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# VICTOR KHANYE

LOCAL MUNICIPALITY – PLAASLIKE MUNISIPALITEIT

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## FINANCIAL SERVICES

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**Enquires: S Maphanga**

**Ref: 5/1/3**

TO : MUNICIPAL MANAGER  
T.M MASHABELA

FROM : CHIEF FINANCIAL OFFICER  
T.P MAHLANGU

DATE : 15 JANUARY 2026

RE : MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT  
2025/2026 FINANCIAL YEAR

### REASON FOR REPORT

To report to the Executive Mayor/Municipal Council to assess the performance of the municipality during the first half of the financial year and the accounting officer must make recommendations as to whether an adjustment budget is necessary and recommend revised projections for revenue and expenditure where applicable.

### STRATEGIC THRUST

Improve compliance to MFMA and VKLM policy Framework

### PRIORITY ISSUE

Mid-Year section 72 MFMA report submitted to Mayoral Committee within legislative timeframes by 25 January 2026

### BACKGROUND

The Municipal Finance Management Act, Section 72 Requires that:

- (1) The accounting officer of the municipality must by 25 January of each year:
  - (a) Assess the performance of the municipality during the first half of the year financial year taking into account;
    - I. The monthly statement referred to in section 71 for the first half of the financial year;
    - II. The municipality's services delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the services delivery and budget implementation plan;

- (b) Submit a report on such assessment to
- I. The mayor of the municipality
  - II. The National Treasury
  - III. The relevant Provincial Treasury

## PART 1

### MID YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT:

**Table C1** provides for a high level summary of the operating, capital budget, financial position and cash flow as at 31 December 2023

**Table C2** provides an overview of the budgeted financial performance in relation to the revenue and expenditure per functional classification as at 31 December 2023

**Table C3** provides an overview of the budgeted financial performance in relation to the revenue and expenditure by municipal vote

**Table C4** provides an overview of the budgeted financial performance in relation to the revenue and expenditure by type.

**Table C5** reflects the capital programmes in relation to capital expenditure by municipal vote, standard classification and funding sources required to fund the capital budget.

**Table C6** reflects quarterly budget statement – financial position.

**Table C7** reflects the cash flow movements as at 31 December 2023.

### MOTIVATIONS AND OPTIONS:

#### 1. EXECUTIVE SUMMARY

Table C1: **Quarterly Budget Statement Summary Second quarter 2025**

For the first six months ending December 2024, revenue to the amount of **R821.4 million** was realised. The year to date budgeted revenue amounted to **R474 million** which reflected a positive deviation of **73%**. Expenditure to the amount of **R425.6 million** was realised, the year to date budgeted expenditure amounted to **R497 million** which reflected a negative deviation **-14%**.

**Revenue Forecast** – Based on actual performance for the first six months, the forecasted revenue amounts to **R694.4 million**. This increase is primarily due to higher property rates (**R1 billion**) and other revenue (**R5.8 million**). If the Municipality continues with the current year-to-date trend, it is expected that total revenue at year-end will exceed the budgeted amounts. This results in a projected deviation of **73%** between actual billing and revenue collection.

		2025/26 Financial Year					
R thousands	1	Approved Budget 2025/26	Actual at Mid- Year	% Actual at Mid-Year	Projections to year end	Proposed Adjustment	Proposed Budget Adjustment
<b>Revenue</b>							
<b>Exchange Revenue</b>	2						
Service charges - Electricity	2	246 628 000.00	130 631 346.92	53%	261 262 693.84	14 634 693.84	261 262 693.84
Service charges - Water	2	78 691 000.00	39 459 334.05	50%	78 918 668.10	227 668.10	78 918 668.10
Service charges - Waste Water Management	2	14 392 000.00	6 596 000.00	46%	13 192 000.00	- 1 200 000.00	13 192 000.00
Service charges - Waste Management	2	15 318 000.00	8 025 000.00	52%	16 050 000.00	732 000.00	16 050 000.00
Sale of Goods and Rendering of Services		7 231 000.00	1 080 000.00	15%	2 160 000.00	- 5 071 000.00	2 160 000.00
Interest earned from Receivables		165 225 000.00	45 211 339.00	27%	90 422 678.00	- 74 802 322.00	90 422 678.00
Rental from Fixed Assets		1 641 000.00	1 117 000.00	68%	2 234 000.00	593 000.00	2 234 000.00
Operational Revenue	2	806 000.00	533 000.00	66%	1 066 000.00	260 000.00	1 066 000.00
<b>Non-Exchange Revenue</b>							
Property rates		128 920 000.00	565 580 000.00	439%	1 131 160 000.00	1 002 240 000.00	-
Surcharges and Taxes		73 281 000.00	33 637 000.00	46%	67 274 000.00	- 6 007 000.00	67 274 000.00
Fines, penalties and forfeits		2 235 000.00	750 000.00	34%	1 500 000.00	- 735 000.00	1 500 000.00
Transfer and subsidies - Operational		161 007 000.00	8 162 000.00	5%	16 324 000.00	- 144 683 000.00	16 324 000.00
Interest	3	53 090 000.00	13 199 350.52	25%	26 398 701.04	- 26 691 298.96	26 398 701.04
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>948 465 000.00</b>	<b>853 981 370.49</b>	<b>0</b>	<b>1 707 962 740.98</b>	<b>759 497 740.98</b>	<b>576 802 740.98</b>

### Revenue: variance explanation

- Property rates – the actual billing for the first six months of the financial year, together with the billing trend over the past five financial years, was used to project total billings for the current financial year. Property rate billings normally average approximately 50% in the first six months of a financial year. For the current period under review, property rate billings amounted to **439%** for the first six months, mainly due to the inclusion of **Kusile Power Station**. The total amount billed for the first six months was **R565.5 million**, while the amount received from **Eskom** during the same period was **R1.4 million**. Engagements with Kusile Power Station regarding the new property valuation are still ongoing. As a result, the property rates collection rate has declined further to **25%**. The meeting that was scheduled between **Kusile Power Station, the Municipality, and National Treasury** did not take place in November and was rescheduled for **December 2025**
- Service charges - The actual billing for the first six months of the financial year, together with the billing trend over the past five financial years, was used to project total billings for the financial year. Electricity revenue is normally significantly above 50% in the first six months of the financial year due to increased consumption during the winter season and the application of winter tariffs for the months of June (billed in July), July (billed in August), and August (billed in September). For the first six months under review, electricity revenue billed amounted to **53%**, which includes revenue from pre-paid electricity. The improvement in electricity revenue is further attributable to the approval of **Time-of-Use tariffs for manufacturing companies** by **NERSA**, which has positively impacted billing on this service.

- Service charges - water revenue –The actual billing for the first six months of the financial year, together with the billing trend over the past five financial years, was used to project total billings for the financial year. Water revenue for the first six months amounted to **50%**, indicating that the annual revenue target may be achieved. However, there are ongoing challenges affecting this service, mainly due to **reduced water pressure from Rand Water**, which impacts water supply to the community and consequently affects billing and revenue collection. The completion and finalisation of **borehole projects** are expected to reduce the Municipality’s reliance on Rand Water and place the Municipality in a better position to supply its own water to the community, thereby improving service delivery and water revenue sustainability
- Service charges - sanitation revenue – The actual billing for the first six months of the financial year, together with the billing trend over the past five financial years, was used to project total billings for the financial year. Sanitation revenue for the first six months amounted to **46%**, which is slightly below the **50%** benchmark. However, based on historical billing trends and current performance, the Municipality expects to achieve the annual sanitation revenue target by year-end
- Service charges - refuse revenue – The actual billing for the first six months of the financial year, and the billing trend for the past five financial years is used to project total billings for the financial year. Refuse is at **52%** for the first six months, which shows significant improvement comparing other years.
- Rental of facilities and equipment – The projection of revenue is based on actual billings for the first six months of the financial year, together with the billing trend over the past five financial years. Revenue is derived from the leasing and rental of municipal properties and facilities. For the first six months, the collection rate amounted to **68%**, which is above the **50%** billing benchmark but shows steady performance. The improvement in rental revenue is mainly attributable to the implementation of **revised tariffs for the rental of municipal buildings**, as well as improved billing accuracy and contract management. Continued enforcement of lease agreements and tariff alignment is expected to further strengthen revenue performance for the remainder of the financial year
- Interest earned - outstanding debtors – This is interest earned from outstanding debtors. A write-off of debtors is approved as in when the approval is granted by council. The municipality council approved a write-off of indigents, which were approved for this financial year.
- Fines, penalties and forfeits – This revenue represents the gross amount of all fines issued by the Municipality. The appointed service provider manages speed cameras and is remunerated on a commission basis, contingent on successful collection of fines. For the first six months of the financial year, the collection rate was **34%**.

Efforts to improve collection efficiency and enforcement are ongoing, which are expected to enhance revenue performance for the remainder of the year.

- Transfers and subsidies – Grants are gazette to municipalities and paid over in terms of a grant schedule. Grants will not fully realise if they are not withheld in terms of the DORA or are not spent by the municipality when paid over. Subsidies are claims made on expenditure which have been incurred

## TRADING SERVICES

Trading Services	Original Budget	YTD Revenue	YTD %
Energy Services	275 709 000.00	141 055 000.00	51%
Water Services	130 169 000.00	45 981 000.00	35%
Waste water management	53 845 000.00	20 595 000.00	38%
Waste Management	14 237 000.00	3 376 000.00	24%

The trading services of the municipality are trading at a loss of **37%** for the first six month ending December 2025.

**Energy services** – The new tariff applied by the municipality for Time of Use have shown significant improvement on the electricity revenue, also the blocking of prepaid meters for consumers who are not paying their municipal account also improved the revenue for electricity.

**Water Management-** The water services still show a serious concern when coming to revenue collection, the ageing of infrastructure also play a significant impact through pipe burst which are due to pressure of water being switch on and off by Rand Water. Serious intervention is needed also to address the debt and credit control in areas where the municipality cannot enforce as there are Eskom electricity supply areas.

**Waste water management-** The waste water management services also face serious problems due to the none finalisation of bulk distribution policy, which will assist in terms of the municipality to understand its sewer point lines in order to develop a correct tariff that will generate revenue for such service.

**Waste management-** The service for waste management shows a significant improvement which indicate that the cost reflective tariff for this services yield positive results.

2025/26 Financial Year

R thousands	1	Approved Budget 2025/26	Actual at Mid-Year	% Actual at Mid-Year	Projections to year end	Proposed Adjustment	Proposed Budget Adjustment
<b>Expenditure</b>	2						
Employee related costs	2	211 691 000.00	107 142 000.00	51%	214 284 000.00	2 593 000.00	214 284 000.00
Remuneration of councillors	2	12 146 000.00	4 923 000.00	41%	9 846 000.00	- 2 300 000.00	9 846 000.00
Bulk purchases - electricity	2	228 174 000.00	116 426 000.00	51%	232 852 000.00	4 678 000.00	232 852 000.00
Inventory consumed	2	124 623 000.00	51 533 000.00	41%	103 066 000.00	- 21 557 000.00	103 066 000.00
Debt impairment		89 408 000.00	-	0%	-	- 89 408 000.00	89 408 000.00
Depreciation and amortisation		53 279 000.00	14 567 000.00	27%	29 134 000.00	- 24 145 000.00	29 134 000.00
Interest		50 000 000.00	47 625 000.00	95%	95 250 000.00	45 250 000.00	95 250 000.00
Contracted services	2	128 878 000.00	50 911 000.00	40%	101 822 000.00	- 27 056 000.00	101 822 000.00
Irrecoverable debts written off		31 594 000.00	2 795 000.00	9%	5 590 000.00	- 26 004 000.00	5 590 000.00
Operational costs		64 224 000.00	29 712 000.00	46%	59 424 000.00	- 4 800 000.00	59 424 000.00
<b>Total Expenditure</b>		<b>994 017 000.00</b>	<b>425 634 000.00</b>	<b>0</b>	<b>851 268 000.00</b>	<b>- 142 749 000.00</b>	<b>940 676 000.00</b>

**Expenditure: variance explanation**

- Employee related costs – Expenditure on salaries for the first six months amounted to **51%** of the annual budget, slightly above the expected benchmark. The overspending is mainly due to overtime payments required to maintain service delivery during high operational demand. **Interventions are required to control overtime**, including improved workforce planning, monitoring of attendance, and approval processes, to ensure that the annual salaries budget is not exceeded by year-end.
- Remuneration of councillors – The remuneration of councillors for the first six month amounted to 41% and is paid in terms of the gazette on the Determination of Councillors Remuneration. The gazette is issued in terms of the act on the Remuneration of Public Office Bearers.
- Debt impairment – The amount of debt impairment is informed by the actual collection rate for the year. The average collection rate is at **58%** as per the billing report and if maintained the debt impairment for the year might be higher than budgeted.
- Depreciation & asset impairment – The amount is maintained as in the original budget, depreciation is run on the monthly basis using Market demand (Asset management system) and imported to Munsoft (Financial system). The depreciation for the first six months amounted to **27%**.
- Finance charges – This are the Eskom and Rand water interest charged on late payments for the first six months amounted to **95%**.
- Bulk purchases – If measures are not implemented to curb distribution losses the electricity bulk purchases will exceed the current budget also taking into account the

increase of Eskom tariff that took place on the 1<sup>st</sup> of April 2025 of 12,74% which will see the bulk purchase expenditure increasing significant.

- Inventory consumed and Water bulk purchase- Measures have been implemented to ensure that the annual budget for bulk water is not exceeded. Expenditure for the first six months amounted to **41%** of the annual budget, indicating that spending is currently within planned limits
- Contracted services – Contracted services expenditure is within the budget as the expenditure is at **40%** and serious intervention is needed to ensure that all contracts are reviewed and all month to month contracts are cancelled to free the cash flow constrain.
- Other expenditure – This line item will be exceeded if the controls are not put in place to ensure that procurement plan is the only tool which will be used to purchase items

Operating expenditure to the amount of **R231.4 million** was spent against the year to date budgeted expenditure of **R497 million**. This reflects a deviation of **-14%** which mainly due to the none transaction for depreciation and asset impairment which is normally accounted at the end of the financial year, more attention should be brought into employee cost, inventory consumed on water and bulk purchased to ensure that the budget is not overspent at the end of the financial year.

Contracted Services consist of:

- Building Maintenance
- Burial Services
- Consultants
- Catering
- Connections/ disconnections
- Debt collection
- Dumping sites
- Electrical repairs
- Gardening services
- Grading of sport facilities
- Grass clearing & cutting
- Illegal dumping
- Internal audits
- Laboratory services
- Legal services
- Maintenance of plant & equipment and other assets
- Meter management
- Pest control
- Security
- Sewer network maintenance

### Capital Budget

The municipality approved a capital budget of R 48 218 000 for the 2025/2026 financial year. An amount of R 16 230 000 or **55%** was spent as at the end of December 2025.

Internal generated funds for capital asset amounted to R18.6 million an amount of R4.1 million or **22%** was spent as at end of December 2025 which the expenditure emanate from electrical spares for stores items.

<b>Grants</b>	<b>Dora Allocation</b>	<b>YTD spending</b>	<b>12 Months Projection</b>
<b>Finance Management Grant</b>	1 900 000	959 059	1 918 118
<b>EPWP Incentive Grant</b>	1 976 000	977 259	1 954 518
<b>Municipal Infrastructure Grant</b>	29 618 000	16 230 000	32 460 000
<b>Total</b>	<b>33 494 000</b>	<b>18 166 318</b>	<b>36 332 636</b>

Outstanding debtors comprises of consumer debtors and sundry debtors. The total outstanding debtors as at 31 December amounts to **R1.7 billion**. This means implementation of Credit control & debt collection policy must be enforced and other related legislation in order to recover the debt due to the municipality.

CUSTOMER GROUP	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Organs of state	12 720 258.18	11 744 202	12 449 006.92	12 036 526.78	10 945 259	10 653 910.90
Commercial	93 696 362.81	91 363 274	82 541 054.93	84 769 133.08	84 904 631	86 473 370.42
Households	929 230 859.65	936 968 916	957 819 516.32	961 274 769.70	969 058 195	982 351 866.22
Mines	18 734 805.15	19 460 944	20 091 499.74	20 914 662.14	21 467 516	22 640 690.40
Farms	171 838 470.32	255 174 397	339 370 957.08	425 635 264.83	504 884 187	589 829 097.90
Indigents	31 612 201.60	37 672 569	42 097 767.87	45 338 696.48	51 897 502	52 175 683.67
Top 200	17 482 439.15	18 013 490	24 636 580.57	29 860 386.68	25 251 900	28 118 297.60
Municipal prop	200 498.03	11 406	13 808.55	16 236.91	46 457	49 198.54
Other	3 713 461.85	3 982 121	4 485 275.73	4 599 795.22	4 378 094	4 611 316.41
	<b>1 279 229 356.74</b>	<b>1 374 391 318</b>	<b>1 483 505 467.71</b>	<b>1 584 445 471.82</b>	<b>1 672 833 741</b>	<b>1 776 903 432.06</b>

Outstanding Creditors as at 31 December 2025 amounts to **R1.7 billion**. The bulk of this amounts relate to both Eskom with an amount of **R1.190 billion** and Rand water amounting to **R505 million**.

## Repairs and Maintenance

Repairs and Maintenance are done on the regular basis and is within the acceptable norm for the first six months, which indicate that the municipality does not have maintenance plan are in place.

<b>REPAIRS AND MAINTANANCE</b>			
<b>Infrastructure</b>	<b>Original Budget</b>	<b>YTD Actual</b>	<b>% YTD Total Budget</b>
Road Infrastructure	R 4 000 000.00	R 732 000.00	18%
Electricity Infrastructure	R 6 000 000.00	R 12 331 000.00	206%
Water Supply Infrastructure	R 2 000 000.00	R 283 000.00	14%
Sanitation Infrastructure	R 2 000 000.00	R 1 016 000.00	51%
Solid Waste	R 3 778 000.00	R 484 000.00	13%
Information and Communication Infrastructure	R 10 950 000.00	R 1 060 000.00	10%
	<b>R 28 728 000.00</b>	<b>R 15 906 000.00</b>	<b>55%</b>

The overspending on electricity infrastructure was due to the major maintenance that was done on the new substation and fixing of faulty transformers.

## **PART 2**

### **MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT REPORT- SUPPORTING DOCUMENTS**

#### **2. IN-YEAR BUDGET STATEMENT TABLES**

##### **Table C2: Quarterly Financial Performance by Vote**

Table C2 measures the quarterly actuals against the year-to-date SDBIP figures which realized by vote for revenue and expenditure. The deviations by vote are reflected in the year-to-date (YTD) variance column.

The difference in revenue variations between Table C2 and Table C1 is the result of capital grants received, which are included in Table C2.

##### **Revenue (per vote): Mid-year assessment and year-end projections:**

	<b>Annual</b>	<b>Mid-year</b>	<b>End-Year</b>	<b>Variance</b>	<b>Variance</b>
<b>Vote</b>	<b>Budget</b>	<b>Actual</b>	<b>Projection</b>	<b>R</b>	<b>%</b>
Vote: Budget and Treasury	311 972 000	678 571 000	1 357 142 000	-1 045 170 000	-335%
Vote: Community and Social Services	2 608 000	303 000	606 000	2 002 000	77%
Vote: Public Safety	3 511 000	1 229 000	2 458 000	1 053 000	30%
Vote: Housing	1 641 000	1 117 000	2 234 000	-593 000	-36%
Vote: Planning and Development	4 356 000	0	0	4 356 000	100%
Vote: Electricity	329 394 000	85 214 000	170 428 000	158 966 000	48%
Vote: Water	208 373 000	37 985 000	75 970 000	132 403 000	64%
Vote: Waste water management	113 471 000	6 596 000	13 192 000	100 279 000	88%
Vote: Solid waste management	50 286 000	10 450 000	20 900 000	29 386 000	58%
	<b>1 025 612 000</b>	<b>821 465 000</b>	<b>1 642 930 000</b>	<b>-617 318 000</b>	<b>1</b>

**Expenditure (per vote): Mid-year assessment and year-end projections:**

	Annual	Mid-year	End-Year	Variance	Variance
Vote	Budget	Actual	Projection	R	%
Vote: Office of the Municipal Manager	66 115 000	31 790 000	63 580 000	2 535 000	4%
Vote: Budget and Treasury	270 388 000	108 267 000	216 534 000	53 854 000	20%
Vote: Corporate Services	186 000	6 919 000	13 838 000	-13 652 000	-7340%
Vote: Community and Social Services	34 792 000	18 485 000	36 970 000	-2 178 000	-6%
Vote: Sport and Recreation	2 493 000	1 276 000	2 552 000	-59 000	-2%
Vote: Public Safety	64 699 000	25 165 000	50 330 000	14 369 000	22%
Vote: Housing	1 639 000	836 000	1 672 000	-33 000	-2%
Vote: Health Services	1 760 000	323 000	646 000	1 114 000	63%
Vote: Planning and Development	14 622 000	371 000	742 000	13 880 000	95%
Vote: Road and Transport	62 244 000	15 092 000	30 184 000	32 060 000	52%
Vote: Electricity	275 709 000	141 055 000	282 110 000	-6 401 000	-2%
Vote: Water	130 169 000	45 981 000	91 962 000	38 207 000	29%
Vote: Waste water management	53 845 000	20 595 000	41 190 000	12 655 000	24%
Vote: Solid waste management	14 237 000	3 376 000	6 752 000	7 485 000	53%
	<b>992 898 000</b>	<b>419 531 000</b>	<b>839 062 000</b>	<b>153 836 000</b>	<b>-70</b>

**Table C3: Quarterly Financial Performance (Revenue and Expenditure by Vote):**

Table C3 measures the actual year to date against the year to date SDBIP figures which have been realised by vote for the revenue and expenditure. The deviations by vote are reflected in the year-to-date (YTD) variance column. Total billed revenue by vote for the first six month amounted to **R821.4 million** and total expenditure amounted to **R425.6 million**.

**Table C4: Quarterly Financial Performance by Revenue Source and Expenditure Type**

Table C4 provides details of the service delivery targets for revenue by source and expenditure by type. For revenue, the main deviations are service charges: water, rental of facilities, interest on investments and outstanding debtors, fines, licenses and permits and agency services and other revenue. In the case of expenditure finance charges, contracted services, bulk purchases, other materials, transfer & subsidies and other expenditure. The total deviation in revenue is 73% and -14% for expenditure of the month compared to the budget.

#### Table C5: Quarterly Capital Expenditure by Vote

Table C5 indicates the quarterly actuals on capital expenditure for all votes and measures the year-to-date actuals against the year to date planning (SDBIP) figures. The capital expenditure for the first six month amounted to **R20.3 million**. All municipal departments have been sensitised on the urgency of spending on capital projects that are grant funded and the spending have been linked to the performance of each Executive Directorate.

Name of Grant/Subsidy	Annual Allocation	Mid-year Actual	Actual %	Balance R	Balance %	Year-end Projection
Municipal Infrastructure Grant	29 618 000	16 230 000	55%	13 388 000	45%	28 420 000
Internal Generated Funds	18 600 000	4 166 000	22%	14 434 000	78%	12 320 000
<b>Total Grants</b>	<b>48 218 000</b>	<b>20 396 000</b>	<b>42%</b>	<b>27 822 000</b>	<b>58%</b>	<b>40 740 000</b>

#### Table C6: Quarterly Budget Statement Financial Position

The table provides an overview of the financial position of the municipality's assets and liabilities. As at 30 December 2025, the community wealth amounts to **-R75.3 million**. Total liabilities amount to **R2.2 billion**, whilst total assets amounts to **R2.1 billion** which resulted in the net-assets of **-R75.3 million**, all figures are accumulative.

#### Table C7: Quarterly Budget Statement Cash Flow

Table C7 provides detail of the actual year to date in-flow and out-flow. For the first six month, the net cash from operating activities was a favourable **R23.8 million**, the net cash from investing activities amounted to an unfavourable **R22.5 million**. The net cash from financing activities amounts to **R0**.

The Bank balance at the end of the quarter amounted to a favourable balance of **R12.9 million**.

BANK NAME	TYPE OF ACCOUNT	BALANCE
STD BANK	MAIN ACCOUNT	897 585
STD BANK	CALL ACCOUNT ELEC	6 920 799
STD BANK	CALL ACCOUNT	141 301
STD BANK	TRAFFIC	143 511
STD BANK	MONEY MARKET	7 252
ABSA BANK	CALL ACCOUNT	4 866 907
<b>BALANCE</b>		<b>12 977 355</b>

### 3 SUPPORTING DOCUMENTATION

- **3.1 PERFORMANCE INDICATORS:**

- Supporting table SC2 provides detail on performance indicators in particular to revenue management.
- The measurement of the payment rate is based on the circular 71 method as prescribed by National Treasury. The formula is based on the gross debtor opening balance plus billed revenue less gross debtor closing balance less bad debts written off divide by billed revenue.

- **3.2 DEBTORS/RECEIVABLES ANALYSIS:**

- 3.3.1 Supporting table SC3 provides details on consumer debtors. Outstanding debtors amounted to **R1.7 billion** including interest on arrears. Outstanding debtors over 90 days' amounts to **R1.5 billion**. The table below reflects the debtor's age analysis by customer group.
- The measurement of the payment rate was based on the amount received up to the levy date in Second quarter, compared to the levy that was done in the previous months. The payment rate of **58%** for the first six month is below the target of **85%**.

Description	NT Code	Budget Year 2025/26										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
<b>R thousands</b>													
<b>Debtors Age Analysis By Income Source</b>													
Trade and Other Receivables from Exchange Transactions - Water	1200	4 572	3 563	4 465	269 180	-	-	-	-	281 779	273 645	-	-
Trade and Other Receivables from Exchange Transactions - Electricity	1300	14 315	1 295	1 053	24 687	-	-	-	-	41 350	25 740	-	-
Receivables from Non-exchange Transactions - Property Rates	1400	94 281	89 356	88 414	412 063	-	-	-	-	684 115	500 477	-	-
Receivables from Exchange Transactions - Waste Water Management	1500	974	555	455	23 798	-	-	-	-	25 782	24 253	-	-
Receivables from Exchange Transactions - Waste Management	1600	1 193	645	607	28 189	-	-	-	-	30 634	28 796	-	-
Receivables from Exchange Transactions - Property Rental Debtors	1700	5 560	5 337	5 332	262 900	-	-	-	-	279 129	268 232	-	-
Interest on Arrear Debtor Accounts	1810	9 217	9 017	8 915	262 929	-	-	-	-	290 078	271 844	-	-
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-	-	-
Other	1900	2 462	494	878	140 202	-	-	-	-	144 037	141 080	-	-
<b>Total By Income Source</b>	<b>2000</b>	<b>132 574</b>	<b>110 263</b>	<b>110 119</b>	<b>1 423 947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 776 903</b>	<b>1 534 067</b>	<b>-</b>	<b>-</b>
<b>2019/20 - totals only</b>										-	-		
<b>Debtors Age Analysis By Customer Group</b>													
Organs of State	2200	677	76	292	9 609	-	-	-	-	10 654	9 901	-	-
Commercial	2300	5 503	2 855	2 554	75 561	-	-	-	-	86 473	78 115	-	-
Households	2400	20 241	18 530	19 113	924 468	-	-	-	-	982 352	943 581	-	-
Other	2500	106 153	88 801	88 161	414 309	-	-	-	-	697 424	502 470	-	-
<b>Total By Customer Group</b>	<b>2600</b>	<b>132 574</b>	<b>110 263</b>	<b>110 119</b>	<b>1 423 947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 776 903</b>	<b>1 534 067</b>	<b>-</b>	<b>-</b>

- **3.3 CREDITORS ANALYSIS:**

Supporting table SC4 provides details on aged creditors. In terms of the Municipal Finance Management Act all creditors must be paid within 30 days of receiving the invoice or statement.

For the month ended in December 2025, creditors amounted to **R1.7 billion** and the bulk of the creditors relates to Eskom account with an amount of **R1.190 billion** and Rand Water with an amount of **R505 million**.

MP311 Victor Khanye - Supporting Table SC4 Monthly Budget Statement - aged creditors - M06_2025-26										
Description	NT Code	Budget Year 2025/26								
		0 - 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
<b>R thousands</b>										
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100	26 643	-	23 287	26 294	1 113 854	-	-	-	1 190 079
Bulk Water	0200	8 978	8 362	9 927	12 283	466 384	-	-	-	505 934
PAYE deductions	0300	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	5 316	-	-	-	-	-	-	-	5 316
Auditor General	0800	-	3 270	909	-	-	-	-	-	4 179
Financial Systems	0900	-	467	422	72	-	-	-	-	961
<b>Total By Customer Type</b>	<b>1000</b>	<b>40 937</b>	<b>12 099</b>	<b>34 546</b>	<b>38 649</b>	<b>1 580 238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 706 469</b>

### **3.4 COUNCILLORS ALLOWANCES AND EMPLOYEE BENEFITS ANALYSIS:**

The table SC8 provides details for councillor and employee benefits. For the first six-month ending 31 December 2025 total salaries, allowances and benefits amounted to **R56.6 Million**.

### **3.5 CAPITAL EXPENDITURE TREND**

Supporting table SC12 provides information on the quarterly trends for capital expenditure. In terms of this table, the capital expenditure as at 31 December 2025 amounted to **R16.2 million**.

Attached as Annexure are the following:

- The actual quarterly Budget Statement Annexure “A”
- An analysis of highest paid creditors for the month Annexure “B”
- Consumer Account Payment levels Annexure “C”
- Actual year to date of consumer debtors – Age analysis Annexure “D”

## Circular 124, for debt relief program - Eskom reconciliation for December 2025.

Kindly note the payments are made on an accrual basis.

### ESKOM MAIN ACCOUNT

Segment in ledger =====>			Bulk Purchases	VAT	Interest expense			
MONTH	INVOICE NO	BALANCE BROUGHT FORWARD	TOTAL EXC	VAT	INTEREST	TOTAL INC	AMOUNT PAID	BALANCE + INVOICE - PAID
Jul-25	564731882911	R 919 521 846.63	R 16 793 909.51	R 2 519 086.43	R 3 150 642.01	R 22 463 637.95	R -	R 941 985 484.58
Aug-25	564495502814	R 941 985 484.58	R 16 040 229.23	R 2 406 034.38	R 3 222 585.81	R 21 668 849.42	R 1 500 000.00	R 962 154 334.00
Sept-25	564769460259	R 962 154 334.00	R 10 529 243.80	R 1 579 386.57	R 3 738 308.67	R 15 846 939.04	R 9 500 000.00	R 968 501 273.04
Oct-25	564542747192	R 968 501 273.04	R 9 265 125.12	R 1 389 768.77	R 4 539 163.61	R 15 194 057.50	R 4 500 000.00	R 979 195 330.54
Nov-25	564014852493	R 979 195 330.54	R 8 059 499.90	R 1 208 924.99	R 3 597 262.60	R 12 865 687.49	R 2 000 000.00	R 990 061 018.03
Dec-25	564251375141	R 990 061 018.03	R 8 144 199.48	R 1 221 629.92	R 4 290 905.33	R 13 656 734.73	R 7 500 000.00	R 996 217 752.76
Jan-26								
Feb-26								
Mar-26								
Apr-26								
May-26								
Jun-26								
			<b>R 68 832 207.04</b>	<b>R 10 324 831.06</b>	<b>R 22 538 868.03</b>			

### ESKOM SUB ACCOUNT

Segment in ledger =====>			Bulk Purchases	VAT	Interest expense			
MONTH	INVOICE NO	BALANCE BROUGHT FORWARD	TOTAL EXC	VAT	INTEREST	TOTAL INC	AMOUNT PAID	BALANCE + INVOICE - PAID = TOTAL DUE
Jul-25	889781822327	R 134 765 327.14	R 15 617 398.99	R 2 342 609.85	R 1 183 867.66	R 19 143 876.50	R -	R 153 909 203.64
Aug-25	889497857686	R 153 909 203.64	R 14 253 554.22	R 2 138 033.13	R 1 252 752.71	R 17 644 340.06	R 2 000 000.00	R 169 553 543.70
Sept-25	889378192530	R 169 553 543.70	R 8 987 025.14	R 1 348 053.77	R 1 464 013.65	R 11 799 092.56	R 9 500 000.00	R 171 852 636.26
Oct-25	889763053264	R 171 852 636.26	R 7 897 298.06	R 1 184 594.71	R 2 018 272.63	R 11 100 165.40	R 4 500 000.00	R 178 452 801.66
Nov-25	889280628311	R 178 452 801.66	R 7 788 570.39	R 1 168 285.56	R 1 464 878.67	R 10 421 734.62	R 1 000 000.00	R 187 874 536.28
Dec-25	889250184604	R 187 874 536.28	R 9 664 108.25	R 1 449 616.24	R 1 872 550.92	R 12 986 275.41	R 7 000 000.00	R 193 860 811.69
Jan-26								
Feb-26								
Mar-26								
Apr-26								
May-26								
Jun-26								
			<b>64 207 955.05</b>	<b>9 631 193.26</b>	<b>9 256 336.24</b>			

## **ENVISAGED IMPACT**

The reason for the reporting is to enhance sound financial management and promote transparency and accountability of officials and councillors and if the grey areas are not addressed, they could lead to serious implication on service delivery to the community of Victor Khanye.

## **STAKEHOLDERS CONSULTED**

This report is used by National Treasury, Provincial Treasury and Cogta to assess the municipality's financial viability, grants allocations and the expenditure to date.

## **LEGAL IMPLICATIONS**

The non-payment of Eskom, Rand Water and the Auditor General accounts will lead to legal implication to the municipality.

## **FINANCIAL IMPLICATIONS**

There are no financial implications to the budget, IDP and SDBIP.

## **OTHER IMPLICATIONS**

All deviation reports should follow the correct process and clear detail reports should be prepared as the Auditor General may declare the deviations as irregular expenditure.

## **RECOMMENDATION**

1. That, Executive Mayor note the report in terms of section 72 of MFMA
2. That the municipal council take note that, there is a need for adjustment budget in February 2026.
3. That, based on the assessment it shows that both revenue and expenditure projections reflect negative figures above **59%**, therefore a revised projection during adjustment budget is necessary.
4. That table SC3 and SC4 be noted that the municipality enforce the credit and debt collection policy in order to meet its obligation.
5. That the Municipal Council consider the debt relief compliance as per Circular 124 of the MFMA.

**T.P Mahlangu**  
**CHIEF FINANCIAL OFFICER**