REPORT TO: **MAYORAL COMMITTEE**

File ref……..

Collaborator/Item no:

Date: 15 OCTOBER 2026

SUBJECT: SECTION 52(d) FINANCIAL REPORTING FOR THE QUARTER ENDING 30 SEPTEMBER 2026

REPORT DATED 15 OCTOBER 2026 ON SECTION 52(d) REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2026 FROM THE MUNICIPAL MANAGER TO THE MAYORAL COMMITTEE

1. PURPOSE

To submit for approval the financial performance of Makana Local Municipality for the quarter ending 30 September 2026, as required in terms of section 52(d) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

2. EXECUTIVE SUMMARY

Section 52(d) of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the Act mentioned.

The mayor of the municipality must report by no later than 30 days at the end of each quarter to Council, the relevant Provincial Treasury and National Treasury, a statement in the **prescribed format** on the financial performance of the municipality's financial performance.

Section 66 of the Municipal Finance Management Act prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act quarterly to coincide with the reporting requirements of Section 52(d) and 72 of the Act.

The objectives of the budget format reforms in terms of these regulations are:

- To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- To formalize the norms and standards governing Municipal Budget and Financial Reporting formats, to improve the credibility, sustainability, transparency, accuracy, and reliability of budgets and in-year reports.
- To improve the Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- To facilitate informed policy choices and decisions by Council and medium-term planning of service delivery by aligning targets to achieve backlog elimination.
- To report on budget implementation and financial state of affairs of the municipality.

3. DISCUSSION

This report is a summary of the main budget issues arising from the in-year monitoring process and intends to inform and enable the committee to fulfil its oversight responsibility.

3.1 Operating Budget

3.2 Operating Budget

The following table represents an executive summary of revenue and expenditure for the quarter ending 30 September 2026.

Description	Adopted Budget 2026/27	Adjusted Budget 2026/27	September 2026 YTD / Actual	Percentage Expenditure / Billed / Reciepted
Operating Revenue	805 718	-	222 753	28%
Operating Grants & Subsidies	153 569	-	59 274	39%
Total Operating Revenue	***959 287***	**-**	***282 027***	***29%***
Capital Grants & Subsidies	*82 897*	-	*11 212*	14%
Total Revenue	**1 042 184**	**-**	**293 239**	**28%**
Operating Expenditure	*885 207*	-	*147 811*	*17%*
Capital Expenditure	***116 612***	**-**	***11 212***	10%
Total Expenditure	**1 001 819**	**-**	**159 023**	**16%**
Operating Surplus / Deficit	*74 080*	-	*134 216*	
Surplus / Deficit	**40 365**	**-**	**134 216**	
Internally generated Funding	***33 715***	**-**	**-**	**0%**

The above table reflects a total budgeted operating revenue of **R959,3 million** against the operating expenditure of **R885,2 million** excluding gains from impairment reversal of **R528,3 million**, resulting in an anticipated budgeted surplus of **R74 million.** The capital budget is **R116,6 million** and is mainly funded by conditional grants amounting to **R82,9 million** or **71%** and own revenue contributing **R33,7 million** or **29%.** If revenue collection can improve and increase, the implementation of the capital budget can be a success. The amount of capital expenditure funded from internally generated revenues is heavily dependent on improved revenue collection rate by the municipality.

Total operating revenue performance during the first quarter ending 30 September 2026 was at **R282 million** or **29%** inclusive of operating grants whilst the Operating expenditure to date amounted to **R147,8 million or 17%.** The capital expenditure as of 30 September 2026 amounted to **R11,2 million** or **10%**, whilst capital grant revenue amounted to **R11,2 million** or **14%** against budgeted allocation**.**

3.3 Operating Revenue by Source

The table below represents operating revenue by source billed/received as of 30 September 2026, in relation to the approved budget for 2026/2027 financial year.

Revenue By Source	Adopted Budget 2026/27	Adjusted Budget 2026/27	September 2026 YTD/ Actual	Percentage Revenue	September 2026 YTD/ Budget	September 2026 YTD/ Variance	Variance Percentage Billed/ Receipted
	R'000	R'000	R'000	%	R'000	R'000	%
Property Rates	130,004	-	47,724	37%	32,501	15,223	47%
Service Charges - Electricity	256,392	-	70,637	28%	64,098	6,539	10%
Service Charges - Water	178,123	-	46,348	26%	44,531	1,817	4%
Service Charges - Sanitation	56,930	-	21,489	38%	14,233	7,257	51%
Service Charges – Refuse	32,185	-	8,375	26%	8,046	329	4%
Sale of Goods and Rendering of Services	2,324		397	17%	581	- 184	-32%
Rental Equipment	281	-	46	16%	70	- 24	-35%
Interest Earned - Investments	5,936	-	1,017	17%	1,484	- 467	-31%
Interest Earned - Exchange Revenue	80,416	-	21,548	27%	20,104	1,444	7%
Interest Earned - Outstanding Rates	14,678	-	4,090	28%	3,670	421	11%
Fines	1,520	-	356	23%	380	- 24	-6%
Licences & Permits	282	-	15	5%	71	- 56	-79%
Agency Services	1,838	-	429	23%	460	- 31	-7%
Operating Grants & Subsidies	153,569	-	59,274	39%	38,392	20,882	54%
Operational Revenue	1,293	-	282	22%	323	- 41	-13%
Other Gains	43,518			0%	10,880	- 10,880	-100%
Gains on disposal of Assets				0%	-	-	
TOTAL	**959,289**	**-**	**282,027**	**29%**	**239,822**	**42,205**	**18%**

The above table reflects that the municipality has over-performed on its targeted budget as at the first quarter ending 30 September 2026, with a positive variance of **R42,2 million or 18%.** This is due to annual connection fees for sewer and water services that charged in July each year. There are also government properties, business and households that are charged annual property rates, which are billed in July for the whole financial year.

The YTD billing/receipts for service charges, property rates and transfers and grants amounted to **R223 million** or **24,8%** against the budget. Operating grants and subsidies received are at **R59,3 million** or **39%** of the budget allocation and contribute **21%** to the total operating revenue. This is an indication that the municipality is not entirely dependent on grants to fund its operations. Municipal services reflect performance at **R194,6 million** or **30%** against the budgeted revenue and this is due to annual connection fees/ charges.

Under operating grants and subsidies, the positive variance of **R20,9 million** or **54%** against the budget is attributable to the receipt of the first **Equitable Share tranche** in July, in line with the transfer schedule, resulting in a higher proportion of grant funding received during the first quarter. The positive variance from Rates and Service charges sanitation of **47%** and **51%** respectively are due to annual connection fees and increased billing arising from smart water meter installation.

Further analysis of budget performance to the table above reflects underperformance of Licenses & permits, Rental of equipment, interest on investments and sale of goods & rendering of services are grossly underperforming with negative variances of **79%**, **35%, 31%** and **32%** respectively. Licenses & permits are due to reduced economic activity leading to fewer business licence applications and lower demand for building plans approvals and related permits. The low revenue from municipal halls has led to low rental income, causing the negative variance in rental of equipment and this service is operated at a loss looking at the fixed overheads like employee related costs, cleaning material and security services offered in the municipal halls.

First quarter ending September 2026, meters that have been installed are as reflected below:

Meter Installations					
Device Type	**Grand Total**	**Online**	**Offline**		
E460 BS S G3	6023	5822	201	**Conventional**	1533
E460 DIN Rail 5G3	1234	1201	8		
E650 (LPU)	83	83	0	**PrePaid**	6038
E 460 S G3 (3 Phase)	231	209	22		
DC450 G3	96	96	0		
Total	**7667**	**7411**	**231**		

Looking at the above table, there are **7,667** metres installed; however, **7,411** meters are linked to the system. The remaining **231** still needs to be linked to data concentrators and that is what the company is working on. This number has reduced **by 24** from the previous reported **255**. The number of meters installed has increased by **152** when compared to the previous reporting period. The Electricity, Revenue and Landis and Gyr teams are looking at meters that are connected, but no purchasing electricity

3.3. Operating Expenditure per Category

Detailed Operating Expenditure per Category

The table below represents operating expenditure per category incurred as of 30 September 2026, in relation to the approved budget for 2026/2027 financial year:

Expenditure by Type	Adopted Budget 2026/27	Adjusted Budget 2026/27	September 2026 YTD/ Actual	Percentage Expenditure	September 2026 YTD/ Budget	September 2026 YTD/ Variance	Variance Percentage Expenditure
	R'000	R'000	R'000	%	R'000	R'000	%
Employee Related Costs	286,695	-	59,640	21%	71,674	- 12,034	-17%
Remuneration of Councillors	14,608	-	3,417	23%	3,652	- 235	-6%
Debt Impairment	- 528,299	-	-	0%	- 132,075	132,075	-100%
Depreciation & Asset Impairment	55,334	-	-	0%	13,834	- 13,834	-100%
Finance Charges	7,436	-	1,116	15%	1,859	- 743	-40%
Bulk Purchases	208,495	-	64,514	31%	52,124	12,390	24%
Other Materials/ inventory	23,264	-	2,167	9%	5,816	- 3,649	-63%
Contracted Services	76,459	-	6,266	8%	19,115	- 12,849	-67%
Transfers & Grants		-	-	0%	-	-	
Irrecoverable Debt written off	144,386	-	886	1%	36,097	- 35,211	-98%
Other Expenditure/ Operational cost	68,530	-	9,805	14%	17,133	- 7,328	-43%
Other Losses			-		-	-	
TOTAL	**885,207**	**-**	**147,811**	**17%**	**221,302**	**- 73,491**	**-33%**

The above table reflects operating expenditure for as at the first quarter ending 30 September 2026, which amounted to **R147,8 million** or **17%** of the adopted budget. The year-to-date budget reflects an estimated expenditure of **R221,3 million** and therefore results in an underperformance variance of **R73,5 million** or **33%.** This underperformance is affected by non-cash items that are not accounted for till the end of the financial year due to system integration issues.

The municipality is in the process of ensuring that sub-modules are integrated into the main Financial Information System (Munsoft). This will prevent transactions processed outside of the system, requiring manual input for integration into the main ledger, an exercise normally done at year end.

Finance charges had a negative variance of **40%** due to reduced interest and finance cost as a result of arrear debt write-offs received by the municipality for Eskom and DWS through National Treasury's debt relief programme. Other materials contracted services and other expenditure with **negative variance of 63%, 67% and 43%** respectively, mainly attributable to cost-containment measures being implemented due to financial distress and delays in the implementation of planned activities and projects since it's the start of a new financial year.

Below are the detailed payments that were made towards employee-related costs and suppliers as of the quarter ending 30 September 2026:

3.4. DETAILED EXPENDITURE

Payee / Supplier	July 26 Amnt (R)	Aug 26 Amnt (R)	Sept 26 Amnt (R)	TOTAL	% Performance
Salary Related Costs	19,911,430	22,965,858	17,917,233	**60,794,521**	**37%**
MIG Payments	179,317	658,307	-	**837,624**	**1%**
DBSA Loan	574,881	574,881	574,881	**1,724,644**	**1%**
FMG		1,699,392	8,333	**1,707,725**	**1%**
WSIG funding	382,627	2,882,834	-	**3,265,461**	**2%**
EPWP funding	5,000	-	214,700	**219,700**	**0%**
Municipal Disaster Relief Grant				**0**	**0%**
OTP Projects	7,670,552	-	-	**7,670,552**	**5%**
Retention		3,607,783	-	**3,607,783**	**2%**
IT / system related / computers	2,699,818	1,030,501	270,275	**4,000,594**	**2%**
Office Machines Lease	313,743	-	-	**313,743**	**0%**
Fuel	587,474	220,174	494,277	**1,301,925**	**1%**
Repairs and Maintenance	1,836,337	93,491	145,346	**2,075,174**	**1%**
Inventory	691,763	698,526	73,699	**1,463,989**	**1%**
Dept of Water Affairs	3,300,286	892,787	894,100	**5,087,173**	**3%**
Water chemicals/testing	28,429	1,051,028.35	751,352	**1,830,810**	**1%**
Ward Committees	110,000	112,000	104,000	**326,000**	**0%**
Postage: Consumer Statements	172,677	-	13,571	**186,248**	**0%**
Legal fees and related payments	453,253	271,480	248,794	**973,528**	**1%**
Telephones	136,562	133,917	0	**270,479**	**0%**
Commission:prepaid elec and water/fines	97,370	-	256,592	**353,962**	**0%**
VAT Payments	1,058,435	-	-	**1,058,435**	**1%**
Licence cards	34,207	19,276	17,459	**70,942**	**0%**
Refunds	218,912	151,453	65,308	**435,673**	**0%**
Annual subscriptions and licences				**0**	**0%**
Advertisements	66,261	60,471	73,699	**200,431**	**0%**
Auditor - General	25,222	175,502	857,161	**1,057,886**	**1%**
SALGA		600,000	600,000	**1,200,000**	**1%**
Travel and accommodation/Training	20,514	-	-	**20,514**	**0%**
Security	753,774	766,669	887,420	**2,407,863**	**1%**
Eskom Bulk Account	6,000,000	19,833,195	26,483,888	**52,317,083**	**32%**
Eskom small accounts	469,287	299,700	36,115	**805,101**	**0%**
Eskom FBE	199,605	195,946	201,303	**596,853**	**0%**
General Valuation				**0**	**0%**
Department of Transport	653,123	368,657	463,677	**1,485,456**	**1%**
Insurance				**0**	**0%**
Other incl. Audit Comm	482,607	1,030,356	98,665	**1,611,628**	**1%**
Own Capital Expenditure	565,959	0	1,005,810	**1,571,769**	**1%**
Dept of Human Settlements	900,295	773,978	635,000	**2,309,273**	**1%**
Tracker, Commision	65,817	-	-	**65,817**	**0%**
Rental of buildings				**0**	**0%**
Total	**50,665,536**	**61,168,165**	**53,392,657**	**165,226,357**	**100%**

The above amounts were paid from the sources reflected hereunder. The municipality paid **R165,2 million** towards employee-related costs and its suppliers for the first quarter ending 30 September 2026.

The largest contributing factors are Employee Related Costs (CoE) at **R60,8 million** or **37%** and Eskom Bulk at **R52,3 million** or **32%** respectively.

The below table reflects the sources of funding for the payments that have been made for the period under review:

Sources of Funding	July 26	Aug 26	Sept 26	TOTAL	%
	Amnt (R)	Amnt (R)	Amnt (R)	Amnt (R)	Performance
EPWP operating grant	***5,000***	***0***	***214,700***	***219,700***	**0%**
FMG operating grant	***0***	***1,699,392***	***8,333***	***1,707,725***	**1%**
MDRG	0	0	0	***0***	**0%**
OTP	7,670,552	0	0	***7,670,552***	**5%**
WSIG	***382,627***	***2,882,834***	***0***	***3,265,461***	**2%**
MIG	179,317	658,307	0	***837,624***	**1%**
Dept of Human Settlements	900,295	773,978	635,000	***2,309,273***	**1%**
Capital Grant	***8,232,496***	***3,541,142***	***0***	***11,773,638***	**7%**
Operating Grants	***905,295***	***2,473,370***	***858,033***	***4,236,698***	**3%**
Own Capital Expenditure	***565,959***	***0***	***1,005,810***	***1,571,769***	**1%**
Operating budget own expenditure	***40,961,786***	***55,153,653***	***51,528,814***	***147,644,253***	**89%**

The table reflects various payment sources that are funded by both operational and capital expenditure during first quarter and month ending 30 September 2026. Expenditure funded by **FMG** for the month of September 2026 amounted to **R1,7 million**, **WSIG** amounted to **R3,3 million, OTP** amounted to **R7,7 million** and **MIG** for August 2026 amounted to low expenditure of **R837 thousand**. The **DOHS** grant for disaster houses, Fingo etc amounted to **R2,3 million** during the month ending 30 September 2026. The MIG expenditure performance is exclusive of the allocation for PMU, as this expenditure is reflected under employee costs. Capital expenditure funded with **own revenues** amounted to **R1,6 million** for the period ending 30 September 2026.

During the quarter ending 30 September 2026 **R60.8 million** was paid for day-to-day operations (employee related costs at **39%** and Eskom bulk account at **R52,3 million** or **32%** for the period under review.

The total year-to-date payments amounted to **R165,2 million** and expenditure funded from capital grants amounted to **R11,8 million** or **7%.**

Below are the detailed payment plans as of:

The municipality is up to date with all its payment plans and statutory obligations are serviced on a monthly basis. DBSA loan was restructured in 2015 and is paid on a monthly basis as it falls due, there are no arrears on this account.

SUPPLIER	DESCRIPTION	TOTAL AMOUNT OWED	AMOUNT PAID ARREAR	BALANCE
Eskom - as per debt relief agreement	Bulk Account (Inclusive of Debt Relief Write Off)	R123,494,617	R26,5 million Current Acc plus arrears	R116,750,055
DBSA	20 Year loan	R40,496,445	R 658,487	R39,837,958

DEPT. WATER & SANITATION	Purchase of Raw Water (Inclusive of Debt Relief Write Off)	R48,493,921	Rnil (current account is serviced monthly)	R24,493,921

The municipality has received a second write-off, from Eskom amounting to **R19,3 million** and from DWS amounting to **R24 million.**

The current state of poor collection rate brings about challenges to the municipality and this results to the municipality struggling to meet the Eskom arrangement. However, efforts are made to ensure that monthly accounts are paid on a regular basis. The amount reflected above is for an arrear account and not the monthly account as the municipality is servicing the monthly account for DWS.

The municipality is striving to meet the collection rate condition of 80% as per MFMA circular 124, as the collection rate for the month ending 30 September 2026 was at **64,8%** and for the month ending 31 August 2026 the collection rate was at **70,8%** and averaged collection rate is at **51,7%** for the quarter, ending 30 September 2026**.** The municipality is working tirelessly to ensure improved collection rate and adherence to the provisions of the Eskom and Water Debt Relief. The decrease in the collection rate is influenced by the annual property rates and service charges that have been billed for the year.

The cash flow of the municipality remains a challenge until the collection rate stabilizes, and arrear creditors are fully paid. The municipality is servicing its creditors monthly with only Eskom as a major creditor that needs attention during the period under review.

3.5 Capital expenditure

The Capital expenditure reflected as the end of the first quarter and month ending 30 September 2026 amounted to **R11,2 million**.

The table below represents capital expenditure budgeted allocations and expenditure incurred during the quarter ending 30 September 2026:

EC104 MAKANA MUNICIPALITY CAPITAL EXPENDITURE 2026/27 -SEPTEMBER 2026					
			MIG		
	2026/2027 Budget Allocation	Rollover	Adjusted Budget	SEPTEMBER 2026 (YTD)	% Spent
Replacement of Ageing Asbestos pipes in Makhanda Phase 4	17 316 550			-	0.0%
Upgrade of Makana way Phase 2	3 828 824	-		576 402	15.1%
Refurbishment of Water and Sanitation Services	3 125 500	-		81 905	2.6%
Upgrade of Sports Facilities in Oval Stadium, Lavendar Valley Makhanda.	3 573 468	-		-	0.0%
Upgrade of Transrivier: Alicedale	839 008	-		-	0.0%
	28 683 350	**-**	**-**	**658 307**	**2%**
			WSIG		
	2026/2027 Budget Allocation	Rollover	Adjusted Budget	SEPTEMBER 2026 Expenditure (YTD)	% Spent
Water Conservation and Demand	14 997 679			2 882 834	19%
Upgrade of Mayfield Waste Water Treatment Works	10 002 321				0.0%
	25 000 000	**-**	**-**	**2 882 834**	**12%**
Internally Generated Funds	2026/27 Budget Allocation		Adjusted Budget	SEPTEMBER 2026 Expenditure (YTD)	% Spent
Vehicles	7 358 000				0%
Equipment	8 031 060				0%
Computers	1 537 390				0%
Airconditioners	393 710				0%
Filling Cabinets	103 700				0%
Municipal Branding	150 000				0%
Counci Chamber System	1 500 000				0%
Municipal Buildings	290 000				0%
ICT Network Upgrading	600 000				0%
Weighbridge	150 000				0%
Various Road Upgrade	10 708 536				0%
Office Furniture	2 787 456				0%
	33 609 852	**-**	**-**	**-**	**0%**
			INEP		
	2026/27 Budget Allocation		Adjusted Budget	SEPTEMBER 2026 Expenditure (YTD)	% Spent
Electricity Network Upgrade	1 214 000		-		0%
	1 214 000	**-**	**-**	**-**	**0%**
			OTP		
Small town revitalisation	2026/27 Budget Allocation		Adjusted Budget	SEPTEMBER 2026 Expenditure (YTD)	% Spent
Upgrade of Roads	23 000 000			7 670 552	**33.35%**
Upgrade of Electricity Network	5 000 000			**-**	**-**
	28 000 000	-	-	7 670 552	33.35%
			FMG		
	2026/27 Budget Allocation		Adjusted Budget	SEPTEMBER 2026 Expenditure (YTD)	% Spent
Tools of trade for interns	105 000				0.00%
	105 000	-	-	-	-
PMU OPERATIONS/MIG 5%	1 509 650.00			311 070	**21%**
	1 509 650	**-**	**-**	**311 070**	**20.61%**
Total Capital Budget / Expenditure	**118 121 852**	**-**	**-**	**11 211 694**	**9.49%**

The above report reflects an expenditure of **R11,2 million** or **9,5%** expenditure for the period ending 30 September 2026.

The conditional grant allocations above reflect performance as indicated below:

- MIG spending is at R658 thousand or 2% against R27,8 million allocation.
- WSIG spending is R2,9 million or 12% against R25 million allocation.
- OTP Small town revitalization spending is at R7,7 million or 33,4% against R28 million allocation.

3.6 Employee Related Costs

The total salary cost, including third party payments for the month ending 30 September 2026 reported in terms of section 66 of the MFMA amounted to **R20,6 million** and for the quarter ending 30 September 2026, they amounted to **R59,6 million** for employee related costs and councilor's allowances. The total councilor's allowances amounted to **R3,4 million,** and employee related costs amounted to **R59,6 million**.

Overtime paid in **September 2026** amounted to **R746,347.91** respect to work done in August 2026. The overtime for **August 2026** amounted to **R617,256.33,** an increase of **R129,091.58** or **17%** when compared to the previous month.

The total year to date for overtime amounts to **R1,510,823.30.** The total normal overtime amounts to **R1,085,364.08** and shift overtime amounts to **R425, 457.22.**

Further analysis of previous quarter ending 30 September 2025 overtime amounted to **R947,483.97** and when compared to September 2026 overtime increased by **R563,339.33 or 59,5%**, when compared to the quarter ending 30 September 2025.

With the collection rate that is not doing well the continued payment of overtime would result in the municipality servicing employee related costs, with no money to undertake and adhere to service delivery requirements. It is worth noting that Employee Related Costs and Eskom Bulk Account are the biggest drivers of expenditure within the municipality.

The employee-related costs to date translate to **43%** of the operating expenditure, overstated due to non-cash items that are not accounted for on a monthly basis. The employee-related costs are performing at **21%** against the budgeted amount and councilors' allowances at **23%** against the budgeted expenditure during the period under review. The employee related costs against the total operating expenditure budget are at **7%.**

3.7 Leave Management

NJILO VUBELA BUKIWE	2026/05/21	RESIGNED	(R10, 130.40)
KOLISI ZOLA	2025/10/15	MEDICAL BOARD	(R126, 830.46
MFECANE THANDUXOLO	2025/10/13	DISMISSED	(R8,126.04)
TUTUKA SISEKO	2026/06/24	DISMISSED	R30, 513.54
YAKO VUKILE RAYMOND	10/1/2001	PENSIONED	**R25,270.90**

JALI SABULELA CHRISTOPHER	9/1/2002	DECEASED	**(R32, 894.94)**
NZAYO JALISWA VICTORIA	8/1/2003	PENSIONED	**R22, 997.42**
RALO JONGILE RICHARD	10/1/2005	PENSIONED	**R33, 573.53**
FAKU MLAMLI GEORGE	*10/1/2012*	*DECEASED*	***R13, 088.03***
KATE SIPHIWO ALEX	*12/1/1999*	*PENSIONED*	***R542.65***
LACKAY MAURIEN	*6/3/1989*	*PENSIONED*	***R 29,977.84***
NTLANJENI MZUKISI ERROL	*2/5/2008*	*PENSIONED*	***R35,229.10***
SOMAGU SIPHOKAZI	*10/1/2010*	*RESIGNED*	***R66,787.78***
KALIPA LUZUKO LINTON	*4/1/2016*	*RESIGNED*	***R6,750.43***
MDALA NQABA	*2/1/2022*	*RESIGNED*	***R20,622.73***

The total leave payout for the quarter ending 30 September 2026 amounted to **R107,372.08.** The total payments amounted to **R285,353.92** with employees that left the employ of the municipality owing **R177,981.84** for the quarter under review. The credit balance is due to amounts to be recovered from the employees after completing leave reconciliation processes under leave management. These were leave days for employees that had left the employ of the municipality, for reasons listed on the above table.

There was no leave paid out in September 2025 due to outstanding leave reconciliations. Leave management remains a challenge to the municipality due to excessive leave days that some employees possess, though management is making inroads in this component.

The introduction of the ESS system for leave management within the municipality is slowly yielding results and Corporate Services needs to enforce the conclusion of leave reconciliations by Directorates to ensure that proper leave provision is achieved and reported to the annual financial statements.

3.8 Employee Related Costs – Overtime

As per the Annexure 1 of this report, the overtime paid out for the quarter ending **30 September 2026** amounted to **R746,317.91** and this is inclusive of shift overtime – Refer **Annexure "1"** for details. The overtime is paid in respect to work done in August 2026. Departments that are contributing to overtime for the current month are as follows:

Electricity Distribution at 24%

Fire control at 18%

Water services at 29%

Sanitation services at 21% (combined Pail removal and disposals works)

Traffic services at 7%

Overtime paid in **September 2026** amounted to **R746,347.91** respect to work done in August 2026. The overtime for **August 2026** amounted to **R617,256.33,** an increase of **R129,091.58** or **17%** when compared to the previous month.

The total year to date for overtime amounts to **R1,510,823.30.** The total normal overtime amounts to **R1,085,364.08** and shift overtime amounts to **R425, 457.22.**

Further analysis of previous quarter ending 30 September 2025 overtime amounted to **R947,483.97** and when compared to September 2026 overtime increased by **R563,339.33 or 59,5%**, when compared to the quarter ending 30 September 2025.

3.9 Fruitless & Wasteful Expenditure as at 30 September 2026

Due to the municipality's current financial situation, the municipality is continuing to incur fruitless and wasteful expenditure. However, efforts are made to prioritise payments to those suppliers who charge interest.

During the quarter ending 30 September 2026 interest recognized amounted to **R243,944.45.** This is mainly interest charged by Eskom, on the arrears for the bulk account. Refer Annexure "2" for details. The municipality did not incur any fruitless and wasteful expenditure during the month ending 31 August 2026 and since the start of financial year, and as well as June 2026. This reflected 100% decrease when compared to June 2026.

The total fruitless and wasteful expenditure as at 30 September 2025 amounted to **R787,062.79**, a decrease of **R543,118.34** or **69%** when compared to the quarter ending 30 September 2025.

3.10 Unauthorized Expenditure

In terms of section 32 of the MFMA, 'unauthorized expenditure' may only be authorized (condoned) by the municipal council in an adjustments budget. There are no votes that have been overspent to date except for misallocations that are being dealt with internally, as and when they are spotted during the general ledger review.

3.11 Cash Flow Situation

In terms of position of cash flow, the municipality shows a positive bank balance of **R4,4 million** for the main account, **R86,3 million** for investment Accounts. The investments include the equitable share, WSIG, MIG and MDRG amounts that are not yet spent.

During the month under review, the municipality's **liquidity ratio** is calculated at **1.81** within the norm of **1.5 – 2: 1**, indicating the continued pressure on the municipality's ability to meet its short-term obligations from current assets. This position is largely attributable to ongoing cash flow constraints, lower than anticipated revenue collection levels, and increasing creditor commitments.

The **cash cost coverage ratio** is calculated at **4 months** for the period under review and remained **within** the benchmark norm of **1 – 3 months**. An indication that the municipality has cash available but still has large creditor balances (high current liabilities) to still service in its books.

3.12 Creditors/Trade Payables

The total outstanding creditors for the quarter ending 30 September 2026 amounted to **R164,3 million**, a decrease of **R24,9 million** or **13,2%** when compared to previous month ending 31 August 2026 where creditors amounted to **R189,1 million**.

The creditors for the quarter ending 30 September 2025 amounted to **R241,9 million**, a decrease of **R77,6 million** or **32%** when compared to September 2026.

3.13 Debtors Age Analysis

The amounts are divided into the following categories & type:

August 2026

SUMMARY /PROOF ON CROSS COUNT

Consumers	Current	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Govt departments	5,428,551.54	5,982,610.81	22,796,321.68	2,433,519.48	2,220,317.56	19,938,308.23	58,799,629.30
Residents	41,303,955.33	374,962,188.10	38,948,435.19	20,356,731.19	19,389,723.93	980,299,567.40	1,475,260,601.14
Business & Industries	5,239,104.72	30,504,048.01	2,770,833.01	1,353,316.59	847,770.09	65,028,221.78	105,743,294.20
Councillors	7,186.06	1,051.60	7,592.11	1,397.78	2,800.87	-26,596.00	-6,567.58
Mun Officials	144,009.52	305,850.56	75,397.15	67,324.56	34,189.54	913,057.08	1,539,828.41
TOTAL	**52,122,807.17**	**411,755,749.08**	**64,598,579.14**	**24,212,289.60**	**22,494,801.99**	**1,066,152,558.49**	**1,641,336,785.47**

OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA

SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Water	10,506,165.19	-	9,310,382.81	8,001,671.76	7,813,700.33	392,993,823.39	428,625,743.48
Electricity	20,382,209.24	-	6,030,645.05	3,394,726.07	2,599,667.95	58,996,969.53	91,404,217.84
Sanitation	3,729,011.78	-	11,246,710.81	2,278,557.57	2,229,681.40	112,073,100.25	131,557,061.81
Refuse	2,712,617.61	-	2,275,273.51	1,858,630.70	1,832,744.95	87,410,934.21	96,090,200.98
Rates	10,811,020.04	-	32,918,451.34	6,955,899.42	6,611,738.43	288,389,524.06	345,686,633.29
Other	3,981,783.31	-	2,817,115.62	1,722,804.08	1,407,268.93	126,288,207.05	136,217,178.99
Combined	-	411,755,749.08	-	-	-	-	411,755,749.08
TOTAL	**52,122,807.17**	**411,755,749.08**	**64,598,579.14**	**24,212,289.60**	**22,494,801.99**	**1,066,152,558.49**	**1,641,336,785.47**

GOVERNMENT DEPARTMENTS

DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	831,932.81	1,447,055.53	15,900.00	88,905.79	-	197,175.74	234,452.12	**2,815,421.99**
PROVINCIAL PUBLIC	1,519,630.22	1,265,222.41	5,556,105.56	180,598.24	16,876,944.06	1,163,939.35	3,153,268.86	**29,715,708.70**
NATIONAL PUBLIC	3,736,169.67	4,613,622.18	2,049,479.74	151,876.79	9,122,792.08	1,525,072.76	2,213,902.30	**23,412,915.52**
HEALTH	367,452.03	911,757.99	-	17,761.78	-	198,390.17	15,681.77	**1,511,043.74**
SOCIAL	18,937.90	48,024.42	-	1,559.58	-	10,278.29	-	**78,800.19**
HUMAN SETTLEMENT	-	-	18,656.00	-	73,507.65	-15,722.06	24,741.70	**101,183.29**
DRDAR	2,592.56	39,734.51	-	1,559.58	-	63,645.28	-	**107,531.93**
DRDLR	-	-	-	-	712,879.56	-	339,566.74	**1,052,446.30**
NATURE CONSERVATIO	-	48,765.31	-	-	-	7,773.79	997.32	**57,536.42**
SPORTS & CULTURE	-	-	-	-	-	-52,958.78	-	**-52,958.78**
TOTAL	**6,476,715.19**	**8,374,182.35**	**7,640,141.30**	**442,261.76**	**26,786,123.35**	**3,097,594.54**	**5,982,610.81**	**58,799,629.30**

September 2026

SUMMARY /PROOF ON CROSS COUNT

Consumers	Current	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Govt departments	5,463,326.39	6,336,004.78	3,523,954.80	22,676,717.27	2,378,149.15	20,054,537.40	60,432,689.79
Residents	39,541,559.58	382,569,464.11	23,046,425.71	36,356,464.77	19,625,047.13	996,086,433.23	1,497,225,394.53
Business & Industries	5,992,448.40	30,892,732.56	1,981,772.91	1,500,230.58	1,208,243.37	64,856,588.86	106,432,016.68
Councillors	6,831.24	1,250.57	2,844.14	7,627.89	1,397.78	-23,779.43	-3,827.81
Mun Officials	121,324.57	310,292.08	72,602.83	67,674.31	51,047.71	915,397.56	1,538,339.06
TOTAL	**51,125,490.18**	**420,109,744.10**	**28,627,600.39**	**60,608,714.82**	**23,263,885.14**	**1,081,889,177.62**	**1,665,624,612.25**

OUTSTANDING PER CATEGORY OF REVENUE SOURCE - MAKANA

SERVICES	CURRENT	INTEREST	30 DAYS	60 DAYS	90 DAYS	120 DAYS	TOTAL
Water	11,055,275.23	-	8,779,066.51	9,226,310.42	7,980,167.27	399,916,205.77	436,957,025.20
Electricity	18,355,835.04	-	4,993,365.46	4,487,984.67	2,795,482.01	59,807,759.32	90,440,426.50
Sanitation	3,575,606.91	-	2,863,719.42	10,748,717.29	2,239,062.20	113,908,621.37	133,335,727.19
Refuse	2,715,973.57	-	2,257,028.93	2,174,376.07	1,821,212.03	89,000,753.13	97,969,343.73
Rates	10,719,481.03	-	8,244,481.76	31,475,640.96	6,784,695.37	291,397,575.28	348,621,874.40
Other	4,703,318.40	-	1,489,938.31	2,495,685.41	1,643,266.26	127,858,262.75	138,190,471.13
Combined	-	420,109,744.10	-	-	-	-	420,109,744.10
TOTAL	**51,125,490.18**	**420,109,744.10**	**28,627,600.39**	**60,608,714.82**	**23,263,885.14**	**1,081,889,177.62**	**1,665,624,612.25**

GOVERNMENT DEPARTMENTS

DEPARTMENT	Water	Electricity	Sanitation	Refuse	Rates	Others	Combined	TOTAL
EDUCATION	1,232,805.87	1,581,561.91	15,900.00	97,674.08	3,092.00	303,330.80	250,274.62	**3,484,639.28**
PROVINCIAL PUBLIC WORKS	1,529,258.85	1,303,426.42	5,556,326.39	184,269.29	16,881,566.05	1,179,800.62	3,377,490.69	**30,012,138.31**
NATIONAL PUBLIC WORKS	4,300,667.93	5,057,761.73	2,049,479.74	159,387.81	8,481,577.99	1,676,619.44	2,319,425.49	**24,044,920.13**
HEALTH	456,891.91	825,813.55	-	17,848.95	-	214,671.93	15,720.40	**1,530,946.74**
SOCIAL DEVELOPMENT	27,377.57	44,200.49	-	1,559.58	-	10,970.65	-	**84,108.29**
HUMAN SETTLEMENT	-	-	18,656.00	-	75,518.90	-15,722.06	25,612.71	**104,065.55**
DRDAR	2,592.56	35,851.66	1,559.58	-	-	63,062.87	-	**103,066.67**
DRDLR	-	-	-	-	712,879.56	-	346,046.68	**1,058,926.24**
NATURE CONSERVATION	-	58,366.19	-	-	-	9,305.72	1,434.19	**69,106.10**
SPORTS & CULTURE	-	-	-	-	-	-59,227.52	-	**-59,227.52**
TOTAL	**7,549,594.69**	**8,906,981.95**	**7,641,921.71**	**460,739.71**	**26,154,634.50**	**3,382,812.45**	**6,336,004.78**	**60,432,689.79**

As of 30 September 2026, the debtors' book stands at **R1,665 billion,** and has increased by **R24 million** or **1,5%** when compared with the debtor's book as of 31 August 2026.

The government debt increased by **R1,6 million** or **13%** when comparing **R58,8 million** for August 2026 against **R60,4 million** owed for September 2026. Collection rate improvements are achieved through collaborative efforts, accurate and timely municipal billing, and ongoing engagement with government departments to ensure the settlement of outstanding accounts. The municipality continues to engage owing government departments through the platform of arrear debt organized by CoGTA, and consumers that are owing to ensure the recovery of the outstanding debt. The municipality has had discussions with Dept of Provincial Public Works regarding the settlement of the outstanding accounts and disconnection notices have been sent to the department in this regard.

GOVERNMENT DEPARTMENTS				
DEPARTMENT	Debt Owed as at 30 September 26	Percentage of Debt owed	Movement (+ Upward / - Downward)	Percentage movement
EDUCATION	3,484,639.28	6%	669,217.29	41%
PROVINCIAL PUBLIC WORKS	30,012,138.31	50%	296,429.61	18%
NATIONAL PUBLIC WORKS	24,044,920.13	40%	632,004.61	39%
HEALTH	1,530,946.74	3%	19,903.00	1%
SOCIAL DEVELOPMENT	84,108.29	0%	5,308.10	0%
HUMAN SETTLEMENT	104,065.55	0%	2,882.26	0%
DRDAR	103,066.67	0%	-4,465.26	0%
DRDLR	1,058,926.24	2%	6,479.94	0%
NATURE CONSERVATION	69,106.10	0%	11,569.68	1%
SPORTS & CULTURE	-59,227.52	0%	-6,268.74	0%
TOTAL	**60,432,689.79**	**100%**	**1,633,060.49**	**13%**

The business debt increased by **R689 thousand** or **0.6%** when comparing **R105 million** for August 2026 and **R106, million** for August 2026.

Employees' debt stands at **R1,5 million**, and has increased by **R1,489 thousand** or **0.097%** when compared to 31 August 2026. The councilor's debt has a credit balance as of 30 September 2026, though there is one councillor owing the municipality as reflected in the AFS. The municipality continues to implement strict credit control and debt collection policies to enhance revenue collection and recover outstanding debt.

3.14 Debt Collection Rate

The Ratio indicates the collection rate & measures increases or decreases in Debtors relative to annual billed revenue.

Collection Rate - July 2026				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	34,975,912	4,338,566	12	29,428,031
Prepaid Electricity	7,637,358	7,637,358		6,425,920
Electricity	17,272,075	11,889,905	69	14,532,378
Water Usage	8,726,500	2,704,628	31	7,342,302
Water Connection	10,265,077	1,124,542	11	8,636,830
Sewer Connection	14,752,536	1,535,681	10	12,412,488
Refuse Removal	2,791,549	856,368	31	2,348,753
Housing Rental	20,649	7,865	38	17,374
Leases	121,912	70,044	57	102,574
Interest Earned Outstanding Debtors	8,201,694	710,755	9	6,900,741
Other Revenue	8,242,991	5,808,672	70	6,935,487
	113,008,253	**36,684,384**		**95,082,879**
Average calculated collection rate		**32.5%**		

Collection Rate - August 2026				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	5,199,362	11,300,166	217	4,374,639
Prepaid Electricity	6,904,721	6,904,721		5,809,494
Electricity	20895696	13901982	59	2,962,638
Water Usage	9,449,448	2,574,987	27	7,950,576
Water Connection	3,521,165	2,087,272	59	2,962,638
Sewer Connection	3,012,338	3,614,072	120	2,534,521
Refuse Removal	2,760,762	807,825	29	2,322,850
Housing Rental	20,704	7,312	35	17,420
Leases	111,277	83,935	75	93,626
Interest Earned Outstanding Debtors	8,326,091	907,886	11	7,005,406
Other Revenue	6,033,312	4,704,927	78	5,076,308
	66,234,876	**46,895,085**		**41,110,115**
Average calculated collection rate		**70.8%**		

Collection Rate - September 2026				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	7,414,262	6,470,947	87	6,238,211
Prepaid Electricity	6,786,477	6,786,477		5,710,006
Electricity	19,059,424	19,534,424	35	3,039,462
Water Usage	10,493,529	2,308,599	22	8,829,045
Water Connection	3,612,472	1,278,430	35	3,039,462
Sewer Connection	3,638,880	1,791,074	49	3,061,681
Refuse Removal	2,791,710	823,066	29	2,348,889
Housing Rental	20,883	7,407	35	17,571
Leases	111,760	120,936	108	94,033
Interest Earned Outstanding Debtors	9,036,762	657,059	7	7,603,350
Other Revenue	5,982,454	4,882,366	82	5,033,517
	68,948,613	**44,660,785**		**45,015,225**
Average calculated collection rate		**64.8%**		

Collection Rate - Quarter 1				
Description	Debtors Billing	Actual Receipts	Collection % Indv	Collection Avg
Property Rates	47,589,536	22,109,679	46	24,589,433
Prepaid Ecricity	21,328,556	21,328,556	100	11,020,429
Electricity	57,227,195	45,326,311	79	29,569,195
Water Usage	28,669,477	7,588,214	26	14,813,470
Water Connection	17,398,714	4,490,244	26	8,989,886
Sewer Connection	21,403,754	6,940,827	32	11,059,284
Refuse Removal	8,344,021	2,487,259	30	4,311,342
Housing Rental	62,236	22,584	36	32,157
Leases	344,949	274,915	80	178,235
Interest Earned Outstanding Debtors	25,564,547	2,275,700	9	13,209,158
Other Revenue	20,258,757	15,395,965	76	10,467,666
	248,191,742	**128,240,254**		**128,240,254**
Average calculated collection rate		**51.7%**		

The above report shows that the municipality's collection rate for the month ending 30 September 2026 was at **64.8%,** increased by **7.8%** when compared to the previous year's **September 2025** balance where collection rate was at **57%.** During the month ending 30 September 2026, the collection rate performed below the **National Treasury norm of 95%** and as well as the municipality's budgeted **target of 80%.**

The average collection rate for the quarter under review is **51,7%** and for the quarter ending September 2025, was **45,3%**, an increase of **6,4%** when compared to September 2025. The collection rate is still below the 80% budgeted collection rate. The decline in collections is attributable to increased billing resulting from the annual charges processed at the beginning of the financial year.

3.15 Indigent Report

The table below reflects the indigent subsidy provided by the municipality for the period ending 30 September 2026. The indigent report was tabled to the Mayoral Committee and approved by Council on a meeting held on the 29th of May 2026, 2025/26, financial year. The beneficiaries for Free Basic Electricity are currently registered by both the municipal system vendor and Eskom to ensure that beneficiaries receive their tokens.

The table below summarizes the Indigent Statistics:

	Jul-26		Aug-26		Sep-26		Q1
SERVICE	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	QUANTITY	VALUE OF FREE BASIC SERVICES	TOTAL
WATER CONNECTION	677	R358,667.92	612	R157,687.92	613	R157,945.58	R674,301.42
WATER USAGE	587	R39,768.79	584	R40,972.79	572	R38,665.59	R119,407.17
SEWER CONNECTION	655	R238,387.98	615	R136,362.98	616	R136,583.81	R511,334.77
REFUSE REMOVAL	701	R113,253.56	701	R113,253.56	702	R113,415.12	R339,922.24
ELECTRICITY(MUN)	125	R6,150.00	245	R36,998.68	260	R13,199.00	R56,347.68
ELECTRICITY (ESKOM)	1468	R201,303.05	641	R87,804.80	645	R88,353.58	R377,461.43
Total		**R957,531.30**		**R573,080.73**		**R548,162.68**	**R2,078,774.71**

The subsidy for the month of September 2026 amounted to **R548,162.68** and for the quarter ending 30 September 2026 amounted to **R2,1 million.** The BTO team has fully updated the indigent beneficiary list and the subsidy has started as from July 2026.

3.16 Grant Balances

Description of Grant	Budgeted Amount 2026/27	Actual Receipts 2026/27	% Revenue
National Allocations	**R'000**	**R'000**	**%**
Equitable Share	R139,159	R 57,983	41,7%
Municipal infrastructure Grant	R 30,193	R12,847	43%
Finance Management Grant	R 4,000	R4,000	100%
Water Service Infrastructure Grant	R 25,000	R9,132	37%
EPWP	R 1, 365	R341	25%
INEP	R 1, 200	R364	30%
National Grants	**R 200,917**	**R84,667**	**42,1%**
Description of Grant	**Budgeted Amount 2026/27**	**Actual Receipts 2026/27**	**% Income**
Provincial Allocation	**R'000**	**R'000**	**%**
Library Service Grant	R 4,497	R	0%
Office of The Premier	R 28,000	R7,671	27%
EPWP: DEDEAT	R 2,900	R744	26%
Provincial Grant	**R 33, 997**	**R8,415**	**24,8%**
TOTAL GRANTS	**R234, 914**	**R93,082**	**39,6%**

The municipality has been allocated **R200,9 million** by national government and **R33,9 million** by provincial government for the 2026/27 financial year. Total receipts received to date from national gazette allocation amount to **R84,7 million or 42,1%** against total allocation. Provincial grants have received **R8,4 million** allocation for the period under review. The total grant budgeted allocation for both capital and operating expenditure amounts to **R234,9 million**. Total amount of **R93,1 million** or **39,6%** has been received from both National and Provincial government.

3.17 Status of mSCOA (Municipal Standard Chart of Accounts)

The department is focusing at ensuring the transactions integrate correctly from the subsidiary ledgers to the general ledgers to improve the integrity of reported information and performing reconciliations. The municipality is in the process of data cleansing to ensure credible data strings are produced by the system for compliant mSCOA reporting.

From a National Treasury validation perspective, the department does the monthly upload of the financial (and certain non-financial) transactions from the General Ledger, which the National Treasury interrogate for integrity purposes. To date the department has successfully uploaded all the required data strings. Investments, borrowings, debtors and creditors data strings are uploaded, by the municipality. All required governance documents have been prepared and submitted to Treasury. The municipality is assisted by PT and NT to address issues related to mSCOA and as well as address legislative requirements.

3.17 LEGISLATIVE REQUIREMENTS

- Municipal Finance Management Act no 56 of 2003
- Municipal Property Rates Act 6 of 2004
- Customer Care, Credit Control and Debt Collection Policy
- Rates Policy

3.18 ANNEXURES

- Annexure 1: OVERTIME REPORT
- Annexure 2: FRUITLESS & WASTEFUL EXPENDITURE
- Annexure 3: DEBT BY TYPE REPORT
- Annexure 4: C SCHEDULE SEPTEMBER 2026

3.19 RECOMMENDATION:

It is recommended that:

a) The Mayoral Committee **approves** the contents of the section 52(d) report and supporting documents for the quarter ending 30 September 2026.



MR P.M. KATE
MUNICIPAL MANAGER