the current financial year have been carried out. Only certain required reconciliations had been performed for the three months, which shows a lack of capacity in various sections in the municipality. This will also help the municipality to determine whether there is adequate financial resources to meet its priorities, because of the prior year's commitments. The following monthly reconciliations were not done during the first quarter of this financial year:
    - ✓ Bank reconciliations.
    - ✓ Payroll (salary) reconciliations.
    - ✓ Creditors reconciliations; and
    - ✓ Cash Reconciliations

Copies of these reconciliations are filed in line with the requirements of the National Treasury, in separate files.

OVERVIEW OF FINANCIAL PERFORMANCE

5.1 Bank and cash book balances

The bank balance according to the bank statement reflects the actual bank balance of the Municipality at a specific date, whereas the cash book balance is the difference between the total accumulated cash receipts (income) up to a given date and the total accumulated cash payments (expenses) up to the same date. The Bank balance is, therefore, the true reflection of what the Cash Book balance should be if all transactions have been processed in the Municipality's financial system (SAMRAS).

Bank reconciliations are being prepared monthly. Failure to reconcile may lead to misleading financial reporting which can result in inappropriate Council decisions.

The Municipality's bank account opened the quarter with a positive balance of R 43 449.51 on 01 July 2025 and closed with a positive balance of R 36 160.61 on 30 September 2025. The balances for the conditional grants do not form part of the operating account of the municipality since Conditional grant monies must immediately be transferred into the respective investment accounts. These balances are disclosed as a portion of investments for the quarter ended.

The cashbook balance was R 51,918.56 on July 2025 and close the first quarter (September 2025) with a balance of R 20,293,224.88. Difference between cash book opening balance and bank balance on 01 July 2025 was due to receipts captured on the financial system but was only banked 01 July in the new financial year and expenses, mostly salaries and third party payments, during the course of the first quarter.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/07/2025	43,449.51	51,918.56	-8,469.85
30/09/2025	36,160.61	20,293,224.88	-20,257,064.27

5.2 Cash flow

The municipality started the quarter with a positive cash book balance. However, this amount has been influenced by an amount of R 71,5 million owed by outstanding creditors such as the Pension fund, Salga, Boegoeberg Water Association, and Department of Safety and Liaison. One of the challenges that the municipality is facing is the revenue collection and outstanding debtors. Even though the municipality may settle all their creditors it will remain a problem to pay its employees, with that said the municipality is under dire strain to fulfill its obligations to deliver basic services to the community of !Kheis in the financial year under review and future FY's.

TABLE 2: CASH FLOW STATEMENT

NC084 !Kheis - Table C7 Monthly Budget Statement - Cash Flow										
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
CASH FLOW FROM OPERATING ACTIVITIES	1								%	
Receipts										
Property rates		2 240	6 600	6 600	238	531	1 650	(1 119)	-68%	6 600
Service charges		1 190	8 472	8 472	114	291	2 118	(1 827)	-86%	8 472
Other revenue		9 172	5 311	5 311	(1)	(130)	1 328	(1 457)	-110%	5 311
Transfers and Subsidies - Operational		35 255	41 717	41 717	–	–	10 429	(10 429)	-100%	41 717
Transfers and Subsidies - Capital		1 627	21 979	21 979	–	–	5 495	(5 495)	-100%	21 979
Interest		2	375	375	–	–	94	(94)	-100%	375
Dividends		–	–	–	–	–	–	–		–
Payments										
Suppliers and employees		880	(74 774)	(74 774)	2 382	6 777	(18 693)	(25 470)	136%	(6 231)
Interest		–	–	–	–	–	–	–		–
Transfers and Subsidies		–	–	–	–	–	–	–		–
NET CASH FROM/(USED) OPERATING ACTIVITIES		**50 367**	**9 679**	**9 679**	**2 733**	**7 469**	**2 420**	**(5 049)**	**-209%**	**78 221**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		–	–	–	–	–	–	–		–
Decrease (increase) in non-current receivables		–	–	–	–	–	–	–		–
Decrease (increase) in non-current investments		–	–	–	–	–	–	–		–
Payments										
Capital assets		(473)	(21 979)	(21 979)	–	–	5 495	5 495	100%	21 979
NET CASH FROM/(USED) INVESTING ACTIVITIES		**(473)**	**(21 979)**	**(21 979)**	**–**	**–**	**5 495**	**5 495**	**100%**	**21 979**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans		–	–	–	–	–	–	–		–
Borrowing long term/refinancing		–	–	–	–	–	–	–		–
Increase (decrease) in consumer deposits		–	–	–	–	–	–	–		–
Payments										
Repayment of borrowing		–	–	–	–	–	–	–		–
NET CASH FROM/(USED) FINANCING ACTIVITIES		**–**	**–**	**–**	**–**	**–**	**–**	**–**		**–**
NET INCREASE/ (DECREASE) IN CASH HELD		**49 894**	**(12 300)**	**(12 300)**	**2 733**	**7 469**	**7 914**			**100 200**
Cash/cash equivalents at beginning:		28 471	617	617		–	617			–

5.3 Expenditure

The first quarter, all expenditure items show a negative variance, which indicate a saving on that specific expenditure item.

Salaries paid to employees (excluding councilors) represent 48% of the actual expenditure amount for the first quarter. The following table summarises the overall financial position on the operating budget in relation to the Municipality's approved budget for the 2025/26 financial year. The budget can be regarded as the detailed operational plan approved by the Council for the execution of KPA's in terms of the SDBIP. The following challenges had been addressed in the budget for 2025/26:

(i) Low revenue collected for service charges.
(ii) Tariff increases not in line with market related inflation rates, but in line with National Poverty Relief Policy.
(iii) Inability of the municipality to raise loans for capital projects.

TABLE 3: STATEMENT OF INCOME AND EXPENDITURE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -

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		–	–	–	–	–	–	–		–
Service charges - Water		4 654	7 181	7 181	325	990	1 795	(805)	-45%	7 181
Service charges - Waste Water Management		3 288	4 066	4 066	265	839	1 016	(178)	-18%	4 066
Service charges - Waste management		4 713	5 609	5 609	380	1 199	1 402	(203)	-15%	5 609
Sale of Goods and Rendering of Services		402	858	858	26	90	214	(125)	-58%	858
Agency services		–	–	–	–	–	–	–		–
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		7 516	9 308	9 308	681	2 020	2 327	(307)	-13%	9 308
Interest earned from Current and Non Current Assets		44	375	375	27	58	94	(35)	-38%	375
Dividends		–	–	–	–	–	–	–		–
Rent on Land		25	23	23	–	1	6	(4)	-77%	23
Rental from Fixed Assets		255	1 999	1 999	22	67	500	(433)	-87%	1 999
Licence and permits		121	475	475	5	16	119	(103)	-87%	475
Special rating levies		–	–	–	–	–	–	–		–
Operational Revenue		487	497	497	–	3	124	(121)	-97%	497
Non-Exchange Revenue										
Property rates		5 634	10 964	10 964	(4)	5 922	2 741	3 181	116%	10 964
Surcharges and Taxes		2 759	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	–	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfer and subsidies - Operational		42 426	42 717	42 717	–	18 674	10 679	7 995	75%	42 717
Interest		3	1 649	1 649	0	0	412	(412)	-100%	1 649
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		169	–	–	11	35	–	35		–
Other Gains		–	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and		**72 494**	**85 719**	**85 719**	**1 739**	**29 914**	**21 430**	**–**		**85 719**
Expenditure By Type										
Employee related costs		33 122	39 700	39 700	2 781	8 666	9 925	(1 259)	-13%	39 700
Remuneration of councillors		5 027	5 007	5 007	415	1 279	1 252	27	2%	5 007
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		1 916	2 363	2 363	1	(51)	591	(642)	-109%	2 363
Debt impairment		46 675	12 871	12 871	–	–	3 218	(3 218)	-100%	12 871
Depreciation and amortisation		10 819	8 719	8 719	–	66	2 180	(2 114)	-97%	8 719
Interest		–	–	–	–	–	–	–		–
Contracted services		1 576	3 452	3 452	16	40	863	(823)	-95%	3 452
Transfers and subsidies		(2 826)	35	35	–	–	9	(9)	-100%	35
Irrecoverable debts written off		–	–	–	–	–	–	–		–
Operational costs		16 460	10 740	10 740	167	479	2 685	(2 206)	-82%	10 740
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		–	–	–	–	–	–	–		–
Total Expenditure		**112 769**	**82 889**	**82 889**	**3 381**	**10 479**	**20 722**	**(10 243)**	**-49%**	**82 889**
Surplus/(Deficit)		**(40 275)**	**2 830**	**2 830**	**(1 642)**	**19 436**	**708**	**10 243**	**0**	**2 830**
Transfers and subsidies - capital (monetary allocations)		–	–	–	5 000	5 000	–	5 000		–
Transfers and subsidies - capital (in-kind)		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Income Tax		–	–	–	–	–	–	–		–
Surplus/(Deficit) after income tax		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Share of Surplus/Deficit attributable to Joint Venture		–	–	–	–	–	–			–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Share of Surplus/Deficit attributable to Associate		–	–	–	–	–	–			–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**

5.4 Operating Income

The annual budget is approved for “Total Revenue by Source”. The year-to-date reflects an over-achievement of 28% against the planned revenue. The reason is the first trench of grants received.
The actual operating income for each department is below the anticipated budgeted income for the reporting period, except for sewerage and sanitation. The income reflected in these schedules is accrued of income levied against budgeted revenue for the quarter under review. All grants to be paid in the first quarter was received from Dept. Water and Sanitation, National and Provincial Treasury.
Below are the percentage of services rendered for the first quarter this year.

Description	Percentage
Service charges: Water	24%
Service charges: Sanitation	25%
Service charges: Refuse	25%
Property Rates	25%
Operational Grants	25%

As can be seen from the above table, the year-to-date income was R 29,914 million from levies and grants for the period under review, which is relevant consistent with the prior year's amount. The income on property rates is levied at the beginning of the new financial period as well as monthly. No changes in the registered properties have been considered.

Allocations were for WSIG R 5 million received in July and MIG was supposed to be paid out in August. The municipality requested Treasury to withhold the payment for MIG funds due to the municipal account being garnished. For the first quarter the municipality did not spend any funds as SCM processes were not finalised.

Item	Budgeted	Received	% Received
Equitable Share	37,617,000.00	15,674,000.00	42%
FMG	3,000,000.00	3,000,000.00	100%
MSG	1,000,000.00	0	0%
LIBRARY	1,100,000.00	0	0%
WSIG	10,000,000.00	5,000,000.00	50%
MIG	11,979,000.00	0	0%

TABLE 4: REVENUE BY SOURCE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -

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		–	–	–	–	–	–	–		–
Service charges - Water		4 654	7 181	7 181	325	990	1 795	(805)	-45%	7 181
Service charges - Waste Water Management		3 288	4 066	4 066	265	839	1 016	(178)	-18%	4 066
Service charges - Waste management		4 713	5 609	5 609	380	1 199	1 402	(203)	-15%	5 609
Sale of Goods and Rendering of Services		402	858	858	26	90	214	(125)	-58%	858
Agency services		–	–	–	–	–	–	–		–
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		7 516	9 308	9 308	681	2 020	2 327	(307)	-13%	9 308
Interest earned from Current and Non Current Assets		44	375	375	27	58	94	(35)	-38%	375
Dividends		–	–	–	–	–	–	–		–
Rent on Land		25	23	23	–	1	6	(4)	-77%	23
Rental from Fixed Assets		255	1 999	1 999	22	67	500	(433)	-87%	1 999
Licence and permits		121	475	475	5	16	119	(103)	-87%	475
Special rating levies		–	–	–	–	–	–	–		–
Operational Revenue		487	497	497	–	3	124	(121)	-97%	497
Non-Exchange Revenue										
Property rates		5 634	10 964	10 964	(4)	5 922	2 741	3 181	116%	10 964
Surcharges and Taxes		2 759	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	–	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfer and subsidies - Operational		42 426	42 717	42 717	–	18 674	10 679	7 995	75%	42 717
Interest		3	1 649	1 649	0	0	412	(412)	-100%	1 649
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		169	–	–	11	35	–	35		–
Other Gains		–	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and		**72 494**	**85 719**	**85 719**	**1 739**	**29 914**	**21 430**	**–**		**85 719**

5.5 Capital Expenditure

The municipality did not spend any funds for the first quarter due to SCM processes not finalised.

TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

NC084 !Kheis - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) -

Vote Description	Ref	2024/25	Budget Year 2025/26							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–		–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Vote 5 - TECHNICAL SERVICES		–	24 479	24 479	–	–	6 120	(6 120)	-100%	24 479
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–		–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–		–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–		–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–		–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–		–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–		–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–		–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–		–
Total Capital Multi-year expenditure	4,7	–	24 479	24 479	–	–	6 120	(6 120)	-100%	24 479
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–
Vote 3 - FINANCIAL MANAGEMENT SERVICES		–	–	–	–	–	–	–		–
Vote 4 - COMMUNITY SERVICES		–	–	–	–	–	–	–		–
Vote 5 - TECHNICAL SERVICES		(4 335)	–	–	–	–	–	–		–
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–		–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–		–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–		–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–		–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–		–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–		–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–		–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–		–
Total Capital single-year expenditure	4	(4 335)	–	–	–	–	–	–		–
Total Capital Expenditure	3	(4 335)	24 479	24 479	–	–	6 120	(6 120)	-100%	24 479
Capital Expenditure - Functional Classification										
Governance and administration		–	–	–	–	–	–	–		–
Executive and council		–	–	–	–	–	–	–		–
Finance and administration		–	–	–	–	–	–	–		–
Internal audit		–	–	–	–	–	–	–		–
Community and public safety		–	–	–	–	–	–	–		–
Community and social services		–	–	–	–	–	–	–		–
Sport and recreation		–	–	–	–	–	–	–		–
Public safety		–	–	–	–	–	–	–		–
Housing		–	–	–	–	–	–	–		–
Health		–	–	–	–	–	–	–		–
Economic and environmental services		–	–	–	–	–	–	–		–
Planning and development		–	–	–	–	–	–	–		–
Road transport		–	–	–	–	–	–	–		–
Environmental protection		–	–	–	–	–	–	–		–
Trading services		(4 335)	24 479	24 479	–	–	6 120	(6 120)	-100%	24 479
Energy sources		–	–	–	–	–	–	–		–
Water management		–	21 979	21 979	–	–	5 495	(5 495)	-100%	21 979
Waste water management		(4 335)	2 500	2 500	–	–	625	(625)	-100%	2 500
Waste management		–	–	–	–	–	–	–		–
Other		–	–	–	–	–	–	–		–
Total Capital Expenditure - Functional Classification	3	(4 335)	24 479	24 479	–	–	6 120	(6 120)	-100%	24 479
Funded by:										
National Government		–	21 979	21 979	–	–	5 495	(5 495)	-100%	21 979
Provincial Government		–	–	–	–	–	–	–		–
District Municipality		–	–	–	–	–	–	–		–
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)		–	–	–	–	–	–	–		–
Transfers recognised - capital		–	21 979	21 979	–	–	5 495	(5 495)	-100%	21 979
Borrowing	6	–	–	–	–	–	–	–		–
Internally generated funds		–	–	–	–	–	–	–		–
Total Capital Funding	7	–	21 979	21 979	–	–	5 495	(5 495)	-100%	21 979

5.6 Operating Expenditure

The following table shows the actual operating expenditure for each source code against that planned SDBIP for the year to date of 2025/26 financial year.

TABLE 6: OPERATING EXPENDITURE BY SOURCE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) -

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		33 122	39 700	39 700	2 781	8 666	9 925	(1 259)	-13%	39 700
Remuneration of councillors		5 027	5 007	5 007	415	1 279	1 252	27	2%	5 007
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		1 916	2 363	2 363	1	(51)	591	(642)	-109%	2 363
Debt impairment		46 675	12 871	12 871	–	–	3 218	(3 218)	-100%	12 871
Depreciation and amortisation		10 819	8 719	8 719	–	66	2 180	(2 114)	-97%	8 719
Interest		–	–	–	–	–	–	–		–
Contracted services		1 576	3 452	3 452	16	40	863	(823)	-95%	3 452
Transfers and subsidies		(2 826)	35	35	–	–	9	(9)	-100%	35
Irrecoverable debts written off		–	–	–	–	–	–	–		–
Operational costs		16 460	10 740	10 740	167	479	2 685	(2 206)	-82%	10 740
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		–	–	–	–	–	–	–		–
Total Expenditure		**112 769**	**82 889**	**82 889**	**3 381**	**10 479**	**20 722**	**(10 243)**	**-49%**	**82 889**
Surplus/(Deficit)		**(40 275)**	**2 830**	**2 830**	**(1 642)**	**19 436**	**708**	**10 243**	**0**	**2 830**
Transfers and subsidies - capital (monetary allocations)		–	–	–	5 000	5 000	–	5 000		–
Transfers and subsidies - capital (in-kind)		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers & contributions		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Income Tax		–	–	–	–	–	–	–		–
Surplus/(Deficit) after income tax		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Share of Surplus/Deficit attributable to Joint Venture		–	–	–	–	–	–			–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**
Share of Surplus/Deficit attributable to Associate		–	–	–	–	–	–			–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		**(40 275)**	**2 830**	**2 830**	**3 358**	**24 436**	**708**			**2 830**

The contributing factor is the slow collection rate and cash flow challenges that the municipality has been facing over the past five financial years. The municipality did not spend any money on depreciation and assets impairment, because the system is running an update at the end of the financial year. In terms of transfers and grants, the municipality has a low expenditure rate because of low indigent registration. The finance department has finalised the registration of indigents in the respective wards.

5.7 Personnel Expenses

In terms of Section 66 of the MFMA, all expenditure that the Municipality incurred on staff salaries, wages, allowances and benefits must be reported to the Council.

The following table indicates the personnel expenses per Department.

TABLE 7: PERSONNEL EXPENDITURE PER DEPARTMENT

NC084 !Kheis - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - A -

Vote Description R thousand	Ref	2024/25 Audited Outcome	Budget Year 2025/26 Original Budget	Adjusted Budget	Monthly Actual	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance %	Full Year Forecast
Revenue by Vote	1									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-		-
Vote 2 - CORPORATE SERVICE		-	-	-	-	-	-	-		-
Vote 3 - FINANCIAL MANAGEMENT SERVICES		67 475	84 619	84 619	6 739	34 914	21 155	13 760	65%	84 619
Vote 4 - COMMUNITY SERVICES		5 019	1 100	1 100	-	-	275	(275)	-100%	1 100
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-		-
Vote 6 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-		-
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-		-
Total Revenue by Vote	2	72 494	85 719	85 719	6 739	34 914	21 430	13 485 -	63%	85 719
Expenditure by Vote	1							-		
Vote 1 - MUNICIPAL MANAGER		661	3 232	3 232	118	382	808	(426)	-53%	3 232
Vote 2 - CORPORATE SERVICE		6 400	8 093	8 093	429	1 203	2 023	(820)	-41%	8 093
Vote 3 - FINANCIAL MANAGEMENT SERVICES		59 724	30 160	30 160	716	2 424	7 540	(5 116)	-68%	30 160
Vote 4 - COMMUNITY SERVICES		9 939	5 352	5 352	338	1 082	1 338	(256)	-19%	5 352
Vote 5 - TECHNICAL SERVICES		21 584	27 260	27 260	1 148	3 631	6 815	(3 184)	-47%	27 260
Vote 6 - EXECUTIVE AND COUNCIL		13 338	7 759	7 759	532	1 448	1 940	(492)	-25%	7 759
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-		-
Total Expenditure by Vote	2	111 647	81 855	81 855	3 281	10 170	20 463	(10 294) -	(0)	81 855
Surplus/ (Deficit) for the year	2	(39 152)	3 863	3 863	3 458	24 744	966	23 778	0	3 863

To measure the actual expenditure against the annual budget it must be in line with the projected expenditure for the quarter in review. This first quarter forecast is based on projected expenditure in accordance with SA 26 of the A-schedules for the full financial year.

5.8 Debtors age analysis

The debtors by income source outstanding on 30 September 2025 were R 170 million. The challenge of the collection of outstanding debtors remains one of the main concerns for the municipality. The valuation roll had been reconciled with the age analysis to determine the existence of services rendered to property owners. A property rates register was compiled for better verification of registered properties with the deeds office at the beginning of the financial year. An updated reconciliation between the valuation rolls and the SAMRAS system had been performed to determine the correctness and completeness of the valuation roll. All income policies have been reviewed.

The following issues will be addressed and will contribute towards the increase in the revenue collection for property rates:

- Valuation certificates: will be issued once every property has been added onto the valuation roll.
- The issue of clearance certificates contributes greatly towards the income, because transfer of property depends on the issue of a property clearance certificate; and
- Incorrect client data on the SAMRAS system has been corrected with the financial system.
- Revenue enhancement strategy and all revenue related policies must be reviewed and communicated with the council and public.
- Provincial Treasury assisted the municipality relating to market related tariffs.

Variance and exception reports on all debtors' control accounts are reviewed monthly and corrected by the Assistant Accountant: Income. Journals are regularly processed to an individual's debtor's accounts to correct any errors that might result from the exception report.

TABLE 8: DEBTORS AGE ANALYSIS BY DAYS

NC084 !Kheis - Supporting Table SC3 Monthly Budget Statement - aged debtors -

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	791	420	377	362	379	388	2 559	32 247	37 522	35 934	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	(42)	5 624	13	-	-	-	31	25 204	30 830	25 234	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	620	321	293	293	298	297	1 827	20 871	24 820	23 587	-	-
Receivables from Exchange Transactions - Waste Management	1600	888	457	417	415	424	424	2 603	29 777	35 405	33 643	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Arrear Debtor Accounts	1810	9	18	24	32	41	49	490	44 691	45 352	45 302	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	(6 285)	24	45	53	53	53	358	12 494	6 794	13 010	-	-
Total By Income Source	2000	(4 019)	6 864	1 169	1 153	1 195	1 210	7 868	165 284	180 724	176 710	-	-
2024/25 - totals only										-	-		
Debtors Age Analysis By Customer Group													
Organs of State	2200	1	60	0	0	0	0	2	446	510	449	-	-
Commercial	2300	(1 136)	1 424	82	71	77	79	470	9 409	10 477	10 107	-	-
Households	2400	998	955	495	510	533	545	3 563	64 180	71 779	69 330	-	-
Other	2500	(3 882)	4 425	592	573	585	586	3 833	91 248	97 958	96 824	-	-
Total By Customer Group	2600	(4 019)	6 864	1 169	1 153	1 195	1 210	7 868	165 284	180 724	176 710	-	-

TABLE 9: DEBTORS RECONCILIATION ON 30 September 2025

Explanation of Differences in reconciliations:

! Kheis
Munisipaliteit
Municipality

!KHEIS MUNICIPALITY
DEBTORS RECONCILIATION FOR SEPTEMBER 2025

	OPENING BALANCE - JULY 2025	*MOVEMENT*	*CLOSING BALANCE - SEPTEMBER 2025*	*AGE ANALYSIS*	*DIFFERENCE*
BELASTING/RATES	R 25 522 851,93	R 5 350 425,04	R 30 873 276,97	R 30 874 720,99	R -1 444,02
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0,00	R 0,00	R 0,00	R 0,00	R 0,00
WATER	R 46 652 942,52	R 1 651 036,81	R 48 303 979,33	R 48 261 877,05	R 42 102,28
DIVERSE/SUNDRY SERVICES	R 884 361,60	R 0,00	R 884 361,60	R 884 361,60	R 0,00
VULLIS/REFUSE	R 42 368 535,76	R 1 858 106,48	R 44 226 642,24	R 44 215 388,01	R 11 254,23
RIOOL/SEWER	R 29 589 364,87	R 1 304 577,59	R 30 893 942,46	R 30 883 689,18	R 10 253,28
ONGEALLOKEER/UNALLOCATED	R -6 462 097,41	R 129 232,09	R -6 332 865,32	R -6 332 865,32	R 0,00
OU SKULD/OLD DEBT	R 14 608 214,32	R 0,00	R 14 608 214,32	R 14 606 770,30	R 1 444,02
ADMIN	R 3 954 812,14	R 63 254,85	R 4 018 066,99	R 4 017 299,41	R 767,58
DEERNIS/MASAKANE/ARMLASTIG	R 271 875,13	R 0,00	R 271 875,13	R 269 378,19	R 2 496,94
BTW/VAT	R 12 612 972,33	R 430 183,35	R 13 043 155,68	R 13 043 155,68	R 0,00
	R 170 003 833,19	R 10 786 816,21	R 180 790 649,40	R 180 723 775,09	R 66 874,31
	TRUE		R 180 790 649,40		
			R 0,00	BS-Q345K	

BELASTING/RATES	R 30 874 720,99
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0,00
WATER	R 48 261 877,05
DIVERSE/SUNDRY SERVICES	R 884 361,60
VULLIS/REFUSE	R 44 215 388,01
RIOOL/SEWER	R 30 883 689,18
ONGEALLOKEER/UNALLOCATED	R -6 332 865,32
OU SKULD/OLD DEBT	R 14 606 770,30
ADMIN	R 4 017 299,41
DEERNIS/MASAKANE/ARMLASTIG	R 269 378,19
BTW/VAT	R 13 043 155,68
	R 180 723 775,09

Age Analysis	R 180 723 775,09
GL	R 180 790 649,40
Diff	R 66 874,31
Journals after Year end	
Nett difference	R 66 874,31

PREPARED BY: V BRUMMER — 30/09/2025 DATE

CHECKED BY: W. WEILBACH — 30/09/2025 DATE

APPROVED BY: D. BLOCK — 30/09/2025 DATE

- Unallocated: The unallocated amount represents credit balances for payments made by debtors. All reconciled balances are cleared at the end of the financial year, should be done monthly.
- Masakhane: The subsidies for indigents are allocated monthly on their accounts.

5.9 Conditional Grants and Subsidies

The municipality budgeted for R 63,7 million for the year under review and received R 5 million of this amount (WSIG), R15,6 million Equitable Share and R 3,000,000.00 FMG.

The municipality is striving to ensure that all investment accounts are properly managed. The income accountant will ensure that all grants received are immediately transferred to the various investment accounts. When payment is being made, the accountant expenditure should make sure that the correct amount is being transferred to make payments on projects.

TABLE 10: CONDITIONAL GRANTS AND SUBSIDIES

NC084 !Kheis - Supporting Table SC6 Monthly Bud 0 - - - - - - - - -

Description	Ref	2024/25	Budget Year 2	-	-	-	-	-	-	-
0	0	Audited Outcome	Original Budget	Adjusted Budget	Monthl	YearTD Actual	YearTD Budget	YTD Variance	YTD Variance	Full Year Forecast
R thousands	0	-	-	-	-	-	-	-	%	-
RECEIPTS:	1,2	-	-	-	-	-	-	-	-	-
0	0	-	-	-	-	-	-	-	-	-
National Government:	**0**	**36 866 000**	**40 617 000**	**40 617 000**	**0**	**15 674 000**	**10 154 250**	**5 519 750**	**1**	**40 617 000**
Local Government Financial Management Grant [S	0	0	3 000 000	3 000 000	0	0	750 000	-750 000	-1	3 000 000
Provincial Government:	**0**	**0**	**1 100 000**	**1 100 000**	**0**	**0**	**274 998**	**-274 998**	**-1**	**1 100 000**
Specify (Add grant description)	0	0	1 100 000	1 100 000	0	0	274 998	-274 998	-1	1 100 000
Total Operating Transfers and Grants	**5**	**36 866 000**	**41 717 000**	**41 717 000**	**0**	**15 674 000**	**10 429 248**	**5 244 752**	**1**	**41 717 000**
0	0	0	0	0	0	0	0	0	0	0
Capital Transfers and Grants	0	0	0	0	0	0	0	0	0	0
National Government:	**0**	**-4 374 000**	**21 979 000**	**21 979 000**	**0**	**0**	**5 494 749**	**-5 494 749**	**-1**	**21 979 000**
Municipal Infrastructure Grant [Schedule 5B]	0	-4 374 000	11 979 000	11 979 000	0	0	2 994 750	-2 994 750	-1	11 979 000
Water Services Infrastructure Grant [Schedule 5B]	0	0	10 000 000	10 000 000	0	0	2 499 999	-2 499 999	-1	10 000 000
Total Capital Transfers and Grants	**5**	**-4 374 000**	**21 979 000**	**21 979 000**	**0**	**0**	**5 494 749**	**-5 494 749**	**-1**	**21 979 000**
0	0	0	0	0	0	0	0	0	0	0
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**5**	**32 492 000**	**63 696 000**	**63 696 000**	**0**	**15 674 000**	**15 923 997**	**-249 997**	**-0**	**63 696 000**

5.10 Age Creditors

The outstanding creditors as on 30 September 2025 amount to R 71, 5 million. However, the biggest single outstanding creditors' contribution can be attributed to our top ten creditors of R 68,5 mill. The municipality is striving to pay all creditors within 30 days, as required by the MFMA, but because of the slow debtor's collection, the municipality relies 92% on grants for commitments. The outstanding amount of the Auditor General and the practical implementation of the Audit Act remains the biggest challenge for the municipality.

TABLE 11: CREDITORS AGE ANALYSIS

CREDITORS AGE ANALYSIS FOR SEP 2025										
Detail	*Current*	*0 - 30 Days*	*31 - 60 Days*	*61 - 90 Days*	*91 - 120 Days*	*121 - 150 Days*	*151 - 180 Days*	*181 Days - 1 Year*		*Total -*
Bulk Electricity										-
Bulk Water (BWGV)	309 018,49	305 218,52	294 700,99	295 466,79				12 648 761,25		13 853 166
PAYE deductions				-	-	-	-	-	706 505	706 505
VAT (output less input)	-	-	-	-	-	-	-	-		-
Pensions / Retirement deductions	-	-	-	-	-	-	-	-	31 156 867	31 156 867
Loan repayments	-	-	-	-	-	-	-	-	-	-
Trade Creditors	352 784,30	768 660	349 480	312 946	376 849	323 016	289 704	15 209 883	-	17 983 322
Auditor General	392 766,41	450 736,72	74 423,14	174 146,54	134 523,62		6 588 935,32			7 815 532
Other	-	-	-	-	-	-	-	-	-	-
Total	1 054 569	1 524 615	718 604	782 560	511 372	323 016	6 878 639	27 858 644	31 863 372	71 515 392

TOP 10 CREDITORS ON AGE ANALYSIS FOR SEP 2025										
Creditors details	***Current***	***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 -***
Auditor General	392 766,41	450 736,72	74 423,14	174 146,54	134 523,62	-	6 588 935,32	-	-	7 815 532
Cape Pension Fund	-	-	-	-	-	-	-	-	31 156 867	31 156 867
Salga		500 000,00						4 408 112,00		4 908 112
Dept. of Safety & Liason			-	-	-				3 597 757,36	3 597 757
Boegoeberg water users	309 018,49	305 218,52	294 700,99	295 466,79	-	-	-	12 648 761,25		13 853 166
Eskom		226 263,73	98 840,46	203 890,99	220 883,87	223 860,98	222 378,31	537 129,14		1 733 247
Towell & Groenewaldt	170 375,00							2 947 460,00		3 117 835
SOLVEM	26 285,87	26 285,87	24 798,01	24 798,01	24 798,01	24 798,01	24 798,01	445 551,43		622 113
SMEC	36 698,87							1 000 877,82		1 037 577
SARS	-	-	-	-	-	-	-	-	706 505	706 505
Total	**935 145**	**1 508 505**	**492 763**	**698 302**	**380 206**	**248 659**	**6 836 112**	**21 987 892**	**35 461 130**	**68 548 712**

5.11 Borrowings

The municipality does not have any borrowings.

6. CONCLUSION

Even though the actual expenditure against estimates based on the first quarter is far from the targets set during the budget process, actual figures show that the municipality is in a serious financial battle. The actual recovery on billings against estimates is a serious concern. Provincial Treasury conducted various training on the MMC and FMCMM programmes through various Universities and National Treasury. Treasury is also offering continuous guidance on the crucial data strings and all financial reports. For the municipality to achieve its objective(s) they must conduct a serious retrospection and implement a financial recovery plan in order to be sustainable and be successful in collecting the revenue owed from the debtors.

Private Bag X2
GROBLERSHOOP

Phone: 054 – 8339500
Fax: 054 – 8330690

! Kheis
Munisipaliteit
Municipality

MAYOR'S QUALITY CERTIFICATION

I, Davy Jacobs, Mayor of! Kheis Municipality, hereby certify that:

	quarterly report on the implementation of the budget and financial state of affairs of the municipality
	monthly budget statement
	mid-year budget and performance assessment

For the first quarter ended 30 September 2025 of the 2025/2026 has been prepared in accordance with the Local Government: Municipal Finance Management Act and regulations made under the Act.

Cllr D. Jacobs
Mayor of! Kheis Municipality [NC084]

30 September 2025