KAROO HOOGLAND LOCAL MUNICIPALITY

SECTION 72

MID -YEAR ASSESSMENT

2024/2025

KAROO HOOGLAND LOCAL MUNICIPALITY

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1. INTRODUCTION

The Municipal Manager, as Accounting Officer of the Municipality is required by Section 72 of the Municipal Finance Management Act, 2003, to submit a report in the prescribed format to the Mayor by 25th January of each year, reviewing the financial performance of the municipality for the first six months of the financial year.

This mid-year report is a critical stage in the in-year reporting cycle. As part of the review, in terms of Section 72 (3), the Accounting Officer needs to make recommendations as to whether the SDBIP and the annual budget need to be adjusted.

Section 54(1)(f) of the MFMA requires the Mayor to consider and submit the mid-year report to Council by 31 January.

This report includes, inter alia the following information:

(a) The monthly statements referred to in Section 71 for the first half of the financial year. (mSCOA Data Strings)

(b) The municipality's service delivery performance for the first half of the financial year.

(c) The past year's annual report and progress on resolving problems identified in the annual report and

(d) submit a report on such assessment to –

The Mayor of the Municipality

The National Treasury and

The Provincial Treasury

2. COMMENTS FROM THE MUNICIPAL MANAGER

The financial information provides an overall position on the Capital and Operating Budget of the Municipality for the 6 months under review.

- The overall operating income according to the mid-year review is in line with the annual approved operating income budget. Although the income for the past six months is in line with the budget, management and the officials of the municipality must still stay focus on improving revenue levels by ensuring the strict enforcement of the revenue related policies.
- The overall operating expenditure for the past six months is at 44% of the annual approved operating expenditure budget. Notwithstanding that the past six months operating expenditure are in line with the annual budget management and the officials of the municipality must curtail expenses to the maximum to ensure that all expenses can be paid till year end and to provide savings on votes for possible unavoidable expenses that may occur.
- Efforts to avoid fruitless and wasteful expenditure are ongoing. All aspects of compliance are adhered to at all times to avoid fruitless and wasteful expenditure. A significant improvement of deviation is visible as continued work is done to improve this.
- While efforts have been made to manage debt and credit control through policies and procedures, the reality of the situation shows reasonable progress. Effectively, cut-offs are achieved, billings are checked for accuracy, payment arrangements are made.
- Midyear Performance Assessment is to be done with the new performance management system that we are in process of implementing, certain information on the SDBIP can be inaccurate.

- The accuracy of information is of concern as the system is not fully reliable and posting of expenditure within the incorrect votes might give an incorrect view on the spending.

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Mr. J Jonkers

Municipal Manager

3. CAPITAL EXPENDITURE

Vote Description R thousands	2023/24 Audited Outcome	Budget Year 2024/25 Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget
Governance and administration	**103**	**370**	**370**	**–**	**1 004**	**185**
Executive and council	–	310	310	–	–	155
Finance and administration	103	60	60	–	1 004	30
Economic and environmental services	**–**	**500**	**500**	**–**	**–**	**250**
Road transport	–	500	500	–	–	250
Trading services	**19 303**	**31 464**	**31 464**	**927**	**3 009**	**20 732**
Energy sources	–	2 768	2 768	29	105	1 384
Water management	19 304	20 045	20 045	898	2 904	15 023
Waste water management	–	8 651	8 651	–	–	4 326
Waste management	(1)	–	–	–	–	–
Other	–	–	–	–	–	–
Total Capital Expenditure - Functional Classification	**19 406**	**32 334**	**32 334**	**927**	**4 012**	**21 167**

During the period under review the Municipality has embarked on projects funded from MIG, INEP and WSIG.

Spending is at a low rate and Management must ensure prompt spending to ensure that funds are not forfeited. Plans are in place and execution will be of great importance.

Adjustment to the capital budget is required due to changes to the funding and approval of the roll-over.

4. OPERATING REVENUE

The following table shows the actual operating income per source against the planned budget as at 31 December 2024.

Description R thousands	2023/24 Audited Outcome	Original Budget	Monthly actual	YearTD actual	YearTD budget	% spend on total budget
Revenue						
Exchange Revenue						
Service charges - Electricity	14 356 444.00	14 653 600.00	1 296 467.00	8 113 701.00	7 326 772.00	55.37
Service charges - Water	4 260 746.00	4 100 000.00	406 244.00	2 219 677.00	2 049 996.00	54.14
Service charges - Waste Water Management	3 221 420.00	3 665 000.00	282 132.00	1 750 655.00	1 864 830.00	47.77
Service charges - Waste management	2 475 076.00	2 828 800.00	215 068.00	1 347 059.00	1 446 796.00	47.62
Sale of Goods and Rendering of Services	129 001.00	132 445.00	7 531.00	89 999.00	65 091.00	67.95
Agency services	124 839.00	67 990.00	1 069.00	15 373.00	33 972.00	22.61
Interest earned from Receivables	3 181 589.00	3 316 375.00	272 048.00	1 629 058.00	1 658 328.00	49.12
Interest from Current and Non Current Assets	1 851 886.00	1 183 625.00	163 201.00	1 102 327.00	591 810.00	93.13
Rental from Fixed Assets	536 608.00	528 230.00	49 758.00	293 440.00	263 946.00	55.55
Operational Revenue	355 614.00	753 517.00	9 902.00	277 538.00	376 750.00	36.83
Non-Exchange Revenue						
Property rates	7 323 068.00	7 800 000.00	578 437.00	4 167 727.00	3 900 009.00	53.43
Surcharges and Taxes	-	2 801 200.00	-	-	1 400 598.00	-
Fines, penalties and forfeits	458 218.00	10 460.00	-	142.00	5 218.00	1.36
Transfers and subsidies - Operational	37 633 281.00	39 889 416.00	6 096 111.00	22 391 969.00	19 944 708.00	56.14
Interest	708 119.00	784 500.00	67 923.00	396 728.00	392 250.00	50.57
Total Revenue (excluding capital transfers and contributions)	**76 616**	**82 515**	**9 446**	**43 795**	**41 321**	**53.08**

The following adjustment is required:

- Adjust the electricity service charges revenue
- Adjust water revenue
- Adjust sanitation revenue
- Adjust refuse revenue
- Adjust sales of goods
- Adjust interest on external investments
- Adjust interest on outstanding debtors

- Adjust operational revenue
- Adjust agency services
- Adjust rental from fixed assets
- Adjust property rates
- Adjust surcharges and taxes
- Adjust fines and penalties
- Adjust interest

5. OPERATING EXPENDITURE

The following table represent the actual operating expenditure per type of expenditure against planned budget at 31 December 2024.

1 July 2024 till 31 December 2024								
Description	Ref	2023/24	Budget Year 2024/25					
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	% spend on total budget
Expenditure By Type	-							
Employee related costs		27 489 959.19	32 007 648.00	32 007 648.00	3 668 856.33	15 080 395.58	16 003 666.00	47.11
Remuneration of councillors		5 073 620.92	5 329 641.00	5 329 641.00	635 930.10	2 668 006.67	2 664 790.00	50.06
Bulk purchases - electricity		12 185 754.48	13 751 840.00	13 751 840.00	564 175.23	6 581 537.50	6 875 916.00	47.86
Inventory consumed		5 735 717.17	2 905 788.00	2 905 788.00	112 966.38	795 347.10	1 452 852.00	27.37
Debt impairment		8 161 297.22	4 406 498.00	4 406 498.00	-	-	2 203 241.00	-
Depreciation and amortisation		10 227 148.37	1 400 000.00	1 400 000.00	-	-	700 016.00	-
Interest		4 336 517.03	99 370.00	99 370.00	2 683.17	17 534.82	49 650.00	17.65
Contracted services		7 326 491.33	10 804 116.00	10 804 116.00	873 145.28	4 374 601.87	5 401 996.00	40.49
Transfers and subsidies		2 202 548.97	340 370.00	340 370.00	-	24 493.00	170 182.00	7.20
Irrecoverable debts written off		952 415.41	25 000.00	25 000.00	30 479.93	418 765.75	12 510.00	1 675.06
Operational costs		10 180 572.27	10 547 652.00	10 547 652.00	1 211 576.14	6 728 051.21	5 274 948.00	63.79
Losses on Disposal of Assets		-	-	-	-	-	-	
Other Losses		153 316.57	-	-	-	-	-	
Total Expenditure		**94 025 358.93**	**81 617 923.00**	**81 617 923.00**	**7 099 812.56**	**36 688 733.50**	**40 809 767.00**	44.95

The following adjustments to be made on operating expenses:

- Employee related cost
- Remuneration of councilors due to upperlimits
- Bulk purchases
- Inventory consumed
- Interest paid
- Contracted services
- Operational cost
- Leases adjusted
- Travel and subsistence

Travel, accommodation and subsistence expenses to be curbed. It is the responsibility of ***all managers*** and ***councilors*** to ensure that costs are cut to the utmost especially with reference to travel, accommodation and subsistence expenses. Proper internal controls over these expenditures needs to be implemented as soon as possible and must be effectively implemented and monitored on a regularly basis to ensure that these costs are in line with the annual approved operational budget.

6. INVESTMENTS & LOANS

The following table includes the detailed investments and current accounts as on 31 December 2024.

6.1 The main reason for all the investment accounts is to mainly ring-fence funds received as grants and subsidies and to ensure that the investment is only utilized for the purposes of the grant or subsidy.

The Municipality mainly makes use of short/medium term fixed deposits as investment instruments.

The closing balance of all investment accounts as on 31 December 2024 is R 21.1 Mil and also consists of conditional grants and cannot be spent on any other expenditure than the purpose of the grants.

Name of Institution	Account Number	Type of Instrument or Investment	Balance as at 31 Desember 2024	Funds
Standard Bank	**288641922002**	**Wholesale Call deposit**	**2 684 819.63**	**Equitable Share**
ABSA Bank	92-9194-4935	Call Account - Eskom	18 050.45	Eskom Guarantee
Standard Bank	288641922005	Fixed deposit Eskom	34 750.00	Eskom Guarantee
ABSA Bank	40-5435-2064	32 day notice account	568 904.98	Leave Fund
Standard Bank	**288644204001**	**MoneyMarket FMG**	**18 502 624.32**	**FMG, MIG, EPWP, WSIG, LIB, INEP**
Standard Bank	83212442	Current	5 846 914.11	Current
ABSA Bank	2490000065	Current	7 909 947.57	Current
			35 566 011.06	

6.2 The following table consists of all loans as on 31 December 2024 and it excludes the finance leases of the municipality.

Loans Outstanding				
Institution	**Account Number**	**Type**	**Account Use**	**Amount**
DBSA	**102367/1**	**Long-Term Loans**	**Fraserburg Electricity Network**	**R 570 922.60**
The total monthly repayment in R22 159.05				
The amount of interest for the remaining period is R16473.18				

The loan is payable on a monthly basis with an annual interest rate of 5 %. The total monthly repayment is R 22 159.05 and the end date is December 2026. Therefore, the period remaining is 2 years. The amount of interest for the remaining period is R 16 473.18 . The outstanding capital amount is as reflected in the table above.

The Municipality is currently honoring the repayment of the loan and no amount is in arrears.

7. GRANTS AND SUBSIDIES RECEIVED

The table below includes all the grants and subsidies that were allocated to the Municipality in terms of the DORA and provincial allocations and all monies received until 31 December 2024

Grant	Allocation	Received
WSIG	R 20 000 000-00	R 10 000 000-00
INEP	R 2 768 000-00	R 1 000 000-00
EPWP	R 1 200 000-00	R 300 000-00
FMG	R 2 600 000-00	R 2 600 000-00
MIG	R 8 651 000-00	R 3 000 000-00 + Roll over
Library	R 1 300 000-00	R 650 000-00

Above can be seen that the FMG was received in full and partially from the other grants. Withholding of funds will be due to non-performance, therefore management should ensure that spending takes place.

MIG- On the WWTW a contractor has been appointed and in February 2025 the remaining tender for the Das-Louw stadium will be advertise.

WSIG- The civil part of the tender will be evaluated in January 2025.

INEP- A contractor has been appointed.

EPWP- Spending should be increased to ensure that allocation is not forfeited.

8. PERSONNEL EXPENDITURE

At 31 December 2024, the personnel expenditure to date amounted to R 15 Mil against the budgeted R 32 Mil.

Council Remuneration is at R2.6 mil against R 5.3 min budgeted for.

Salaries in relation to total operating expenditure is currently at 41.1 %.

9. OUTSTANDING DEBTORS - AGE ANALYSIS

The outstanding debtors at 31 December 2024 for 30 days and more stood on R54 mil. The result of increased outstandings debtors may result in cashflow constrains and increased write-offs due to none payments. One can attribute this to increased economic pressure on the debtors due to high cost of living.

Management should continue to enforce policies and guidelines to curb increase of outstanding debtors.

Totals per Property Use	Total Balance	Current Amount	Current VAT	Current Interest	30 Days Amount	30 Days VAT	30 Days Interest	60 Days Amount
Agricultural	R1 724 982.43	(R 242 366.51)	R 587.25	R 16 470.89	R 101 956.25	R 468.76	R 15 556.82	R 92 474.58
Commercial	R5 245 163.82	R 663 562.78	R 83 165.39	R 28 862.32	R 148 720.63	R 11 061.67	R 26 935.08	R 118 076.50
Flat	(R 5.00)	(R 5.00)	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
Government	R 135 698.74	(R 791.52)	R 429.33	R 966.74	R 2 437.48	R 348.42	R 1 044.39	R 1 075.94
Hospital	R 93 212.18	R 23 359.42	R 3 503.94	R 652.73	R 24 512.45	R 3 676.90	R 364.97	R 29 217.71
Municipal	R 37 028.80	R 1 396.83	R 44.53	R 265.70	R 1 412.03	R 46.81	R 250.79	R 1 396.83
None	R 800.73	R 516.35	R 66.19	R 1.33	R 0.00	R 0.00	R 1.33	R 0.00
Place of Worship	R 735 564.60	R 15 256.72	R 2 495.30	R 4 668.32	R 6 037.64	R 905.73	R 4 584.64	R 8 230.14
Protected Areas	R 13 683.18	(R 57.83)	R 0.00	R 73.91	R 263.99	R 0.00	R 71.92	R 263.99
Public Benefit organization	R 209 059.09	R 1 618.25	R 799.02	R 1 180.66	R 1 673.56	R 249.40	R 1 161.02	R 978.68
Public Service Infrastructure	R 166 878.04	R 1 256.61	R 209.87	R 1 208.70	R 1 757.84	R 174.19	R 1 189.01	R 1 555.75
Public Service Purpose	R2 905 011.41	R 160 723.73	R 23 534.87	R 22 542.84	R 140 322.59	R 20 497.26	R 23 380.00	R 81 371.91
Residential	R36 869 438.75	R 749 235.22	R 102 682.75	R 243 431.58	R 623 868.49	R 75 019.39	R 239 015.09	R 479 730.60
School	R 415 011.40	R 18 501.91	R 2 775.37	R 2 990.39	R 4 053.68	R 608.08	R 2 942.81	R 4 046.08
Small Business	(R 70.55)	(R 70.55)	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00	R 0.00
Sundry Debtor	R2 251 847.07	(R 1 853.13)	R 0.00	R 828.97	R 10 016.58	R 0.00	R 784.61	R 1 000.00
Vacant	R5 275 603.96	R 54 090.85	R 11 351.04	R 37 552.12	R 64 480.89	R 8 409.70	R 36 885.77	R 63 069.68
Total	**R56 078 908.65**	**R1 444 374.13**	**R 231 644.85**	**R 361 697.20**	**R1 131 514.10**	**R 121 466.31**	**R 354 168.25**	**R 882 488.39**

The officials and on the Political Office Bearers must assist the Municipality in this regard as this will determine the Municipality as a “Going Concern” or not.

10. OUTSTANDING CREDITORS

The total outstanding creditors as on 31 December 2024 amount to R 3.35 Mil.

Supplier name	Outstanding amount	Reason

SALGA	R 993 767.48	This amount is paid to SALGA on a monthly payment of R 18 000-00.
JAN VLOK	R 6 869.97	This is unclaimed salary.
JVZ Construction	R 813 648.34	WSIG project
GEEZFIX (PTY) LTD	R 674 201.38	MIG project
OUDITEURE GENERAAL	R 867 211.57	Audit fees paid in January 2025.

11. SUPPLY CHAIN MANAGEMENT REPORT

Supply Chain Management unit is functional. The Supply Chain Management Policy has been updated.

The Policy was aligned to the regulations on procurement such as the PPPFA, the SCM regulations, cost containment regulations and prescribes of the MFMA.

The amount of the deviations in terms of the SCM regulations, regulation 36 amounts to R 724 717.98 from 1 July 2024 till 31 December 2024.

12. INTERNAL AUDIT AND AUDIT COMMITTEE

Section 165(1) of the Municipal Finance Management Act of 2003 requires municipalities to have an internal audit unit. The Municipality have an internal auditor.

Section 166(1) of the Municipal Finance Management Act of 2003 requires municipalities to have an audit committee. The Municipality is currently using the shared service of Namakwa District Municipality.

13. COST CONTAINMENT

In terms of the Municipal Cost Containment Regulations, 2019 Regulation 15 (2) and (3) the Municipal Manager must on a quarterly basis report to Council for review and resolution, the savings on the budget relating to the cost containment items.

1. Consultants	Original Budget	Adjustment Budget	2023/ 2024 spending
AFS support	R 1 358 500-00	N/A	R 891 659.40
Actuarial Valuations	R 73 150-00	N/A	R 15900-00
Asset Register	R 365 750-00	N/A	R -
Valuation roll	R 104 500-00	N/A	R 17 431-50
	R 1 901 900-00		**R 924 990-90**
2. Vehicles used for political office bearers			
No budget and no spending			
3. Travel & Subsistence	Original Budget	Adjustment Budget	2023/ 2024 spending
Travel	R 1 654 700-00	N/A	R 1 399 540-00
Subsistence	R 18 700-00	N/A	R -
	R 1 673 400-00		R 1 399 540-07
4. Domestic Accommodation (Included with Travel)			
No budget and no spending			
5. Sponsorships, events and catering			
No budget and no spending			
6. Entertainment: MM, CFO, Mayor Speaker & Technical Manager	Original Budget	Adjustment Budget	2023/ 2024 spending
MM	R 2 000-00	N/A	R 1 900-00
CFO	R 2 100-00	N/A	R 0-00
Council	R 10 000-00	N/A	R 3919-21
Dir: Infrastructure Services	R 2 100-00	N/A	R 1500-00
	R 16 200-00	N/A	R 7319.21

7. Communication	Original Budget	Adjustment Budget	2023/ 2024 spending
Media	R 68 000-00	N/A	R 3 178-09
	R 68 000-00		R 3 178-09
8. Other related expenditure			
No budget and no spending			

Recommendation to Council:

(a) That Council approves the savings in terms of the above schedule. Note Travel expenditure is at 84% and spending should be curbed.

14. CONCLUSION

- The purpose of the mid-year review is to guide the municipality, whether the annual budget needs to be adjusted or not.
- By analyzing the current financial performance and position (opex and capex revenue and expenses) it was found that adjustments to the current approved annual budget would be done.
- Management, officials and political office bearers should apply themselves hereto and take note and action to assist in upholding the current approved annual budget and the adjusted budget.

16. RECOMMENDATIONS

These recommendations are linked to the responsibilities of the Mayor under Section 54 of the MFMA. Adjust budget per mSCOA vote structure.

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Honourable Mayor: Mr Jeremy Davids **Date: 24 January 2025**