!Kheis
Munisipaliteit
Municipality

Period ending 31 December 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 31 December 2025

Contents

(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 (01 October 2025 – 30 December 2025) reflects an achievement 55%. This is a increase in comparison to the similar period of the previous financial year. Notwithstanding this increase, it contributes to debtors not paying their monthly accounts, predominantly is it grant money that increase the revenue! 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 second quarter is R 21 million on revenue for the year -to-date or (55%) and capital expenditure for the second 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 second 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 second quarter is R 4,7 mill most of identified projects have already started.

4.4. Performance indicator

The performance indicators for the second 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 31 December 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, WSIG and FMG. All this spending on the grants should be in

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 36,660.61 on 01 October 2025 and closed with a positive balance of R 310.06 on 31 December 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 16,541,164.40 on October 2025 and close the second quarter (December 2025) with a balance of R 5,076,972.95. Difference between cash book opening balance and bank balance on 01 October 2025 was due to receipts captured on the financial system, mostly salaries and third party payments, during the course of the second quarter.

TABLE 1: BANK AND CASH BOOK BALANCES

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/10/2025	36,660.61	-16,577,825.01	--16,541,164.40
31/12/2025	310.06	-5,077,283.01	-5,076,972.95

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 72,9 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 3: STATEMENT OF INCOME AND EXPENDITURE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December										
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	341	1,959	3,590	(1,632)	-45%	7,181
Service charges - Waste Water Management		3,288	4,066	4,066	252	1,603	2,033	(430)	-21%	4,066
Service charges - Waste management		4,713	5,609	5,609	360	2,282	2,804	(522)	-19%	5,609
Sale of Goods and Rendering of Services		402	858	858	19	175	429	(254)	-59%	858
Agency services		–	–	–	–	–	–	–		–
Interest		–	–	–	–	–	–	–		–
Interest earned from Receivables		7,516	9,308	9,308	701	4,095	4,654	(559)	-12%	9,308
Interest earned from Current and Non Current Assets		44	375	375	25	129	187	(58)	-31%	375
Dividends		–	–	–	–	–	–	–		–
Rent on Land		25	23	23	3	561	11	540	4773%	23
Rental from Fixed Assets		255	1,999	1,999	24	141	999	(858)	-86%	1,999
Licence and permits		121	475	475	3	31	237	(207)	-87%	475
Special rating levies		–	–	–	–	–	–	–		–
Operational Revenue		487	497	497	2	17	249	(232)	-93%	497
Non-Exchange Revenue										
Property rates		5,634	10,964	10,964	1	5,884	5,482	402	7%	10,964
Surcharges and Taxes		2,759	–	–	–	–	–	–		–
Fines, penalties and forfeits		–	–	–	–	–	–	–		–
Licence and permits		–	–	–	–	–	–	–		–
Transfer and subsidies - Operational		42,426	42,717	42,717	11,725	30,949	21,358	9,591	45%	42,717
Interest		3	1,649	1,649	0	1	824	(823)	-100%	1,649
Fuel Levy		–	–	–	–	–	–	–		–
Operational Revenue		–	–	–	–	–	–	–		–
Gains on disposal of Assets		169	–	–	11	69	–	69		–
Other Gains		–	–	–	–	–	–	–		–
Discontinued Operations		–	–	–	–	–	–	–		–
Total Revenue (excluding capital transfers and		72,494	85,719	85,719	13,467	47,885	42,859	–		85,719
Expenditure By Type										
Employee related costs		33,122	39,700	39,700	2,871	17,071	19,860	(2,779)	-14%	39,700
Remuneration of councillors		5,027	5,007	5,007	415	2,524	2,504	21	1%	5,007
Bulk purchases - electricity		–	–	–	–	–	–	–		–
Inventory consumed		1,916	2,363	2,313	38	187	1,157	(970)	-84%	2,313
Debt impairment		46,675	12,871	12,871	–	–	6,436	(6,436)	-100%	12,871
Depreciation and amortisation		10,819	8,719	8,719	–	66	4,360	(4,294)	-98%	8,719
Interest		–	–	–	–	–	–	–		–
Contracted services		1,576	3,452	3,452	12	263	1,726	(1,463)	-85%	3,452
Transfers and subsidies		(2,826)	35	35	–	–	18	(18)	-100%	35
Irrecoverable debts written off		–	–	–	–	–	–	–		–
Operational costs		16,463	10,740	10,790	42	972	5,395	(4,423)	-82%	10,790
Losses on Disposal of Assets		–	–	–	–	–	–	–		–
Other Losses		–	–	–	–	–	–	–		–
Total Expenditure		112,771	82,889	82,889	3,378	21,083	41,443	(20,361)	-49%	82,889
Surplus/(Deficit)		(40,277)	2,830	2,830	10,089	26,803	1,416	20,361	0	2,830
Transfers and subsidies - capital (monetary allocations)		–	–	–	–	5,000	–	5,000		–
Transfers and subsidies - capital (in-kind)		–	–	–	–	–	–	–		–
Surplus/(Deficit) after capital transfers &		(40,277)	2,830	2,830	10,089	31,803	1,416			2,830
Income Tax		–	–	–	–	–	–	–		–
Surplus/(Deficit) after income tax		(40,277)	2,830	2,830	10,089	31,803	1,416			2,830
Share of Surplus/Deficit attributable to Joint Venture		–	–	–	–	–	–			–
Share of Surplus/Deficit attributable to Minorities		–	–	–	–	–	–			–
Surplus/(Deficit) attributable to municipality		(40,277)	2,830	2,830	10,089	31,803	1,416			2,830
Share of Surplus/Deficit attributable to Associate		–	–	–	–	–	–			–
Intercompany/Parent subsidiary transactions		–	–	–	–	–	–			–
Surplus/ (Deficit) for the year		(40,277)	2,830	2,830	10,089	31,803	1,416			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.

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

Description R thousands	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										
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 second quarter due to SCM processes not finalised.

TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE

NC084 IKheis - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description R thousands	Ref 1	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
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	2,430	4,532	12,239	(7,707)	-63%	24,479
Vote 6 - EXECUTIVE AND COUNCIL		–	–	–	–	–	–	–		–
Vote 7 - STRATEGIC PLANNING		–	–	–	–	–	–	–		–
Total Capital Multi-year expenditure	4,7	–	24,479	24,479	2,430	4,532	12,239	(7,707)	-63%	24,479
Single Year expenditure appropriation	2									
Vote 1 - MUNICIPAL MANAGER		–	–	–	–	–	–	–		–
Vote 2 - CORPORATE SERVICE		–	–	–	–	–	–	–		–

TABLE 6: OPERATING EXPENDITURE BY SOURCE

NC084 !Kheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

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	2,871	17,071	19,850	(2,779)	-14%	39,700
Remuneration of councillors		5,027	5,007	5,007	415	2,524	2,504	21	1%	5,007
Inventory consumed		1,916	2,363	2,313	38	187	1,157	(970)	-84%	2,313
Debt impairment		46,675	12,871	12,871	–	–	6,436	(6,436)	-100%	12,871
Depreciation and amortisation		10,819	8,719	8,719	–	66	4,360	(4,294)	-98%	8,719
Interest		–	–	–	–	–	–	–		–
Contracted services		1,576	3,452	3,452	12	263	1,726	(1,463)	-85%	3,452
Transfers and subsidies		(2,826)	35	35	–	–	18	(18)	-100%	35
Operational costs		16,463	10,740	10,790	42	972	5,395	(4,423)	-82%	10,790
Total Expenditure		112,771	82,889	82,889	3,378	21,083	41,443	(20,361)	-49%	82,889
Surplus/ (Deficit) for the year		(40,277)	2,830	2,830	10,089	31,803	1,416			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

- ➢ 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 - M06 December

Description R thousands	NT Code	Budget Year 2025/26											
		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	414	401	396	396	394	414	2,329	33,925	38,668	37,457	–	–
Trade and Other Receivables from Exchange Transactions - Electricity	1300	–	–	–	–	–	–	–	–	–	–	–	–
Receivables from Non-exchange Transactions - Property Rates	1400	(75)	1	–	1	2,148	1,905	31	24,850	28,860	28,934	–	–
Receivables from Exchange Transactions - Waste Water Management	1500	287	286	287	296	317	319	1,778	22,066	25,636	24,776	–	–
Receivables from Exchange Transactions - Waste Management	1600	411	406	407	420	449	451	2,522	31,455	36,521	35,297	–	–
Receivables from Exchange Transactions - Property Rental Debtors	1700	–	–	–	–	–	–	–	–	–	–	–	–
Interest on Arrear Debtor Accounts	1810	0	8	16	25	34	44	417	46,828	47,371	47,347	–	–
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	–	–	–	–	–	–	–	–	–	–	–	–
Other	1900	(5,692)	24	24	24	24	24	358	12,589	7,376	13,019	–	–
Total By Income Source	2000	(4,655)	1,126	1,130	1,161	3,366	3,156	7,434	171,713	184,432	186,830	–	–
2024/25 - totals only										–	–		
Debtors Age Analysis By Customer Group													
Organs of State	2200	0	0	0	0	44	16	2	449	513	512	–	–
Commercial	2300	(1,246)	97	100	89	318	379	463	9,724	9,923	10,973	–	–
Households	2400	399	446	459	492	947	578	3,343	67,732	74,395	73,092	–	–
Other	2500	(3,808)	583	572	580	2,057	2,183	3,625	93,808	99,600	102,254	–	–
Total By Customer Group	2600	(4,655)	1,126	1,130	1,161	3,366	3,156	7,434	171,713	184,432	186,830	–	–

TABLE 9: DEBTORS RECONCILIATION ON 30 September 2025

Explanation of Differences in reconciliations:

5.9 Conditional Grants and Subsidies

The municipality budgeted for R 63,7 million for the year under review and received R 8 million of this amount (WSIG), R27,3 million Equitable Share and R 3,000,000.00 FMG and Library Grant R 550,000.00

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 Budget Statement - transfers and grant receipts - M06 December

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
RECEIPTS:	1,2									
Operating Transfers and Grants										
National Government:		36,866	40,617	40,617	11,725	27,399	20,309	7,091	34.9%	40,617
Operational Revenue:General Revenue:Equitable Share		36,866	37,617	37,617	11,725	27,399	18,809	8,591	45.7%	37,617
Operational:Revenue:General Revenue:Fuel Levy	3	–	–	–	–	–	–	–		–
Local Government Financial Management Grant [Schedule 5B]		–	3,000	3,000	–	–	1,500	(1,500)	-100.0%	3,000
Programme and Project Preparation Support Grant		–	–	–	–	–	–	–		–
Provincial Government:		–	1,100	1,100	–	–	550	(550)	-100.0%	1,100
Specify (Add grant description)		–	1,100	1,100	–	–	550	(550)	-100.0%	1,100
District Municipality:		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Operating Transfers and Grants	5	36,866	41,717	41,717	11,725	27,399	20,858	6,541	31.4%	41,717
Capital Transfers and Grants										
National Government:		(4,374)	21,979	21,979	–	4,466	10,989	(6,523)	-59.4%	21,979
Integrated National Electrification Programme (Municipal Grant) [Schedule 5B]		–	–	–	–	–	–	–		–
Municipal Infrastructure Grant [Schedule 5B]		(4,374)	11,979	11,979	–	1,466	5,990	(4,524)	-75.5%	11,979
Neighbourhood Development Partnership Grant [Schedule 5B]		–	–	–	–	–	–	–		–
Water Services Infrastructure Grant [Schedule 5B]		–	10,000	10,000	–	3,000	8,000	(2,000)	-40.0%	10,000
Provincial Government:		–	–	–	–	–	–	–		–
District Municipality:		–	–	–	–	–	–	–		–
Specify (Add grant description)		–	–	–	–	–	–	–		–
Other grant providers:		–	–	–	–	–	–	–		–
Total Capital Transfers and Grants	5	(4,374)	21,979	21,979	–	4,466	13,989	(6,523)	-59.4%	21,979
TOTAL RECEIPTS OF TRANSFERS & GRANTS	5	32,492	63,696	63,696	11,725	31,865	31,848	17	0.1%	63,696

5.11 Borrowings

The municipality does not have any borrowings.

6. CONCLUSION

Even though the actual expenditure against estimates based on the second 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.