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PROVINCE OF KWAZULU-NATAL

**MUNICIPAL FINANCE
4th QUARTER REVIEW
Close-out Report
2016/17**

**SPENDING YOUR MONEY
WISELY**

**UKUSETSHENZISWA
KWEMALI YAKHO
NGOBUHLAKANI**



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KwaZulu-Natal Provincial Treasury, Municipal Finance Close-out Report 2016/17

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Data Source and Reliability

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Provincial overview and municipal analysis contained in this report is based on the Section 71 MFMA reports that each Municipal Manager and Chief Financial Officer were required to sign and submit to National Treasury. Therefore, any queries on the budgeted and actual figures reflected in the publication must be referred to the relevant Municipal Manager or Chief Financial Officer.

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Methodology and Approach

The methodology and approach used for the compilation of this report included the following:

The data for the consolidated performance analysis at a district level (Provincial Overview) and for the performance analysis per municipality in this report was extracted from the National Treasury Local Government Budgets and Expenditure published Section 71 report. The data for the non-delegated municipalities have been included in the report (namely: eThekweni Metro, Msunduzi and uMhlathuze Local Municipalities). It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration.

It is probable that there will be material adjustments to the audited 2016/17 Annual Financial Statements, in which case it is recommended that the analysis should be used in conjunction with audited information in order to have a reliable overview of the Budget performance of the municipalities for the 2016/17 financial year.

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Chapter 1: Introduction

In terms of Section 71(7) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA), *the Provincial Treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity.*

As one of my duties as a Member of the Executive Committee (MEC) for Finance, I hereby submit to the Provincial Legislature, a consolidated statement as indicated above to ensure compliance with the provision of Section 71(7) of MFMA as prescribed.

The purpose of this report is to provide the reader with a holistic overview of the budget and financial performance of our municipalities as at 30 June 2017 across the Province. The report also reflects on the support provided by the various business units within the Provincial Treasury.

This consolidated 2016/17 Municipal Finance Quarterly Review (MFQR) has been prepared in compliance with the legislative requirement indicated above. The report not only covers the budget and expenditure performance of the municipalities, but also includes performance in other non financial areas which are critical in ensuring sustainable improvements of municipalities in areas of internal controls, financial efficiency, governance as well as accurate reporting, all of which are necessary aspects for taking correct and informed decisions.

The supporting initiatives by the various Business Units within Provincial Treasury are aimed at ensuring that the municipalities are sufficiently capacitated in order to provide economic, efficient and effective service delivery to the communities. The report includes all 54 municipalities in the province comprising of 51 delegated and 3 non delegated municipalities.

The report provides the reader with balanced overview of the state of the budget performance of municipalities for the entire 2016/17 financial year while identifying amongst others, areas of financial weaknesses and risks which must be addressed in order to improve the financial position of the municipalities as well as achieving overall sustainability. The assessments of the budget performance of the municipalities could also serve as an early warning signal for the identification of municipalities facing financial challenges.

This report allows municipalities to compare their performance to other municipalities within the same category of municipalities in their district or in other districts within the province.

The report is structured in the following format:-

- Chapter 1 presents the introduction to the report;
- Chapter 2 presents an analysis on the socio-economic outlook in the KwaZulu-Natal Province;
- Chapter 3 provides an overview of the 2016/17 Budget Performance of all municipalities, aggregated at a district level to provide a provincial perspective. The chapter also includes the sale of Bulk Services of Water and Electricity by Water Boards and Eskom respectively, the level of spending on Conditional Grants and finally, the status of municipal Cash Flow positions for the 2015/16 audited financial year;
- Chapter 4 provides an overview of each district regarding geographical location, basic services provided by municipalities in a district, employment status of the Accounting Officer (Municipal Manager) and Chief Financial Officer, 2015/16 Audit Opinions, as well as a budget performance analysis per municipality in each district;

- Chapter 5 highlights the process of the 2016/17 Mid-Year Budget and Performance Assessments Reports, Adjustments Budgets as well as the 2017/18 Budget Evaluations, followed by the status of Non-Compliance with the MFMA and the Division of Revenue Act (DoRA) reporting requirements, Municipal Standard Chart of Accounts (mSCOA), Municipal Demarcation and Integrated Councillor Induction Programme;
- Chapter 6 provides an overview of the support provided to municipalities by the various business units within Provincial Treasury which include the Municipal Support Program (MSP), Supply Chain Management (SCM), Banking, Risk and Advisory Services (Internal Audit), Financial Reporting including Norms and Standards, Infrastructure (Crack Team), Public Private Partnerships (PPP) and Inter-Government Relations (IGR); and
- Chapter 7 concludes the report by highlighting some of the critical challenges that the municipalities are wrestling with in their process of providing service delivery. These challenges require urgent and undivided attention to ensure that the financial management of the municipalities, amongst others, is sound and sustainable.

Therefore, as part of my duty as MEC for Finance, I therefore, hereby submit to the Provincial Legislature a consolidated statement as prescribed by Section 71(7) of the MFMA.

Chapter 2: Socio-economic Profile of KwaZulu-Natal Districts

1. Introduction

The purpose of this chapter is to provide insight into the social and economic factors that influence the overall performance of the province of KwaZulu-Natal (KZN) and the municipalities therein. These factors include demographics, economic performance, the labour market, international trade, development, social grants, education, household infrastructure and crime.

Understanding population dynamics is an important foundation to any society that gives cognisance to the importance of planning and service delivery. Therefore, this chapter analyses the population of the province according to its age and gender structure as a guide for policy makers in terms of prioritising developmental needs of the populace.

The economic analysis in this chapter highlights the performance gaps and opportunities for improvement, which exist in the provincial economy. The evaluation of economic performance focuses on the gross domestic product (GDP) globally, nationally and provincially while the sector analysis is based on a broad analysis of the primary, secondary and tertiary sectors. The dynamics of the labour market are also discussed with emphasis on unemployment, job scarcity, labour force participation rate and labour remuneration and productivity.

The province has the two largest deep water ports (Richards Bay and Durban) in Southern Africa, giving it an economic advantage with respect to international trade. This is characterised by the value of imports and exports as outlined in this chapter. The percentage contribution to exports and imports by different municipalities is discussed, where eThekweni dominates provincial trade at more than 53 percent.

Development indicators are also analysed to assist in providing a better understanding of the well-being of the inhabitants of the province. Poverty, income inequality and standard of living are the main development indicators discussed. In addition, this chapter also provides an analysis of access to social grants, education and household infrastructure, as well as the prevalence of crime.

2. Socio-Economic Review of KwaZulu-Natal Districts

2.1 Demographic profile

2.1.1 Total population

South Africa (SA) is a diverse country, comprising of a wide variety of cultures, languages and religious beliefs. The 2017 Mid-year Population Estimates by Statistics South Africa (Stats SA) shows that the country's population is currently estimated at 56.5 million, indicating an increase of 9.1 percent from 51.8 million recorded in 2011. The province of KZN is home to an estimated 11.1 million people, which accounts for 19.6 percent of the South African population. The province is the second most populated after Gauteng which has an estimated 14.3 million people, constituting 25.3 percent of the national population.

Table 2.1 shows the population size of the province and its districts, percentage share of KZN population by municipalities, area in square kilometres (km²), percentage share of KZN area and the population density. Migration patterns within the province play a crucial role in the variation of the population size in the districts.

Table 2.1: Population size, area in square kilometers and population density in 2016

| | Population size | % Share of KZN population | Area in square KMs | % Share of KZN area | Population density |
|----------------------|-------------------|---------------------------|--------------------|---------------------|--------------------|
| eThekwini Metro | 3 819 967 | 34.7 | 2 556 | 2.7 | 1 494.6 |
| Ugu | 725 827 | 6.6 | 4 791 | 5.1 | 151.5 |
| uMgungundlovu | 1 092 151 | 9.9 | 9 602 | 10.2 | 113.7 |
| uThukela | 697 879 | 6.3 | 11 134 | 11.8 | 62.7 |
| uMzinyathi | 543 339 | 4.9 | 8 652 | 9.2 | 62.8 |
| Amajuba | 533 602 | 4.8 | 7 102 | 7.5 | 75.1 |
| Zululand | 838 148 | 7.6 | 14 799 | 15.7 | 56.6 |
| uMkhanyakude | 667 543 | 6.1 | 13 855 | 14.7 | 48.2 |
| King Cetshwayo | 949 662 | 8.6 | 8 213 | 8.7 | 115.6 |
| iLembe | 651 685 | 5.9 | 3 269 | 3.5 | 199.3 |
| Harry Gwala | 485 406 | 4.4 | 10 386 | 11.0 | 46.7 |
| KwaZulu-Natal | 11 005 209 | 100 | 94 361 | 100 | 116.6 |

Source: IHS Markit, 2017

eThekwini Metro was the most densely populated of all the districts in the province with approximately 3.8 million in 2016 which is 34.7 percent of the KZN population. One of the main contributing factors to this phenomenon is rural-urban migration; where people migrate with the hope of finding jobs in the main economic hub of the province and also to improve education as most of the educational institutions are located around eThekwini. It is not surprising that eThekwini had the highest population density of 1 494.6 per square kilometer (km²) in 2016, given the size of the population in the metro.

uMgungundlovu District was the second most populous district in the province at approximately 1.1 million, constituting 9.9 percent of the KZN population in 2016. Harry Gwala District was the least populated district at 485 406 people and consequently has the least population density at 46.7 per km² in 2016.

Table 2.2 shows migration patterns across the provinces for the periods 2006 to 2011 and 2011 to 2016.

Table 2.2: Estimated provincial migration streams in 2011 and 2016

| Provinces | 2006-2011 | | | 2011-2016 | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Out-migrants | In-migrants | Net-migration | Out-migrants | In-migrants | Net-migration |
| Eastern Cape | 512 305 | 153 823 | -358 482 | 499 543 | 173 372 | -326 171 |
| Free State | 149 393 | 120 146 | -29 247 | 154 505 | 133 492 | -20 913 |
| Gauteng | 419 366 | 1 323 985 | 904 619 | 481 263 | 1 462 553 | 981 290 |
| KwaZulu-Natal | 322 018 | 257 968 | -64 050 | 340 228 | 277 867 | -62 360 |
| Limpopo | 372 131 | 216 247 | -155 884 | 392 905 | 249 137 | -143 767 |
| Mpumalanga | 178 826 | 231 420 | 52 594 | 194 958 | 258 961 | 64 003 |
| Northern Cape | 68 296 | 69 453 | 1 157 | 72 441 | 75 752 | 3 311 |
| North West | 172 074 | 258 766 | 86 691 | 191 143 | 289 177 | 97 764 |
| Western Cape | 142 758 | 414 826 | 272 069 | 159 513 | 451 885 | 292 372 |

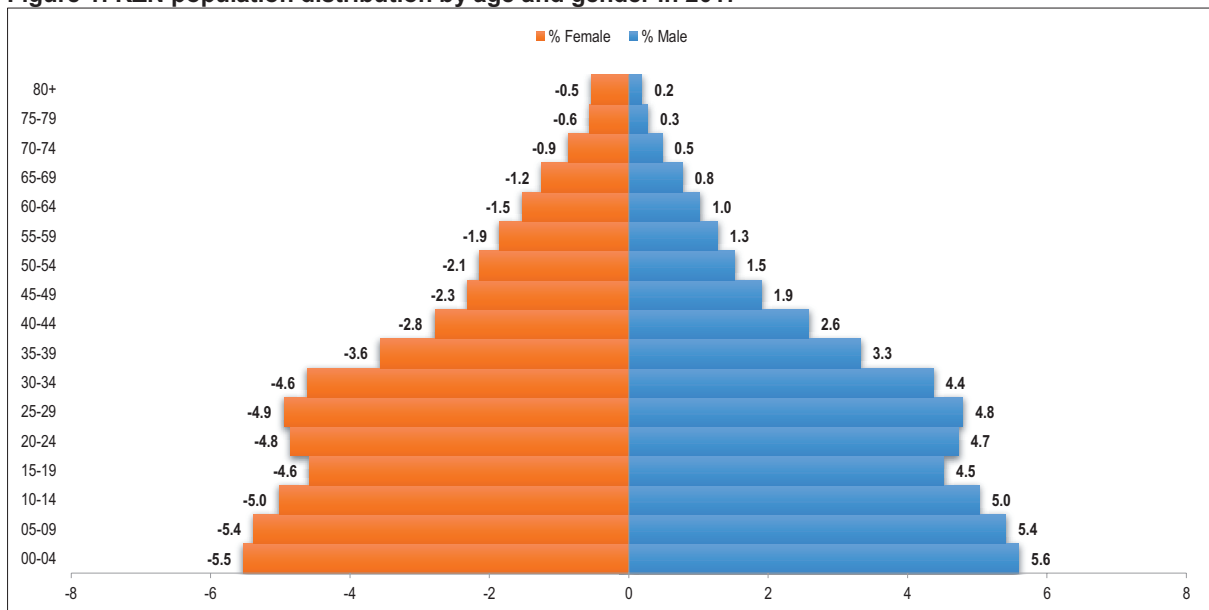
Source: Stats SA, 2017

Although there had been an increase in the size of the population in KZN, an analysis of the years 2006 to 2016 reveals that inter-provincial migration had affected KZN negatively, where out-migration exceeded in-migration by an estimated 64 050 people in the period 2006 to 2011 and by another 62 360 people between 2011 and 2016. Migration is cited as one of the main factors contributing to the decline in KZN's share of the national population thus affecting its Equitable Share grant allocation. The Eastern Cape (EC) suffered the highest loss with 499 543 people migrating out of the province for the period 2011 to 2016, resulting in negative net-migration of 326 171. The majority of the South African population migrate to the Gauteng and the Western Cape provinces, presumably in search of better job opportunities.

2.1.2 Population distribution by age and gender

Figure 1 shows the population distribution for KZN by age and gender in 2017. The population pyramid indicates that the largest population in 2017 ranges between the ages of 00-04 to 25-29, which is approximately 60.3 percent of the total population. Approximately 31.9 percent of this cohort are children between 00 and 14, and 37.4 percent is the youth that is economically active (15-34), thus indicating that the province is predominantly youth. It can be seen in the diagram that the male population decreased at a faster pace compared to their female counterparts. This could be a result of factors such as migration patterns and higher mortality amongst males due to risky social behavior.

Figure 1: KZN population distribution by age and gender in 2017



Source: Stats SA, 2017

The total provincial dependent population is estimated at 4.1 million, while the economically active population is estimated at 7 million. The implication of these estimates is a high dependency ratio of 58.3 percent¹. It is noted that the dependency ratio is not totally reflective of the situation in the economy, since some of the people in the economically active population are not actively involved in the labour market.

2.2 Economic performance

Taking into account both global and national economic performance, this section provides the *Economic Review and Outlook* of the province of KZN and the districts therein. The analysis commences with an outline of the global, national and KZN economic review and outlook. This is then followed by a brief review of the sector analysis in KZN.

2.2.1 Global economic review and outlook

Table 2.3 shows the global economic outlook for 2017 and 2018.

¹Dependency Ratio = $\left[\frac{(\text{Number of people under 15 years}) + (\text{Number of people aged 65 and over})}{(\text{Number of people between 15 and 64})} \right] * 100 = \left(\frac{4\,080\,277}{6\,994\,506} \right) * 100 = 58.3$ percent. The dependency ratio is an age population ratio of those not in the labour force.

Table 2.3: Global economic outlook for 2017 and 2018

| | 2007 | Estimates | | | Projections | | | | | |
|---------------------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|
| | | IMF | | | IMF | | World Bank | | OECD | |
| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| World | 5.2 | 3.4 | 3.2 | 3.1 | 3.5 | 3.6 | 2.7 | 2.9 | 3.5 | 3.6 |
| Advanced Economies | 2.7 | 1.8 | 2.1 | 1.7 | 2.0 | 1.9 | 1.9 | 1.8 | - | - |
| United States of America | 2.0 | 2.4 | 2.6 | 1.6 | 2.1 | 2.1 | 2.1 | 2.2 | 2.1 | 2.4 |
| Euro Area | 2.7 | 0.9 | 2.0 | 1.7 | 1.9 | 1.7 | 1.7 | 1.5 | 1.8 | 1.8 |
| Japan | 2.4 | 0.0 | 1.2 | 1.0 | 1.3 | 0.6 | 1.5 | 1.0 | 1.4 | 1.0 |
| Emerging countries | 8.3 | 4.6 | 4.1 | 4.1 | 4.6 | 4.8 | 4.1 | 4.5 | - | - |
| Russia | 8.1 | 0.6 | -3.7 | -0.2 | 1.4 | 1.4 | 1.3 | 1.4 | 1.4 | 1.6 |
| China | 13.0 | 7.3 | 6.9 | 6.7 | 6.7 | 6.4 | 6.5 | 6.3 | 6.6 | 6.4 |
| India | 9.3 | 7.3 | 7.6 | 6.8 | 7.2 | 7.7 | 7.2 | 7.5 | 7.3 | 7.7 |
| Brazil | 5.7 | 0.1 | -3.8 | -3.6 | 0.3 | 1.3 | 0.3 | 1.8 | 0.7 | 1.6 |
| Sub-Saharan Africa | 6.9 | 5.0 | 3.4 | 1.4 | 2.7 | 3.5 | 2.6 | 3.2 | - | - |
| South Africa | 5.1 | 1.5 | 1.3 | 0.3 | 1.0 | 1.2 | 0.6 | 1.1 | 0.8 | 1.2 |
| KwaZulu-Natal | 6.1 | 2.3 | 0.8 | 0.4 | 0.5 | 0.9 | - | - | - | - |

Source: IMF (2017); World Bank (2017); OECD (2017); IHS Markit, 2017

The global economic outlook is expected to pick-up and grow by 3.5 percent in 2017 and 3.6 percent in 2018. Although these projections are higher than the 3.1 percent estimated in 2016, they are below the pre-global financial crisis averages, especially for most advanced economies and for commodity-exporting emerging and developing economies.

The International Monetary Fund (IMF) forecasts an improvement in economic activity in advanced economies; output growth will accelerate to 2 percent in 2017, before declining slightly to 1.9 percent in 2018. Reassuringly, emerging and developing economies are expected to show a robust expansion in economic activity. As a result, output growth is projected to increase marginally from 4.1 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018 as indicated in Table 2.3. The projected growth in these economies is largely driven by improving conditions in the large commodity export market, which had experienced recessions in 2015 and 2016 due to declining commodity prices.

The output growth in China is projected to remain robust at 6.7 percent in 2017 - the same level as it was in 2016 - before declining slightly to 6.4 percent in 2018. The upward revision in the forecast for 2017 was influenced by the stronger than expected outcome in the first quarter of the year, underpinned by preceding policy easing and supply-side reforms. On the other hand, the forecast for 2018 was influenced by the expectation that the authorities in China will delay the needed fiscal adjustment (IMF, 2017). In India, output growth is projected to increase further to 7.2 percent and 7.7 percent in 2017 and 2018 respectively as indicated in Table 2.3. This robust and uninterrupted growth is anticipated to result from strong government spending and data revisions that showed stronger momentum in the first quarter of 2017.

The IMF expects output growth in Sub-Saharan Africa to rise to 2.7 percent in 2017 and 3.5 percent in 2018. The IMF attributes the slight upward revision of 2017 growth forecast to a modest improvement in growth prospects for SA. The estimated growth in SA emanates from bumper crop due to better than expected rainfall and an increase in mining output prompted by a moderate rebound in commodity prices.

2.2.2 South African economic review and outlook

The South African economy reflected an undesirable trend of slow growth in 2016, thereby recording an average growth rate of 0.3 percent. This average value includes negative growth rates of 1.5 percent and 0.3 percent in the first and last quarters of 2016, respectively. The economy of the country continues to be sluggish as it recorded another shocking contraction of 0.7 percent in the first quarter of 2017 and

hence entered into a technical recession². The recent contraction is attributable to the poor performance of the economic sectors such as manufacturing, trade and finance, which registered negative contributions to the national gross domestic product (GDP). The exception was the primary sector, whereby the agriculture and mining sectors improved substantially and recorded positive contributions of 0.4 percent and 0.9 percent, respectively towards GDP growth.

It is against this backdrop of sluggish economic performance that in July 2017, the South African Reserve Bank (SARB) downwardly revised its forecast for the national output growth to 0.5 percent and 1.2 percent growth in 2017 and 2018, respectively. GDP growth is expected to remain under severe pressure on the back of lacklustre domestic demand as well as low business and consumer confidence. After hovering in net negative terrain, between 32 and 42 index points over the past twelve months, the Business Confidence Index (BCI) plummeted further by 11 points to 29 in the second quarter of 2017.³ This means seven out of every 10 respondents are downbeat about the prevailing business conditions.

The SARB cited among other factors that influenced its downward revision on growth projection the country's current recession and the anticipated adverse effects of the downgrade⁴. According to the SARB⁵, the downgrade will have a negative impact on private sector gross fixed capital formation. This will also hamper public sector investment by increasing the cost of borrowing. The World Bank⁶ raised a similar concern when reducing its projection for national output growth, pointing out that investor confidence has deteriorated due to the country's creditworthiness being downgraded to non-investment grade.

In contrast, the IMF (2017) upwardly revised its projection for the domestic economic growth to 1 percent in 2017 and 1.2 percent in 2018. The IMF attributed the upward revision in its forecast for 2017 to better rainfall and an increase in mining output prompted by a moderate rebound in commodity prices. However, the forecast for 2018 was reduced due to elevated political uncertainty and low consumer and business confidence.

In 2016, the lacklustre economic performance was coupled with an accelerating inflation rate, which moved beyond the targeted range of 3 to 6 percent at the beginning of the year until early 2017. The rising price levels resulted from, among other factors, the effects of the drought, a slight rebound in oil prices, increases in fuel excises and the lagged impact of the nominal depreciation of the effective exchange rate.⁷ The inflation rate has, however, rebound to a level within the target range due to the favourable weather conditions including rainfalls realised in the early months of 2017 and a resilient rand exchange rate. This, as a result, induced somewhat improvement on the inflation outlook which prompted the reserve bank to cut the repurchase rate by 25 basis points from 7 percent to 6.75 percent in July 2017⁸.

² A period of general economic decline; typically defined as a decline in GDP for two or more consecutive quarters, see investor words, available online: <http://www.investorwords.com/4086/recession.html#ixzz4njZnu5ZV>, accessed on 31/07/2017

³ The RMB/BER Business Confidence Index collapsed by 11 points to 29 in 2017Q2. Available online: <https://www.ber.ac.za/BER%20Documents/RMB/BER-Business-Confidence-Index/?doctypeid=1050>

⁴ In April 2017, S&P and Fitch downgraded South Africa (SA) to noninvestment grade on long-term foreign currency. Fitch also downgraded local currency debt to non-investment grade while S&P retained it to investment grade. Available online: http://www.treasury.gov.za/comm_media/press/2017/2017040301%20Rating%20announcement%20by%20S&P%20following%20recent%20political%20developments.pdf, accessed on 31/07/2017

⁵ SARB (2017): *Statement of the Monetary Policy Committee*, Press statement delivered by the Governor of the SARB. available online: <https://www.resbank.co.za>, accessed on 31/07/2017

⁶ World Bank (June 2017): *Global Economic Prospects*, a Fragile Recovery, 2017, available online: <https://openknowledge.worldbank.org/bitstream/handle/10986/26800/9781464810244.pdf>, accessed on 31/07/2017

⁷ See footnote number five

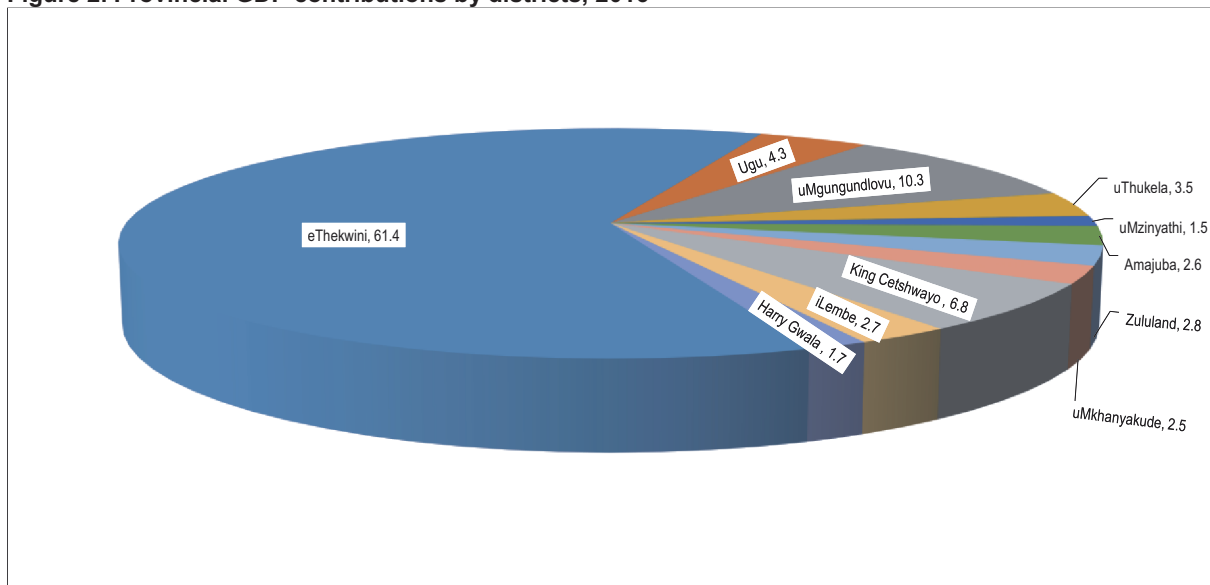
⁸ See footnote number five

2.2.3 KwaZulu-Natal economic review and outlook

KZN is the second largest contributor to the South African economy in terms of regional gross domestic product (GDP-R). The estimated real GDP-R generated by the province amounted to approximately R490.6 billion in 2016, making KZN the second largest contributor to the national output with 16 percent, after Gauteng with 35.4 percent and slightly above Western Cape (WC) at 13.9 percent.

Given the economic activities that take place within eThekweni Metro, it is therefore no surprise that the total provincial output is predominantly concentrated in the metro at 61.4 percent. This is followed by uMgungundlovu District with 10.3 percent and King Cetshwayo District with 6.8 percent. The least contributing districts are uMzinyathi, Harry Gwala and uMkhanyakude at the estimated rates of 1.5 percent, 1.7 percent and 2.5 percent, respectively (Figure 2).

Figure 2. Provincial GDP contributions by districts, 2016



Source: IHS Markit, 2017

2.2.4 Sector analysis

Table 2.4 provides a review of sector contribution towards the national and provincial GDP-R, in real terms, over the period 1996 to 2018. The table shows that the national economy is largely driven by the tertiary sector with an estimated contribution of 63.3 percent of the value added in 2016. The contribution by this sector has maintained an increasing trend for the past two decades and is expected to continue to dominate the economy in 2017 and 2018.

On the contrary, the contributions made by both the primary and secondary sectors have been deteriorating constantly over the same period. The primary sector contributed 9.5 percent to national GDP, while secondary sector contributed 18.1 percent in 2016. This shows a substantial decline when compared to the past two decades where the primary sector contributed 15.6 percent while the secondary sector contributed 19.5 percent in 1996.

A similar trend is also pertinent to the provincial economy, in which the tertiary sector continues to dominate. The tertiary sector is estimated to have contributed 62.6 percent to the provincial GDP-R in 2016. The sector has been increasing over the past two decades as opposed to the primary and secondary sectors that are on a downward trajectory.

Table 2.4: Gross Value Added by Sector in SA and KZN, 1996 to 2018

| Sectors / Industries | South Africa | | | | | KwaZulu-Natal | | | | |
|-------------------------|--------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|
| | Estimates | | | Projections | | Estimates | | | Projections | |
| | 1996 | 2006 | 2016 | 2017 | 2018 | 1996 | 2006 | 2016 | 2017 | 2018 |
| Primary sector | 15.6 | 12.0 | 9.5 | 9.7 | 9.6 | 9.8 | 5.9 | 5.7 | 5.9 | 5.9 |
| Agriculture | 2.8 | 2.2 | 2.1 | 2.3 | 2.3 | 4.9 | 3.8 | 4.0 | 4.2 | 4.2 |
| Mining | 12.8 | 9.8 | 7.3 | 7.5 | 7.3 | 4.9 | 2.1 | 1.8 | 1.7 | 1.7 |
| Secondary sector | 19.5 | 19.6 | 18.1 | 18.0 | 18.0 | 25.2 | 25.2 | 22.8 | 22.6 | 22.7 |
| Manufacturing | 14.0 | 14.1 | 12.5 | 12.4 | 12.4 | 18.6 | 19.0 | 16.5 | 16.3 | 16.4 |
| Electricity | 3.1 | 2.7 | 2.1 | 2.1 | 2.1 | 3.3 | 2.9 | 2.0 | 2.0 | 2.0 |
| Construction | 2.4 | 2.8 | 3.6 | 3.5 | 3.6 | 3.4 | 3.4 | 4.3 | 4.3 | 4.3 |
| Tertiary sector | 55.0 | 59.0 | 63.3 | 63.2 | 63.3 | 55.2 | 59.7 | 62.6 | 62.5 | 62.5 |
| Trade | 12.1 | 13.4 | 13.9 | 13.8 | 13.9 | 11.8 | 14.0 | 14.4 | 14.3 | 14.3 |
| Transport | 6.1 | 8.2 | 8.5 | 8.5 | 8.6 | 8.6 | 10.9 | 11.2 | 11.2 | 11.3 |
| Finance | 14.3 | 18.1 | 20.1 | 20.0 | 20.1 | 12.5 | 15.7 | 16.7 | 16.6 | 16.6 |
| Community services | 22.5 | 19.3 | 20.8 | 20.9 | 20.7 | 22.4 | 19.1 | 20.3 | 20.4 | 20.2 |

Source: IHS Markit, 2017

Table 2.4 further shows that the community services sector remains the highest contributing sector to the economy of the country, despite its slight decline over the period under consideration. The contribution by this industry decreased moderately from 22.4 percent in 1996 to 20.3 percent in 2016. For both national and provincial levels, growth by this subsector is expected to remain subdued but continue to dominate the economy. The largest contributing industries within community services in the province have been education and health at 5.2 percent. This is no surprise as 41.2 percent (R47.5 billion) and 34.3 percent (R39.5 billion), respectively, of the total provincial budget (R115 billion) is allocated towards the sustainability and development of these two sector departments.⁹

The dependence of the economy on community services is of concern as the ideal economy should rely predominantly on the manufacturing sector for job creation and export promotion purposes. It is of grave concern that the contribution by the manufacturing sector has been deteriorating constantly on the national and provincial economy.

2.3 Labour markets

The economic performance of a country can be determined by the extent to which socio-economic factors such as unemployment, poverty and inequality are addressed. One of the challenges facing the South African labour market is an excess of unskilled labour which, apart from being needed to perform menial tasks, is largely unemployable. Accepting that economic growth is a function of investment, labour and capital; it is necessary to create an environment conducive to satisfying each of the three components. As a consequence, in the longer-term and with a growing population, the differential between income categories is exacerbated.

In an effort to address the situation, the government has embarked on a number of initiatives aimed at improving skills – i.e. the Skills Development Act of 1998, which seeks to enhance work force development by increasing investment in education and training, the Expanded Public Works Programme (EPWP), the promotion of Small Medium and Micro-sized Enterprises (SMME's), and the implementation of Broad-Based Black Economic Empowerment (B-BBEE), among others.

⁹ KZN Provincial Treasury (2017): *Estimates of Provincial Revenue and Expenditure (2017/18)*, for the financial year ending 31 March 2018

2.3.1 Unemployment

The Quarterly Labour Force Survey (QLFS) for the second quarter of 2017 showed that the official unemployment rate in SA is currently at 27.7 percent (Stats SA, 2017). The number of unemployed persons decreased by 37 000 between the first quarter of 2017 and the second quarter of the same year. The official unemployment rate in KZN is 22.9 percent in 2017, moderately below the national rate.

Table 2.5 shows the unemployment rate trend across the districts in the province, over the period 2006 to 2016. In 2016, the Zululand (35 percent), uMkhanyakude (34.3 percent), Amajuba (33.7 percent), and uThukela (31.8 percent) Districts had the highest unemployment rates in the province. Conversely, eThekwini Metro had the lowest unemployment rate at 16.2 percent, which was far lower than the average provincial rate of 22.9 percent for the period under review.

Table 2.5: Unemployment rate trend (percentages), 2006 to 2016

| Unemployment rate trends | | | | | | | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| eThekwini Metro | 24.9 | 22.2 | 18.6 | 16.7 | 15.9 | 15.2 | 15.0 | 14.5 | 14.6 | 15.9 | 16.2 |
| Ugu | 33.5 | 31.0 | 26.9 | 24.8 | 24.2 | 24.0 | 25.0 | 26.4 | 26.6 | 25.8 | 27.0 |
| uMgungundlovu | 20.6 | 26.3 | 22.8 | 21.1 | 20.8 | 20.7 | 21.3 | 22.4 | 22.5 | 21.9 | 23.0 |
| uThukela | 37.3 | 34.3 | 30.3 | 28.4 | 28.0 | 27.9 | 29.3 | 30.9 | 31.2 | 30.3 | 31.8 |
| uMzinyathi | 40.0 | 36.2 | 31.2 | 28.3 | 26.8 | 25.8 | 27.2 | 28.9 | 29.5 | 28.9 | 30.3 |
| Amajuba | 37.2 | 34.7 | 30.5 | 28.4 | 27.9 | 27.7 | 29.3 | 31.2 | 31.9 | 31.9 | 33.7 |
| Zululand | 40.9 | 37.7 | 33.2 | 30.8 | 30.0 | 29.5 | 31.7 | 33.3 | 33.9 | 33.3 | 35.0 |
| uMkhanyakude | 38.3 | 35.0 | 31.5 | 29.9 | 30.0 | 30.5 | 31.7 | 33.4 | 33.7 | 32.9 | 34.3 |
| King Cetshwayo | 32.5 | 30.1 | 26.3 | 24.5 | 24.0 | 24.0 | 25.4 | 26.9 | 27.3 | 26.7 | 28.0 |
| iLembe | 29.1 | 26.7 | 23.2 | 21.4 | 20.9 | 20.7 | 21.9 | 23.2 | 23.3 | 22.6 | 23.6 |
| Harry Gwala | 35.2 | 32.2 | 28.2 | 26.1 | 25.5 | 25.2 | 26.6 | 28.3 | 28.6 | 27.5 | 28.5 |
| KwaZulu-Natal | 29.9 | 27.2 | 23.4 | 21.3 | 20.6 | 20.2 | 20.7 | 21.4 | 21.7 | 22.0 | 22.9 |

Source: IHS Markit, 2017

2.3.2 Job scarcity rate

Table 2.6 reflects the job scarcity¹⁰ rate over the period 2006 to 2016. Job scarcity rate is one of the useful indicators in the analysis of labour market conditions. Similar to other indicators, such as poverty and education, job scarcity plays an integral role in the high levels of the unemployment rate. The province's job scarcity has shown a decrease from 29.6 percent in 2006 to 22.5 percent in 2016. This indicates higher job creation capacity.

uMzinyathi District had the highest job scarcity over the period and recorded 42.7 percent in 2016. This was followed by Zululand and uMkhanyakude Districts at 40 percent and 38.4 percent, respectively. eThekwini Metro had the lowest job scarcity at 12.5 percent in 2016. Taking into account the link between unemployment and job scarcity, it is apparent that the districts with a high unemployment rate also have high job scarcity.

¹⁰The *job scarcity rate* is the difference between the economically active population and formal employment. It should be noted that this is not an unemployment rate, but a useful indicator of an economy's job creation capacity. A higher rate means lower job creation capacity and vice versa (Mohr P, 2008).

Table 2.6: Job scarcity rate, 2006 to 2016

| Job Scarcity Rate | | | | | | | | | | | |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| eThekweni Metro | 22.1 | 19.1 | 15.2 | 13.2 | 12.4 | 11.7 | 11.6 | 11.2 | 11.1 | 12.1 | 12.5 |
| Ugu | 33.5 | 30.9 | 26.9 | 24.8 | 24.2 | 24.1 | 24.8 | 26.2 | 26.7 | 26.2 | 27.3 |
| uMgungundlovu | 29.3 | 26.7 | 23.2 | 21.5 | 21.1 | 21.0 | 21.7 | 22.8 | 23.1 | 22.7 | 23.8 |
| uThukela | 35.3 | 32.0 | 27.7 | 25.4 | 24.8 | 24.7 | 26.2 | 28.0 | 28.4 | 27.6 | 29.0 |
| uMzinyathi | 49.5 | 46.6 | 42.6 | 40.3 | 39.2 | 38.7 | 39.8 | 41.4 | 42.0 | 41.6 | 42.7 |
| Amajuba | 38.3 | 35.8 | 31.6 | 29.5 | 28.8 | 28.5 | 30.1 | 32.0 | 32.7 | 32.7 | 34.5 |
| Zululand | 45.4 | 42.5 | 38.2 | 36.0 | 35.2 | 35.0 | 36.5 | 38.3 | 39.0 | 38.5 | 40.0 |
| uMkhanyakude | 41.7 | 38.9 | 35.5 | 33.9 | 33.8 | 34.5 | 35.6 | 37.2 | 37.7 | 37.2 | 38.4 |
| King Cetshwayo | 32.3 | 29.8 | 25.8 | 23.8 | 23.5 | 23.8 | 24.6 | 26.1 | 26.5 | 26.0 | 27.2 |
| iLembe | 35.6 | 33.5 | 30.5 | 28.9 | 28.4 | 28.2 | 29.2 | 30.5 | 31.0 | 30.6 | 31.5 |
| Harry Gwala | 36.9 | 34.0 | 30.0 | 27.9 | 27.1 | 26.9 | 28.4 | 30.0 | 30.5 | 29.6 | 30.4 |
| KwaZulu-Natal | 29.6 | 26.8 | 22.9 | 20.8 | 20.0 | 19.6 | 20.2 | 20.8 | 21.3 | 21.6 | 22.5 |

Source: IHS Markit, 2017

2.3.3 Labour force participation rate

The Labour Force Participation Rate (LFPR)¹¹ shows the extent to which the working population is economically active. A lower rate can be attributed to various factors, ranging from a high number of discouraged work seekers, students, home makers and others. Table 2.7 shows that eThekweni Metro had the highest labour force participation rate at 39.1 percent, followed by uMgungundlovu and iLembe Districts at 37.7 percent and 30.3 percent, respectively. The districts with the lowest LFPR were uMzinyathi (17.6 percent), uMkhanyakude (18.1 percent) and Zululand (19.4 percent).

Table 2.7: Labour force participation rate, 2006 to 2016

| Labour Force Participation Rate | | | | | | | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| eThekweni Metro | 44.5 | 44.7 | 44.3 | 42.5 | 40.0 | 39.7 | 39.6 | 39.9 | 39.9 | 39.3 | 39.1 |
| Ugu | 27.1 | 27.5 | 27.4 | 26.1 | 24.7 | 24.4 | 24.8 | 25.7 | 26.9 | 27.7 | 28.0 |
| uMgungundlovu | 38.6 | 38.8 | 38.5 | 36.9 | 34.9 | 34.2 | 34.5 | 35.4 | 36.7 | 37.6 | 37.7 |
| uThukela | 26.1 | 25.9 | 25.3 | 23.6 | 21.8 | 21.2 | 21.5 | 22.3 | 23.4 | 24.2 | 24.4 |
| uMzinyathi | 18.9 | 19.0 | 18.4 | 17.1 | 15.7 | 15.1 | 15.3 | 15.9 | 16.8 | 17.4 | 17.6 |
| Amajuba | 31.8 | 31.4 | 30.4 | 20.3 | 26.1 | 25.1 | 25.3 | 26.1 | 27.2 | 26.4 | 26.6 |
| Zululand | 20.8 | 20.7 | 20.1 | 18.7 | 17.2 | 16.6 | 16.8 | 17.5 | 18.5 | 19.1 | 19.4 |
| uMkhanyakude | 18.7 | 19.0 | 18.6 | 17.3 | 15.9 | 15.4 | 15.7 | 16.3 | 17.3 | 17.9 | 18.1 |
| King Cetshwayo | 20.3 | 20.4 | 28.0 | 26.5 | 24.9 | 24.4 | 24.7 | 25.6 | 26.8 | 27.6 | 27.9 |
| iLembe | 29.4 | 29.7 | 29.6 | 28.5 | 27.1 | 26.7 | 27.0 | 27.9 | 29.2 | 30.0 | 30.3 |
| Harry Gwala | 23.4 | 23.6 | 23.2 | 21.9 | 20.5 | 20.1 | 20.3 | 21.1 | 22.2 | 23.0 | 23.3 |
| KwaZulu-Natal | 32.8 | 33.0 | 32.6 | 31.1 | 29.3 | 28.8 | 28.9 | 29.6 | 30.4 | 30.6 | 30.7 |

Source: IHS Markit, 2017

2.3.4 Labour absorption rate

Another key indicator in the labour market analysis is the Labour Absorption Rate (LAR)¹². The LAR provides an alternative indication to the unemployment rate regarding the lack of job opportunities in the labour market. Overall job creation capacity has shown a marginal fluctuating trend over the period 2006 to 2016. Table 2.8 illustrates that the labour absorption rate increased marginally across district municipalities in KZN except for eThekweni Metro and Amajuba District which experienced a marginal decline from 34.7 and 19.6 to 34.2 and 18.4, respectively over the 10 year period.

¹¹The LFPR is the proportion of the working age population which is economically active (Stats SA, 2011).

¹²The labour absorption rate is the proportion of working age group 15-64 that are employed (Stats SA, 2014).

Table 2.8: Labour absorption rate, 2006 to 2016

| Labour absorption rate | | | | | | | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| eThekweni Metro | 34.7 | 36.2 | 37.5 | 36.9 | 35.3 | 35.0 | 35.0 | 35.4 | 35.5 | 34.6 | 34.2 |
| Ugu | 18.0 | 19.0 | 20.0 | 19.6 | 18.7 | 18.5 | 18.6 | 18.9 | 19.7 | 20.5 | 20.4 |
| uMgungundlovu | 27.3 | 28.4 | 29.6 | 28.9 | 27.5 | 27.0 | 27.0 | 27.3 | 28.2 | 29.0 | 28.8 |
| uThukela | 16.9 | 17.6 | 18.3 | 17.6 | 16.4 | 16.9 | 16.8 | 16.1 | 16.8 | 17.5 | 17.3 |
| uMzinyathi | 9.6 | 10.1 | 10.6 | 10.2 | 9.5 | 9.3 | 9.2 | 9.3 | 9.7 | 10.1 | 10.1 |
| Amajuba | 19.6 | 20.1 | 20.8 | 20.0 | 18.6 | 17.9 | 17.7 | 17.8 | 18.3 | 18.7 | 18.4 |
| Zululand | 11.3 | 11.9 | 12.4 | 12.0 | 11.1 | 10.8 | 10.7 | 10.8 | 11.3 | 11.8 | 11.6 |
| uMkhanyakude | 10.9 | 11.6 | 12.0 | 11.4 | 10.5 | 10.1 | 10.1 | 10.3 | 10.8 | 11.2 | 11.4 |
| King Cetshwayo | 19.1 | 20.0 | 20.8 | 20.2 | 19.0 | 18.6 | 18.6 | 18.9 | 19.7 | 20.5 | 20.3 |
| iLembe | 18.9 | 19.8 | 20.6 | 20.2 | 19.4 | 19.2 | 19.1 | 19.4 | 20.2 | 20.8 | 20.7 |
| Harry Gwala | 14.8 | 16.6 | 16.3 | 16.8 | 14.9 | 14.7 | 14.6 | 14.8 | 15.5 | 16.2 | 16.2 |
| KwaZulu-Natal | 23.1 | 24.2 | 25.2 | 24.6 | 23.4 | 23.1 | 23.1 | 23.4 | 23.9 | 24.0 | 23.8 |

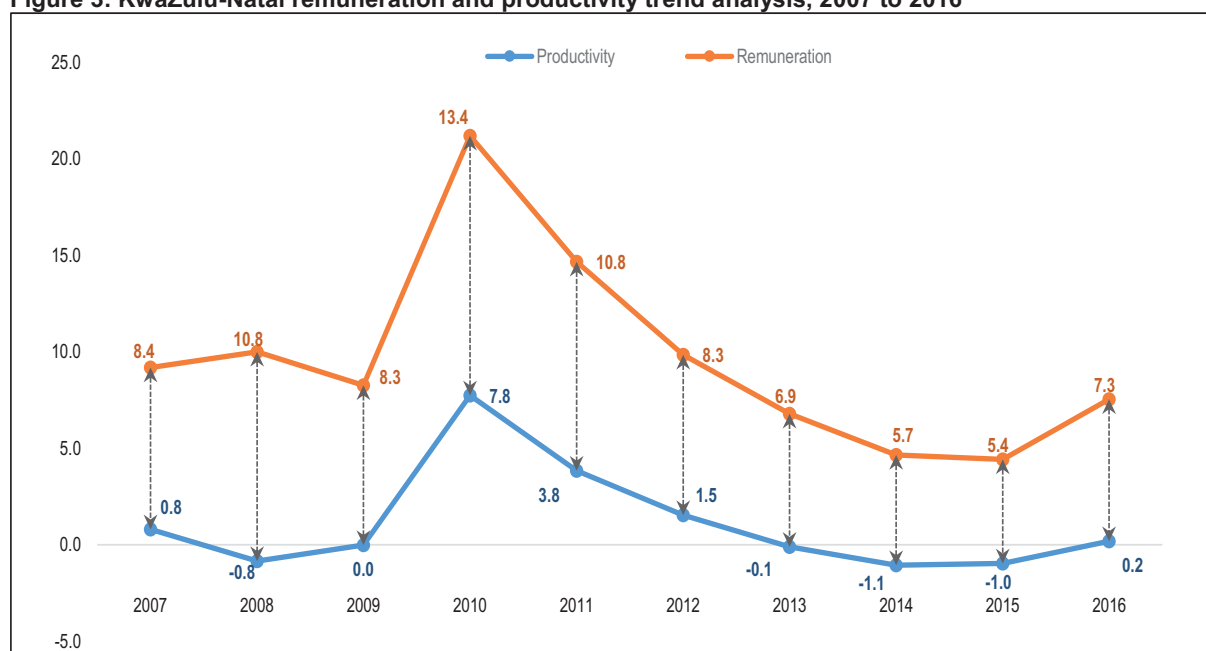
Source: IHS Markit, 2017

2.3.5 Labour remuneration and productivity

Labour productivity is defined as output per unit of labour. Labour remuneration is measured as remuneration per worker at current prices. It is a meaningful indicator since it helps reflect changes in the price of labour. An improvement in this variable can be due to an accumulation of machinery, improvement in technology, investment in infrastructure, skills development and improvement in the health of organisations.

A rapid growth in remuneration per worker is not harmful as long as it is coupled with a proportional increase in productivity. This measure serves as an important indicator of cost pressures, competitiveness and cost efficiency of labour. If unit labour costs increase faster than in the economies of its international competitors, the situation might be temporarily absorbed by reducing profit margins, but in the long term the deteriorating competitiveness will reduce exports, output and employment (Mohr, 2008).

Figure 3: KwaZulu-Natal remuneration and productivity trend analysis, 2007 to 2016



Source: IHS Markit, 2017

As is evident in Figure 3, the trend shows a high magnitude between productivity and remuneration whereby the latter variable is far higher than productivity in KZN. Labour remuneration growth in the province has outstripped productivity growth. Inherently, productivity levels should be consistent with the remuneration trend. The discrepancy between the two variables implies that efficiency in production is low compared to the given costs of labour from 2007 to 2016.

2.4 International trade

An actively trading country benefits from new technologies that come from its trading partners. These technological spillovers are particularly important for developing countries since trade provides them with the opportunity to catch up with developed countries.

SA's trade and industrial policy has evolved over the years. This is due to the country's movement from a highly protected, inward looking economy towards a more open economy. A key challenge for SA and KZN revolves around reducing the current account deficit by improving the country's domestic and international markets.

Encouragingly, KZN is the second largest contributor to the South African economy, as it is home to the busiest and largest ports being Durban and Richards Bay. This section therefore provides an analysis of international trade with reference to exports, imports, percentage share of KZN's exports as well as exports as a percentage of GDP-R and imports by KZN and its districts.

2.4.1 KwaZulu-Natal exports

KZN exported goods valued at R133.2 billion in 2016 which was 19.3 percent of the provincial real GDP-R. This was more than double the value of exports realised in 2006. eThekweni Metro contributed 53.9 percent to KZN exports at an estimated value of R71.8 billion in 2016. This contribution constituted 16.8 percent of the total GDP-R of eThekweni Metro. Resultantly, eThekweni Metro remained the largest contributor to KZN exports in actual Rand values over the period under review. King Cetshwayo District had the second largest exports after eThekweni Metro with an estimated value of R32.6 billion in 2016, which was 24.4 percent of the KZN's exports and 71.3 percent of the district's GDP-R¹³. uMgungundlovu District contributed 9.6 percent of KZN's exports (Table 2.9).

Table 2.9: KwaZulu-Natal value of exports by district municipalities in 2006 and 2016

| R'000 | 2006 | | | 2016 | | |
|----------------------|-------------------|------------------------|---------------------|--------------------|------------------------|---------------------|
| | Exports | % Share of KZN exports | Exports as % of GDP | Exports | % Share of KZN exports | Exports as % of GDP |
| eThekweni Metro | 32 352 734 | 57.1 | 17.7 | 71 791 468 | 53.9 | 16.8 |
| Ugu | 76 398 | 0.1 | 0.6 | 370 361 | 0.3 | 1.2 |
| uMgungundlovu | 6 322 495 | 11.2 | 21.7 | 12 840 010 | 9.6 | 18.2 |
| uThukela | 81 535 | 0.1 | 0.7 | 1 234 538 | 0.9 | 4.9 |
| uMzinyathi | 129 571 | 0.2 | 3.0 | 399 400 | 0.3 | 4.1 |
| Amajuba | 501 545 | 0.9 | 5.4 | 321 575 | 0.2 | 1.8 |
| Zululand | 32 417 | 0.1 | 0.4 | 235 510 | 0.2 | 1.3 |
| uMkhanyakude | 2 094 | 0.0 | 0.0 | 32 398 | 0.0 | 0.2 |
| King Cetshwayo | 16 986 561 | 30.0 | 79.8 | 32 568 807 | 24.4 | 71.3 |
| iLembe | 179 440 | 0.3 | 2.1 | 13 425 177 | 10.1 | 67.2 |
| Harry Gwala | 7 760 | 0.0 | 0.2 | 20 602 | 0.0 | 0.2 |
| KwaZulu-Natal | 56 672 550 | 100 | 18.9 | 133 239 846 | 100 | 19.3 |

Source: IHS Markit, 2017

¹³Note that exports from King Cetshwayo District also come from other regions.

2.4.2 KwaZulu-Natal imports

KZN imported goods worth R133.5 billion in 2016, which grew by 124.4 percent from imports realised in 2006 (R59.5 billion). eThekweni Metro was the largest importer in the province with an estimated value of R104.7 billion in 2016 which was 78.4 percent of KZN imports. This was followed by uMgungundlovu with goods valued at R11.8 billion in 2016 constituting 8.8 percent of the total value of provincial imports (Table 2.10).

Table 2.10: KwaZulu-Natal value of Imports by district municipalities in 2006 and 2016

| R'000 | 2006 | | 2016 | |
|----------------------|-------------------|------------------------|--------------------|------------------------|
| | Imports | % Share of KZN imports | Imports | % Share of KZN imports |
| eThekweni Metro | 48 367 158 | 81.2 | 104 708 864 | 78.4 |
| Ugu | 211 595 | 0.4 | 870 091 | 0.7 |
| uMgungundlovu | 3 120 853 | 5.2 | 11 755 337 | 8.8 |
| uThukela | 403 200 | 0.7 | 1 926 401 | 1.4 |
| uMzinyathi | 19 597 | 0.0 | 315 907 | 0.2 |
| Amajuba | 211 261 | 0.4 | 480 701 | 0.4 |
| Zululand | 20 657 | 0.0 | 107 651 | 0.1 |
| uMkhanyakude | 8 845 | 0.0 | 178 735 | 0.1 |
| King Cetshwayo | 6 503 042 | 10.9 | 9 079 382 | 6.8 |
| iLembe | 665 215 | 1.1 | 4 091 199 | 3.1 |
| Harry Gwala | 7 022 | 0.0 | 31 737 | 0.0 |
| KwaZulu-Natal | 59 538 446 | 100 | 133 546 003 | 100 |

Source: IHS Markit, 2017

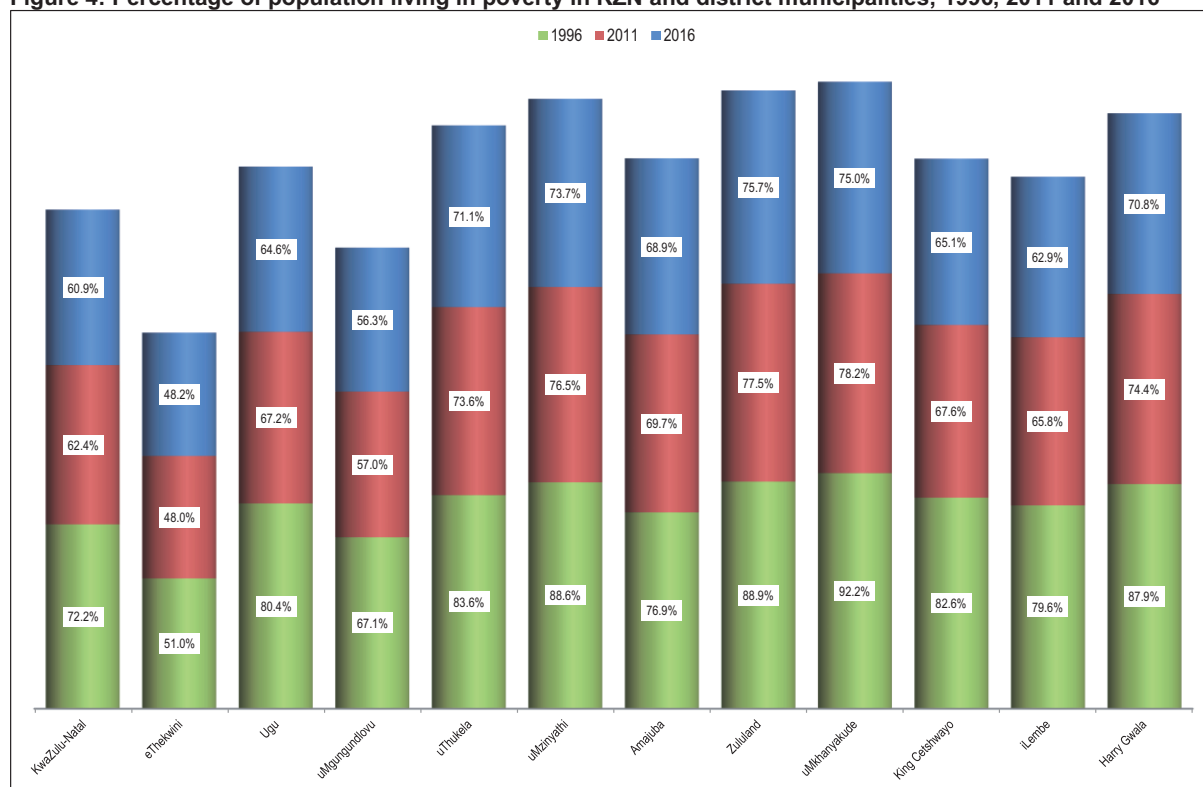
2.5 Development

2.5.1 Poverty

Poverty is a multidimensional problem faced by many communities in South Africa. Multidimensional poverty refers to the deprivation of individuals with regards to factors such as health care, education, standard of living, access to income, empowerment, decent employment and the threat of violence. Individuals with little to none of the aforementioned factors are usually found to be living in poverty. Since SA is characterized by high levels of poverty and inequality, the workforce is affected negatively in a wide variety of aspects. Poverty goes in tandem with employee earnings in the sense that poorly remunerated and unemployed individuals have little or no access to income, thereby falling into poverty. If the level of employee compensation is low, the workforce is likely to be less productive as the cost of losing their job isn't high (Zilinsky and Wolfers, 2015).

South Africa uses three measures of poverty, namely the Food Poverty Line (FPL), the Lower-Bound Poverty Line (LBPL), and the Upper-Bound Poverty Line (UBPL). The FPL denotes the level of consumption at which individuals are able to purchase food that is sufficient to fit an adequate diet. Individuals who are unable to meet this consumption level are said to be living in food poverty. The LBPL denotes food and non-food items required by households. However, those living below this line must sacrifice some food in order to obtain these non-food items such as transport and airtime. Finally, individuals living below the UBPL are those who are able to consume both food and non-food items, but are unable to meet other needs such as shelter, education, security and health care (Stats SA, 2014).

Figure 4: Percentage of population living in poverty in KZN and district municipalities; 1996, 2011 and 2016



Source: IHS Markit, 2017

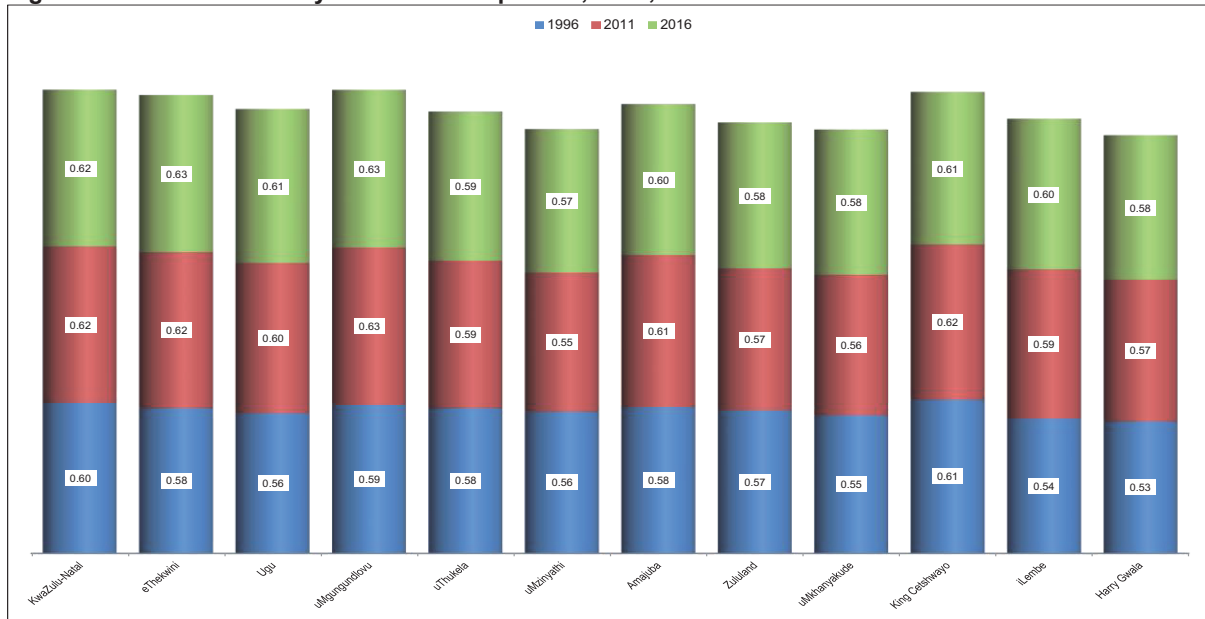
Figure 4 depicts the share of KZN households living below the UBPL by district in 1996, 2011 and 2016. In 1996, the uMkhanyakude District (92.2 percent) had the highest share of individuals living below the upper poverty line, whilst eThekweni Metro (51 percent) had the lowest share of individuals living below this poverty line. In 2011, about 78.2 percent of households in uMkhanyakude District were living below this poverty line, compared to only 48 percent in eThekweni Metro. In 2016, all district municipalities experienced a decrease in poverty, with the exception of eThekweni Metro which experienced an increase of 0.2 percentage points.

2.5.2 Income Inequality

The Gini Coefficient is a measure of income inequality, where 0 represents a perfectly equal distribution of income and a coefficient of 1 represents a perfectly unequal distribution (Todaro, 2011). Figure 5 illustrates the inequality levels among the KZN districts between 1996 and 2016. Inequality in KZN is triggered by high levels of unemployment and the shortage of skilled labour due to the low quality of education and insufficient improvements in the average years of schooling (Harmse, 2013).

In 2016, KZN had a Gini coefficient of 0.62. This had increased by about 2 percentage points from 1996. This indicates that there has been a slight widening of the inequality gap within the province over the last 10 years. This is a trend which is observed throughout all the districts where the inequality gap has widened between 1996 and 2016. The highest increase in inequality occurred in iLembe District where the Gini coefficient increased by 0.6 percentage points from 0.54 in 1996 to 0.60 in 2016. This was followed by Harry Gwala District, Ugu District and eThekweni Metro whose Gini coefficients increased by 0.5 percentage points each resulting in Gini coefficients of 0.58, 0.61 and 0.63 respectively. eThekweni Metro and uMgungundlovu District (0.63) had the highest coefficients, with uMzinyathi District (0.57) having the lowest level of inequality.

Figure 5: Gini Coefficient by district municipalities; 1996, 2011 and 2016

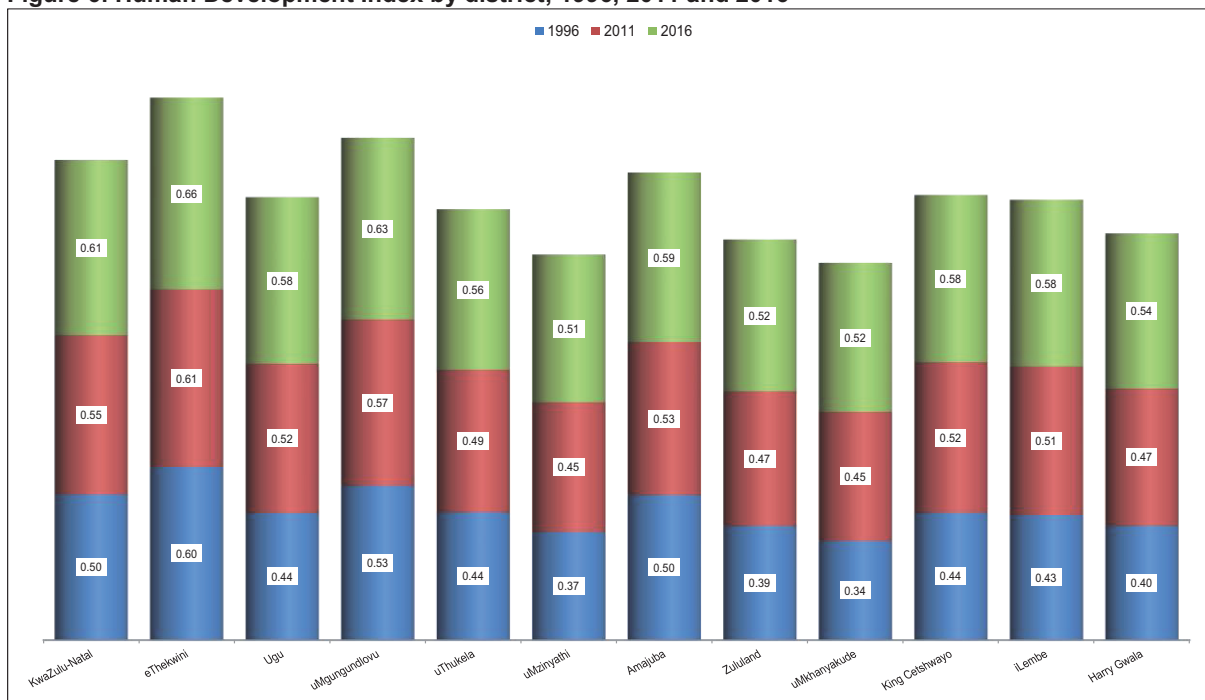


Source: IHS Markit, 2017

2.5.3 Human Development Index (HDI)

HDI is a measure of average socio-economic development. It is an index which is computed based on education, health and adjusted real per capita income measures. Education is measured using average years of schooling together with expected years of schooling, health is measured using life expectancy, and the standard of living is measured using gross national income per capita (Todaro, 2011). The Human Development Report (2016) categorises an HDI of 0.8 and above as a high development status, 0.5 to 0.8 as medium development and low human development as anything below 0.5.

Figure 6: Human Development Index by district; 1996, 2011 and 2016



Source: IHS Markit, 2017

In 2016, the HDI in the KZN region was at medium human development status as none of the districts attained an HDI below 0.5 or above 0.8. The district with the highest HDI was eThekweni Metro (0.66) followed by uMgungundlovu District (0.63), and the lowest was uMzinyathi District (0.51) which was marginally surpassed by Zululand District (0.52) and uMkhanyakude District (0.52). The highest increase in the HDI from 2011 to 2016 was evidently in Harry Gwala, iLembe, uMkhanyakude and uThukela Districts at 0.07 index points each (Figure 6).

A notable increase in the human development status of KZN can be noted from 1996. This can be associated with social and economic redress policies of the SA government. eThekweni Metro's high development status of 0.66 can be attributed to the high urbanisation in the metro. Urbanisation is regarded as one of the necessary dimensions that low development can be tackled due to the fact that there is a positive relationship between urbanisation and human development. This has in turn helped to accelerate the process of industrialisation (Anisujjaman, 2015).

2.6 Social grants

Table 2.11 shows the number and percentage of grant beneficiaries in South Africa by provinces. KZN continued to have the highest number of social grant beneficiaries in the country at 3.9 million people, followed by the Eastern Cape at 2.8 million people and Gauteng at 2.5 million people.

Table 2.11: Grant beneficiaries by province as at 30 June 2017

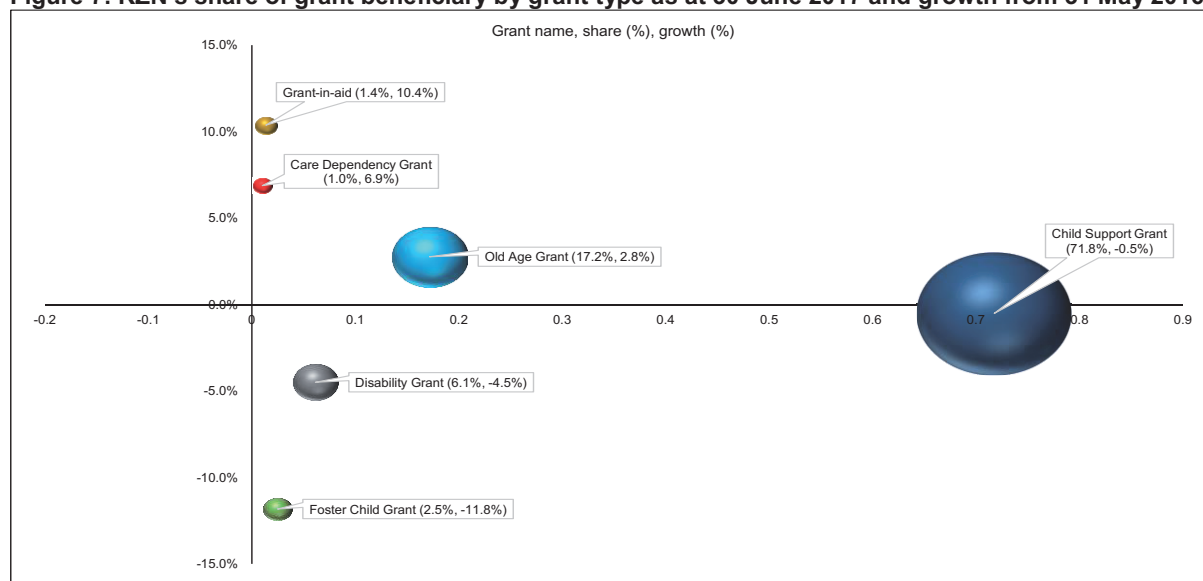
| | Old Age Grant | | War Veteran's Grant | | Disability Grant | | Grant-in-aid | | Care Dependency Grant | | Foster Child Grant | | Child Support Grant | | Total |
|----------------------|----------------|-------------|---------------------|-------------|------------------|-------------|---------------|-------------|-----------------------|-------------|--------------------|-------------|---------------------|-------------|------------------|
| | Number | % | Number | % | Number | % | Number | % | Number | % | Number | % | Number | % | |
| South Africa | 3 337 957 | 100.0 | 169 | 100.0 | 1 067 257 | 100.0 | 170 695 | 100.0 | 145 060 | 100.0 | 460 215 | 100.0 | 12 148 010 | 100.0 | 17 329 363 |
| Eastern Cape | 553 718 | 16.6 | 26 | 15.4 | 180 804 | 16.9 | 20 851 | 12.2 | 22 221 | 15.3 | 107 434 | 23.3 | 1 886 036 | 15.5 | 2 771 090 |
| Free State | 195 491 | 5.9 | 1 | 0.6 | 74 475 | 7.0 | 4 730 | 2.8 | 7 920 | 5.5 | 35 070 | 7.6 | 679 624 | 5.6 | 997 311 |
| Gauteng | 558 377 | 16.7 | 53 | 31.4 | 116 369 | 10.9 | 5 745 | 3.4 | 18 716 | 12.9 | 53 764 | 11.7 | 1 792 774 | 14.8 | 2 545 798 |
| KwaZulu-Natal | 668 067 | 20.0 | 23 | 13.6 | 238 707 | 22.4 | 53 126 | 31.1 | 39 563 | 27.3 | 96 971 | 21.1 | 2 790 569 | 23.0 | 3 887 026 |
| Limpopo | 455 210 | 13.6 | 7 | 4.1 | 94 054 | 8.8 | 38 830 | 22.7 | 15 004 | 10.3 | 50 410 | 11.0 | 1 792 688 | 14.8 | 2 446 203 |
| Mpumalanga | 244 160 | 7.3 | 4 | 2.4 | 77 776 | 7.3 | 11 551 | 6.8 | 11 062 | 7.6 | 34 017 | 7.4 | 1 074 393 | 8.8 | 1 452 963 |
| Northern Cape | 84 672 | 2.5 | 4 | 2.4 | 50 383 | 4.7 | 9 295 | 5.4 | 5 966 | 4.1 | 14 014 | 3.0 | 305 267 | 2.5 | 469 601 |
| North West | 250 417 | 7.5 | 2 | 1.2 | 76 658 | 7.2 | 9 771 | 5.7 | 10 021 | 6.9 | 36 358 | 7.9 | 835 419 | 6.9 | 1 218 646 |
| Western Cape | 327 845 | 9.8 | 49 | 29.0 | 158 031 | 14.8 | 16 796 | 9.8 | 14 587 | 10.1 | 32 177 | 7.0 | 991 240 | 8.2 | 1 540 725 |

Source: SASSA, 2017

KZN had the highest share of recipients of the Old Age Grant (20 percent), Disability Grant (22.4 percent), Grant-in-aid (31.1 percent), Care Dependency Grant (27.3 percent), and the Child Support Grant (23 percent). Within the province, 71.8 percent of the various grants was allocated to the Child Support Grant, whilst 17.2 percent was for the Old Age Grant, and 6.1 percent was allocated towards the Disability Grant (Figure 7).

Figure 7 further shows the growth rates of grant beneficiary numbers between 31 May 2015 and 30 June 2016. There was an increase in the percentage of grant beneficiaries in the Grant-in-aid (10.4 percent), Care Dependency Grant (6.9 percent) and the Old Age Grant (2.8 percent). The highest growth, which was seen in the Grant-in-aid implies that there was an increase in people who were already beneficiaries of either the Old Age Grant, Disability Grant or War Veteran's Grant who needed full time care from someone else.

Figure 7: KZN's share of grant beneficiary by grant type as at 30 June 2017 and growth from 31 May 2016



Source: SASSA, 2017

In contradistinction to the increases in the abovementioned grants, the following grants saw a decline in the number of grant beneficiaries: the Child Support Grant (-0.5 percent), Disability Grant (-4.5 percent), the War Veterans Grant (-20.7 percent) and the Foster Child Grant (-11.8 percent).

2.7 Education

Education is essential for the enhancement of human capital, thus rendering a greater prospect for income generation. One of the Department of Education's (DoE) strategic objectives is to extend a better quality of life to children of school-going age. According to Calman and Tarr-Whelan (2005)¹⁴, investing in early education generates economic development for communities in the short-term in the form of jobs, the purchase of goods and services and a more efficient workforce. In the long term, quality early education builds an employable and educated workforce. It is from this backdrop that quality basic education is one of the fourteen national outcomes as indicated in the Medium-Term Strategic Framework (MTSF) of SA.

2.7.1 School and educator: Learner ratios 2010 and 2014

The Learner-to-Educator Ratio (LER) is a general way to measure workloads and resource allocations in schools as well as the amount of individual attention a child is likely to receive from educators. Small classes are often seen as beneficial because they allow educators to focus more on the needs of each individual learner and thus reducing the amount of class time and effort devoted to managing disruptions. Evidence by the OECD (2014)¹⁵ suggests a positive relationship between smaller classes and more innovative practices. The more overcrowded classrooms make it difficult for educators to give personal attention to learners to help them along in the learning process. These learners may find it difficult to follow the lesson or to ask questions when they do not understand the material being taught.

¹⁴ Calman L.J. & Tarr-Whelan L. (2005): *Early childhood education for all, a wise investment*, available online: <http://web.mit.edu/workplacecenter/docs/Full%20Report.pdf>, accessed 25/03/2016

¹⁵ OECD (2014): *TALIS 2013 Results: An International Perspective on Teaching and Learning*, TALIS, OECD Publishing, Paris, available Online: <http://dx.doi.org/10.1787/9789264196261-en>, accessed 11/02/2016

Monyatsi¹⁶ (2016) found that factors contributing to the academic performance of learners in primary school emanate from parental involvement, language of instruction, teaching and learning materials, infrastructure, learner-to-educator ratio, school libraries, learners' discipline, motivation and qualifications of educators.

Table 2.12 shows the number of learners, educators and schools across KZN district municipalities in 2010 and 2014. A comparison of the years 2010 and 2014 indicates that there was a moderate increase in the province's number of learners, educators and schools.

Table 2.12: The learners, educators and schools across districts in KZN, 2010 and 2014

| | 2010 | | | | | 2014 | | | | |
|----------------------|------------------|-----------------|---------------|-----------|------------|------------------|-----------------|---------------|-----------|------------|
| | No.of learners | No.of educators | No.of schools | LER | LSR | No.of learners | No.of educators | No.of schools | LER | LSR |
| eThekwini | 681 615 | 23 889 | 1 057 | 29 | 645 | 714 373 | 25 068 | 933 | 28 | 766 |
| Ugu | 218 242 | 7 202 | 507 | 30 | 430 | 217 738 | 7 206 | 544 | 30 | 400 |
| uMgungundlovu | 238 484 | 8 454 | 548 | 28 | 435 | 246 644 | 8 712 | 517 | 28 | 477 |
| uThukela | 204 878 | 6 498 | 454 | 32 | 451 | 211 772 | 6 653 | 669 | 32 | 317 |
| uMzinyathi | 180 880 | 5 587 | 485 | 32 | 373 | 196 423 | 6 006 | 455 | 33 | 432 |
| Amajuba | 134 039 | 4 243 | 249 | 32 | 538 | 141 679 | 4 521 | 533 | 31 | 266 |
| Zululand | 288 891 | 9 008 | 747 | 32 | 387 | 295 447 | 9 325 | 757 | 32 | 390 |
| uMkhanyakude | 235 270 | 7 199 | 544 | 33 | 432 | 241 843 | 7 397 | 501 | 33 | 483 |
| King Cetshwayo | 296 751 | 9 378 | 673 | 32 | 441 | 302 104 | 9 677 | 452 | 31 | 668 |
| iLembe | 171 948 | 5 416 | 432 | 32 | 398 | 177 315 | 5 697 | 248 | 31 | 715 |
| Harry Gwala | 155 990 | 5 052 | 451 | 31 | 346 | 156 359 | 5 298 | 544 | 30 | 287 |
| KwaZulu-Natal | 2 806 988 | 91 926 | 6 147 | 31 | 457 | 2 901 697 | 95 560 | 6 153 | 30 | 472 |

Source: Department of Basic Education, 2016

The total number of learners in KZN increased marginally from 2.8 million in 2010 to 2.9 million in 2014, representing an increase of 3.4 percent. This was coupled with a rise in the total number of educators from 91 926 in 2010 to 95 560 in 2014, leading to an estimated 4 percent increase. During the same period, the number of schools increased marginally by 0.1 percent from 6 147 to 6 153. Subsequently, learner to educator ratio (LER) in the province decreased slightly from an average of 31 in 2010 to 30 in 2014. In most district municipalities, the LER appears to be above the benchmark of 30 except in eThekwini Metro (28), Ugu (30), uMgungundlovu (28) and Harry Gwala (30).

The Learner to School Ratio (LSR) in KZN increased marginally from 457 in 2010 to 472 in 2014. It appears that most of the districts in the province recorded increasing LSRs except Ugu, uThukela, Amajuba and Harry Gwala Districts (Table 2.12).

2.8 Household Infrastructure

2.8.1 Housing, water, electricity, sanitation and refuse removal

The Provincial Government is committed to service delivery with the primary areas of focus being access to water and electricity, the removal of refuse and the availability of sanitation services. Access to these services promotes good hygiene, which plays a pivotal role in preventing the spread of infectious diseases such as diarrhoea.

¹⁶ Monyatsi, P. P (2016): *Factors That Influence the Performance of Students In Botswana Primary Schools*, IOSR Journal Of Humanities And Social Science (IOSR-JHSS) Volume 21, Issue 9, Ver. 5 (Sep. 2016) PP 40-53, accessed 11 August 2017

Table 2.13: Access to Housing, Sanitation, Water, Electricity and Refuse removal, 2016

| % | Share of household occupying formal dwellings | Share of households with Hygienic toilets | Share of households with piped water at or above RDP-level | Share of households with electrical connections | Share of households with formal refuse removal |
|----------------------|---|---|--|---|--|
| eThekwini | 79.7 | 86.3 | 89.8 | 92.9 | 86.9 |
| Ugu | 62.4 | 65.6 | 66.4 | 80.1 | 25.2 |
| uMgungundlovu | 73.4 | 80.9 | 79.8 | 89.7 | 48.4 |
| uThukela | 67.1 | 72.6 | 58.2 | 81.0 | 35.4 |
| uMzinyathi | 50.5 | 70.0 | 48.8 | 62.2 | 22.7 |
| Amajuba | 86.0 | 75.1 | 84.6 | 88.2 | 58.7 |
| Zululand | 66.4 | 68.0 | 56.0 | 77.7 | 25.2 |
| uMkhanyakude | 70.4 | 66.1 | 45.7 | 48.9 | 8.1 |
| King Cetshwayo | 70.0 | 73.6 | 70.3 | 84.6 | 31.8 |
| iLembe | 69.4 | 69.0 | 67.7 | 80.2 | 38.7 |
| Harry Gwala | 41.1 | 64.3 | 51.3 | 72.4 | 23.3 |
| KwaZulu-Natal | 71.8 | 77.3 | 73.9 | 84.1 | 54.5 |

Source: IHS Markit, 2017

Table 2.13 illustrates that the eThekwini Metro is the leading municipality in the province in respect of providing service delivery to households. Specifically, the Metro leads in the areas of formal refuse removal (86.9 percent), electricity (92.9 percent), the share of households with piped water at or above the RDP-level (89.8 percent), and share of households with hygienic toilets (86.3 percent).

Amajuba District has the leading share of households occupying formal dwellings at 86 percent. Harry Gwala (64.3 percent), Ugu (65.6 percent) and uMkhanyakude (66.1 percent) districts have the lowest share of households with access to sanitation.

In respect of piped water at or above the RDP-level, Amajuba District (84.6 percent) comes in second after eThekwini Metro (89.8 percent), followed by uMgungundlovu District at 79.8 percent. After eThekwini Metro (86.9 percent), Amajuba District has a share of 58.7 percent of households with access to refuse removal services while uMgungundlovu District has a share of 48.4 percent.

2.9 Crime

According to the United Nations Office on Drugs and Crime (2006), illegal behavior by individuals is caused, at least in part, by frustrations at the gap between their aspirations, expectations, and their achievement in practice. Stressful situations also play a role in the occurrence of many violent crimes.

High crime rates have a negative effect on economic development, as investment is discouraged in areas with high levels of violent crime. Drug use has a catastrophic impact on the economy as fatalities due to drug abuse are increasing, together with health risks such as HIV and hepatitis C which can be contracted through the use of injectable drugs (United Nations Office on Drugs and Crime, 2014).

Table 2.14 illustrates the crime figures together with the growth rates in each crime category in KZN. The highest occurrence of crime in the period 2015/16 fell under *drug-related crime* (46 354), followed by *all theft not mentioned elsewhere* (43 573) and *burglary at residential premises* (42 429). The period 2013/14 and 2014/15 had the highest occurrence of crime in the category of *all theft not mentioned elsewhere*, followed by *drug-related crime* and *burglary at residential premises*. In 2012/13 the highest occurrence fell under *all theft not mentioned elsewhere* (50 361), followed by *burglary at residential premises* (45 404), and *drug-related crime* (42 167).

KZN experienced significant increases in *carjacking* (13.8 percent), *sexual offences as a result of police action* (13.4 percent) and *truck hijacking* (12.7 percent). There was also an increase of 3.1 percent each

in murder, attempted murder and robbery at residential premises. In 2013/14 the occurrence of sexual offences (48.6 percent) had the highest increase, followed by robbery at non-residential premises (14.9 percent).

A strong relationship exists between levels of violence and potentially variable factors such as economic inequality, access to firearms, use of alcohol, and poor monitoring and parental supervision of children (Open Society Initiative for Southern Africa, 2012). In response to these factors, the KZN province should try to bridge the inequality gap and implement stronger laws for the access of firearms, and make available more police to patrol in high crime zones.

Table 2.14: Crime per 100 000 people in KwaZulu-Natal, 2010 to 2015

| Crime Category | April 2012 to March 2013 | April 2013 to March 2014 | April 2014 to March 2015 | April 2015 to March 2016 | April 2013 to March 2014 | April 2014 to March 2015 | April 2015 to March 2016 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Crime Figures | | | | Growth Rate (%) | | | |
| CONTACT CRIMES (CRIMES AGAINST THE PERSON) | | | | | | | |
| Murder | 3 623 | 3 616 | 3 810 | 3 929 | -0.2% | 5.4% | 3.1% |
| Sexual Offences | 10 964 | 9 889 | 9 079 | 8 947 | -9.8% | -8.2% | -1.5% |
| Attempted murder | 3 827 | 3 835 | 3 918 | 4 041 | 0.2% | 2.2% | 3.1% |
| Assault with the intent to inflict grievous bodily harm | 28 832 | 28 982 | 29 201 | 28 665 | 0.5% | 0.8% | -1.8% |
| Common assault | 30 087 | 26 307 | 24 011 | 23 703 | -12.6% | -8.7% | -1.3% |
| Common robbery | 8 188 | 8 397 | 7 857 | 7 524 | 2.6% | -6.4% | -4.2% |
| Robbery with aggravating circumstances | 19 923 | 20 957 | 20 881 | 21 061 | 5.2% | -0.4% | 0.9% |
| CONTACT-RELATED CRIMES | | | | | | | |
| Arson | 946 | 896 | 854 | 825 | -5.3% | -4.7% | -3.4% |
| Malicious damage to property | 15 670 | 14 954 | 14 605 | 14 709 | -4.6% | -2.3% | 0.7% |
| PROPERTY-RELATED CRIMES | | | | | | | |
| Burglary at non-residential premises | 11 954 | 11 194 | 11 032 | 11 656 | -6.4% | -1.4% | 5.7% |
| Burglary at residential premises | 45 404 | 43 969 | 43 274 | 42 429 | -3.2% | -1.6% | -2.0% |
| Theft of motor vehicle and motorcycle | 9 738 | 8 674 | 8 404 | 8 673 | -10.9% | -3.1% | 3.2% |
| Theft out of or from motor vehicle | 18 014 | 18 614 | 18 148 | 17 896 | 3.3% | -2.5% | -1.4% |
| Stock-theft | 6 018 | 5 754 | 5 956 | 5 731 | -4.4% | 3.5% | -3.8% |
| CRIME DETECTED AS A RESULT OF POLICE ACTION | | | | | | | |
| Illegal possession of firearms and ammunition | 4 444 | 4 586 | 4 081 | 3 908 | 3.2% | -11.0% | -4.2% |
| Drug-related crime | 42 167 | 45 950 | 47 377 | 46 354 | 9.0% | 3.1% | -2.2% |
| Driving under the influence of alcohol or drugs | 15 109 | 12 595 | 11 702 | 12 052 | -16.6% | -7.1% | 3.0% |
| Sexual offences as result of police action | 1 188 | 1 765 | 2 258 | 2 561 | 48.6% | 27.9% | 13.4% |
| OTHER SERIOUS CRIMES | | | | | | | |
| All theft not mentioned elsewhere | 50 361 | 49 846 | 47 622 | 43 573 | -1.0% | -4.5% | -8.5% |
| Commercial crime | 14 226 | 12 431 | 11 227 | 11 395 | -12.6% | -9.7% | 1.5% |
| Shoplifting | 13 014 | 13 378 | 14 118 | 13 648 | 2.8% | 5.5% | -3.3% |
| SUBCATEGORIES OF AGGRAVATED ROBBERY | | | | | | | |
| Carjacking | 2 413 | 2 262 | 2 190 | 2 493 | -6.3% | -3.2% | 13.8% |
| Truck hijacking | 82 | 46 | 63 | 71 | -43.9% | 37.0% | 12.7% |
| Robbery at residential premises | 4 119 | 4 099 | 3 958 | 4 082 | -0.5% | -3.4% | 3.1% |
| Robbery at non-residential premises | 2 347 | 2 696 | 2 750 | 2 825 | 14.9% | 2.0% | 2.7% |

Source: SAPS, 2016

Chapter 3: Overview of Provincial Budget Performance

3.1 Operating Revenue

Table 3.1 shows the Original Budget, the Adjusted Budget and the Unaudited Actual Operating Revenue per source and per district for the 2016/17 financial year.

Table 3.1: Operating Revenue per revenue source and per district

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated | Detail | | | | | | |
|----------------|-------------------|-------------------|-------------------|-------------|-----------------------------|---------------------|------------------|--------------------|------------------------------------|-------------------|----------------------------|
| | | | | | Property rates ¹ | Service charges | | | Transfers recognised - operational | Other own revenue | Other revenue ³ |
| | | | | | | Electricity revenue | Water revenue | Other ² | | | |
| eThekweni | 31 267 560 | 31 358 677 | 30 226 889 | 96.4 | 6 937 966 | 11 446 342 | 2 822 319 | 1 686 224 | 2 701 170 | 3 017 474 | 1 615 393 |
| Ugu | 2 293 229 | 2 313 520 | 2 113 003 | 91.3 | 385 891 | 122 977 | 287 558 | 172 743 | 895 337 | 137 920 | 110 578 |
| uMgungundlovu | 5 976 387 | 5 977 521 | 5 613 634 | 93.9 | 1 094 497 | 1 986 085 | 578 629 | 248 343 | 1 296 430 | 130 954 | 278 696 |
| uThukela | 1 918 214 | 2 038 053 | 1 878 329 | 92.2 | 384 726 | 446 293 | 141 804 | 45 280 | 691 055 | 76 474 | 92 696 |
| uMzinyathi | 1 197 387 | 1 212 216 | 1 020 853 | 84.2 | 140 115 | 183 843 | 31 868 | 39 451 | 556 704 | 10 174 | 58 697 |
| Amajuba | 2 073 354 | 2 025 016 | 2 213 438 | 109.3 | 298 487 | 690 172 | 178 801 | 189 028 | 789 873 | 22 935 | 44 142 |
| Zululand | 1 620 819 | 1 698 336 | 1 476 530 | 86.9 | 206 704 | 213 490 | 24 514 | 62 369 | 917 680 | 9 533 | 42 240 |
| uMkhanyakude | 1 051 595 | 1 054 075 | 994 051 | 94.3 | 85 129 | 3 391 | 10 112 | 11 434 | 817 865 | 15 519 | 50 601 |
| King Cetshwayo | 3 990 079 | 4 271 090 | 4 268 077 | 99.9 | 483 784 | 1 710 481 | 386 731 | 205 634 | 1 154 166 | 133 046 | 194 237 |
| iLembe | 2 391 461 | 2 395 061 | 2 379 986 | 99.4 | 422 281 | 720 021 | 87 444 | 117 144 | 867 666 | 66 742 | 98 689 |
| Harry Gwala | 1 166 832 | 1 195 327 | 1 115 088 | 93.3 | 131 922 | 101 104 | 51 798 | 53 863 | 685 349 | 17 700 | 73 351 |
| Total | 54 946 915 | 55 538 892 | 53 299 877 | 96.0 | 10 571 500 | 17 624 199 | 4 601 578 | 2 831 514 | 11 373 296 | 3 638 472 | 2 659 318 |

Source: NT Lgdatabase

1. Include Property Rates and Property Rates - penalties and collection charges.

2. Include Service charges for Sanitation revenue, Refuse revenue and Other.

3. Include Rental of facilities and equipment, Interest earned on external investments & outstanding debtors, Dividends received, Fines, Licences and permits, Agency services and Gains on disposal of PPE.

The total Operating Revenue as per the Original Budget was R54.9 billion. An upwards adjustment of R592 million was made in the 2016/17 financial year, with the final amount for the Adjusted Budget being R55.5 billion. As shown in Table 3.1, R53.3 billion of Operating Revenue was generated which resulted in a revenue shortfall of R2.2 billion or 4 percent against the Adjusted Budget. This was due to the under generation of revenue within the respective districts where 9 districts and the eThekweni Metro generated less than 100 percent of their Adjusted Budgets for Operating Revenue.

The Amajuba District (R2.2 billion or 109.3 percent) is the only district which generated combined revenue in excess of their Adjusted Budget. With the exception of the Dannhauser Local Municipality (R102.1 million or 92.2 percent), the Newcastle Local Municipality, eMadlangeni Local Municipality and Amajuba District Municipality all generated more than 100 percent of their Adjusted Budgets for Operating Revenue with Unaudited Actual amounts for Operating Revenue of R1.8 billion (108.2 percent), R75 million (106.3 percent) and R222.6 million (133.1 percent) respectively.

Of the 9 districts which generated less than 100 percent of their Adjusted Budgets, the uMzinyathi District (R1 billion or 84.2 percent) and the Zululand District (R1.5 billion or 86.9 percent) generated revenue of less than 90 percent when compared to the remaining 7 districts which generated more than 90.0 percent but less than 100 percent of their Adjusted Budgets.

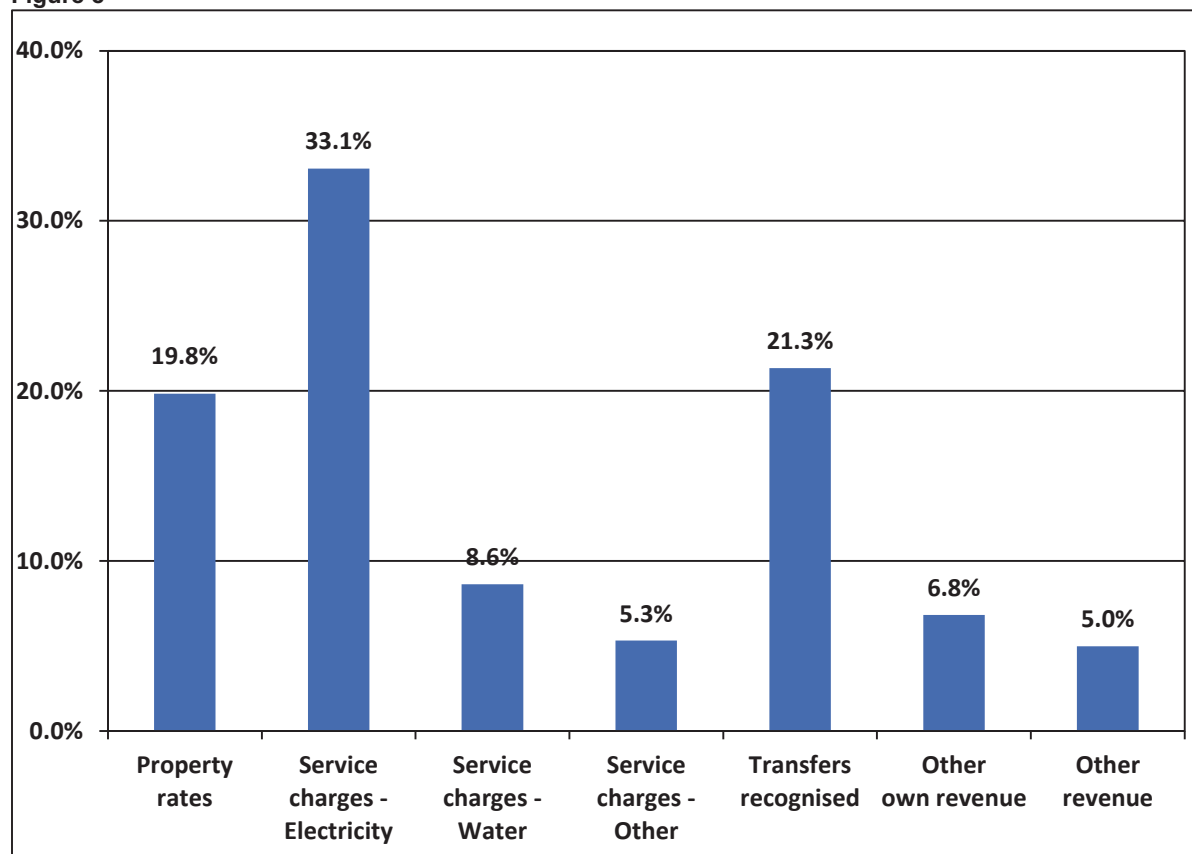
The low Operating Revenue generated by the uMzinyathi District is attributed to uMsinga Local Municipality which generated R12.4 million or 6.9 percent against the Adjusted Budget of R180.5 million. The revenue generated of R12.4 million relates to *Property rates* revenue and the remaining revenue items were not reported on, which resulted in the overall under performance for the district of less than 90 percent.

Regarding the Zululand District, although the uPhongolo Local Municipality (R198.5 million or 103 percent), the Nongoma Local Municipality (R153.3 million or 99.4 percent) and the Ulundi Local Municipality (R318.2 million or 94.1 percent) generated in excess of 90 percent of their Adjusted Budgets, the eDumbe Local Municipality (R92.6 million or 89 percent), the Abaqulusi Local

Municipality (R330.4 million or 78.1 percent) and the Zululand District Municipality (R383.8 million or 78.8 percent) generated less than 90 percent of their Adjusted Budgets which resulted in the overall under performance for the district of less than 90 percent.

Figure 8 shows Operating Revenue generated per source as a percentage of Total Operating Revenue generated as at 30 June 2017.

Figure 8



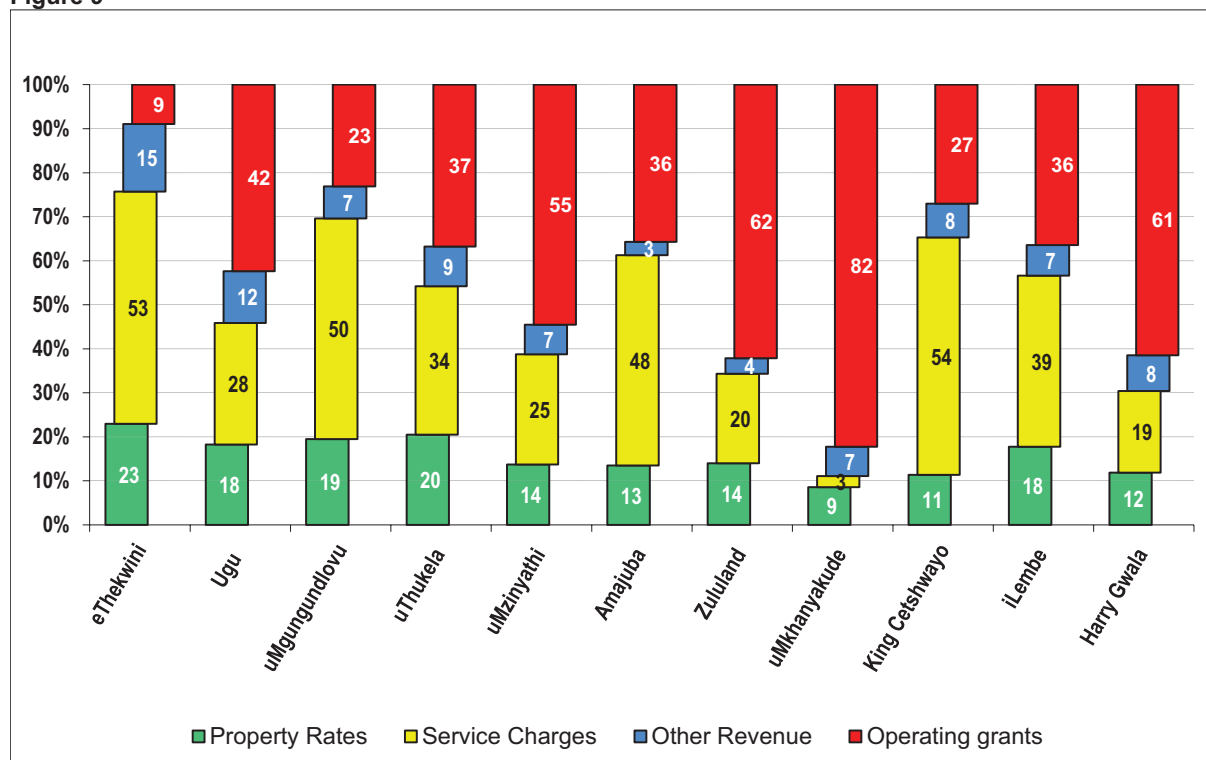
Service charges totaling R25.1 billion made up of *Electricity* R17.6 billion or 33.1 percent, *Water* R4.6 billion or 8.6 percent and *Other* R2.8 billion or 5.3 percent, contributed the most towards the total Operating Revenue for the 2016/17 financial year ended 30 June 2017. This was followed by *Transfers recognised-operational* amounting to R11.4 billion or 21.3 percent, *Property rates* amounting to R10.6 billion or 19.8 percent and *Other own revenue* amounting to R3.6 billion or 6.8 percent. *Other revenue* which amounted to R2.7 billion or 5 percent, is made up of *Fines, Rental of facilities and equipment, Interest earned on external investments and outstanding debtors, Dividends received, Licences and permits, Agency fees* and *Gains on disposal of property, plant and equipment*.

The non-delegated municipalities are considered to be significant contributors to the total revenue generated as they are densely populated cities with a large number of paying customers. The eThekweni Metro contributed R30.2 billion or 56.7 percent of total Revenue whilst the Msunduzi and uMhlathuze Local Municipalities contributed R4.1 billion or 7.7 percent and R2.9 billion or 5.4 percent to Total Operating Revenue, respectively.

When excluding the non-delegated municipalities from the district totals, the iLembe District (R2.4 billion or 4.5 percent), the Amajuba District (R2.2 billion or 4.2 percent) and the Ugu District (R2.1 billion or 4.0 percent) contributed the most to the total Revenue generated (refer to Table 3.1 above).

Figure 9 shows a breakdown in terms of Operating Revenue per district and per source for the 2016/17 financial year.

Figure 9



When compared to the 10 districts, the eThekweni Metro (R6.9 billion or 23 percent) is the only Municipality which generated more than 20 percent of their total Revenue from *Property rates* whilst the uMkhanyakude District (R85.1 million or 8.6 percent) generated less than 10 percent of their total Revenue from *Property rates*. The *Property rates* generated by the remaining 9 districts range between 11 percent and 20 percent of their total Revenue.

Revenue from *Service charges* constituted 52.8 percent of the total Operating Revenue for the eThekweni Metro. The districts that generated the bulk of their revenue from *Service charges* are the King Cetshwayo District at 54 percent, the uMgungundlovu District at 50 percent, the Amajuba District at 47.8 percent and the iLembe District at 38.8 percent.

The district that generated the least portion of their revenue from *Service charges* was the uMkhanyakude District at 2.5 percent. This can be attributed to the fact the district consists mainly of rural settlements and infrastructure for the provision of water and electricity is under developed.

A significant portion of the Operating Revenue for the uMkhanyakude District (82 percent), the Zululand District (62.2 percent), the Harry Gwala District (61.5 percent) and the uMzinyathi District (54.5 percent) is made up of *Transfers recognised-operational*. This indicates a high dependency on grants by these districts. The Operating Revenue of the eThekweni Metro constitutes only 8.9 percent of *Transfers recognised-operational* as the Municipality is able to generate the bulk of their Revenue from *Service charges* due to its predominantly urban area.

Other revenue contributed the least to Operating Revenue generated by the municipalities. With the exception of the eThekweni Metro (15.3 percent) and the Ugu District (11.8 percent), all other districts *Other revenue* constitutes less than 10 percent of Total Revenue. The Amajuba District generated the least portion of their revenue from *Other revenue* at 3 percent followed by the Zululand District at 3.5 percent.

Table 3.2 shows the over and under generation of Operating Revenue against the Adjusted Budgets per district for the 2016/17 financial year.

Table 3.2: Over and Under Generation of Operating Revenue budget per District – 2016/17

| | Districts | Under | | | On Target | | (Over) | | | Total No. of Municipalities in District |
|----|-----------------|---------------|---------------------|--------------------|--------------------|-------------------|--------------------|---------------------|---------------|---|
| | | More than 15% | Between 10% and 15% | Between 5% and 10% | Between 0% and -5% | Between 0% and 5% | Between 5% and 10% | Between 10% and 15% | More than 15% | |
| 1 | eThekweni Metro | - | - | - | 1 | - | - | - | - | 1 |
| 2 | Ugu | 1 | 1 | 3 | - | - | - | - | - | 5 |
| 3 | uMgungundlovu | - | 1 | 3 | 2 | 2 | - | - | - | 8 |
| 4 | uThukela | 1 | 1 | 1 | - | - | - | - | 1 | 4 |
| 5 | uMzinyathi | - | - | 2 | - | - | 3 | - | - | 5 |
| 6 | Amajuba | 1 | 1 | - | - | 1 | 1 | - | - | 4 |
| 7 | Zululand | 2 | 1 | 1 | 1 | 1 | - | - | - | 6 |
| 8 | uMkhanyakude | 1 | 1 | - | 1 | 1 | 1 | - | - | 5 |
| 9 | King Cetshwayo | - | 1 | 1 | 2 | 1 | - | - | 1 | 6 |
| 10 | iLembe | 1 | - | 2 | - | 2 | - | - | - | 5 |
| 11 | Harry Gwala | 1 | - | 1 | 1 | 2 | - | - | - | 5 |
| | Totals | 8 | 7 | 14 | 8 | 10 | 5 | 0 | 2 | 54 |

Source: NT Lgdatabase

Of the 54 reporting municipalities:

- 7 municipalities or 13 percent generated revenue in excess of their Adjusted Budget. Of the 7 municipalities, 2 municipalities generated revenue in excess of 15 percent of their Adjusted Budget;
- 18 municipalities or 33.3 percent were on target with their Adjusted Budgets, which is within a range of 95 percent to 105 percent of the Adjusted Budget; and
- 29 municipalities or 53.7 percent generated revenue lower than their Adjusted Budgets and 8 of these municipalities under generated revenue by more than 15 percent.

The following are some of the reasons for the outcomes noted above:

- Non-submission of returns;
- Incorrect population of Adjusted Budget returns and monthly returns;
- Municipalities not reflecting all the grants received as per the approved Gazettes;
- No actual revenue reported against budgeted revenue; and
- No approved budget for actual revenue items reported.

3.2 Operating Expenditure

Table 3.3 shows Original Budget, the Adjusted Budget and the Unaudited Actuals per item of Operating Expenditure and per district for the 2016/17 financial year.

Table 3.3: Operating Expenditure per item and per district – 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent | Detail | | | | | | | | |
|----------------|-------------------|-------------------|-------------------|-------------|------------------------|-----------------------|------------------|-----------------------------------|------------------|-------------------|---------------------|-------------------|--------------------|
| | | | | | Employee related costs | Remun. of councillors | Debt impairment | Depreciation and asset impairment | Finance charges | Bulk purchases | Contracted services | Other expenditure | Other ¹ |
| eThekweni | 30 646 274 | 30 764 278 | 29 173 167 | 94.8 | 8 231 382 | 108 461 | 680 880 | 2 010 328 | 1 199 898 | 9 957 232 | 4 070 348 | 2 584 637 | 330 001 |
| Ugu | 2 324 495 | 2 294 023 | 2 179 433 | 95.0 | 802 694 | 58 435 | - | 215 092 | 25 180 | 170 000 | 86 240 | 731 057 | 90 734 |
| uMgungundlovu | 5 942 489 | 6 053 306 | 5 598 683 | 92.5 | 1 465 878 | 82 960 | 65 892 | 500 568 | 90 526 | 2 016 842 | 738 163 | 544 139 | 93 714 |
| uThukela | 1 958 650 | 2 051 507 | 1 678 266 | 81.8 | 515 782 | 37 220 | 137 964 | 93 656 | 5 274 | 238 898 | 86 991 | 454 805 | 107 675 |
| uMzinyathi | 1 222 965 | 1 281 338 | 1 107 388 | 86.4 | 365 831 | 29 684 | 22 908 | 77 282 | 1 243 | 145 970 | 182 581 | 249 451 | 32 437 |
| Amajuba | 2 300 480 | 2 329 087 | 2 420 719 | 103.9 | 601 821 | 29 350 | 98 849 | 473 632 | 52 293 | 587 393 | 101 874 | 366 764 | 108 744 |
| Zululand | 1 905 136 | 1 846 074 | 1 640 349 | 88.9 | 519 440 | 51 266 | 13 259 | 105 993 | 1 211 | 290 910 | 152 905 | 464 137 | 41 228 |
| uMkhanyakude | 1 081 315 | 964 147 | 984 235 | 102.1 | 340 241 | 42 579 | 2 241 | 14 148 | 1 284 | 69 128 | 74 956 | 306 221 | 133 437 |
| King Cetshwayo | 4 022 869 | 4 360 159 | 4 380 842 | 100.5 | 1 006 646 | 73 430 | 114 054 | 428 116 | 57 218 | 1 400 005 | 338 089 | 766 955 | 196 329 |
| iLembe | 2 347 720 | 2 383 638 | 2 276 135 | 95.5 | 613 646 | 54 850 | 54 513 | 176 434 | 34 948 | 638 394 | 95 480 | 406 507 | 201 362 |
| Harry Gwala | 1 287 411 | 1 298 485 | 1 062 284 | 81.8 | 375 070 | 43 017 | 10 724 | 153 931 | 5 481 | 86 876 | 71 659 | 273 439 | 42 088 |
| Total | 55 039 803 | 55 626 043 | 52 501 501 | 94.4 | 14 838 431 | 611 254 | 1 201 284 | 4 249 180 | 1 474 557 | 15 601 647 | 5 999 286 | 7 148 112 | 1 377 749 |

Source: NT Lgdatabase

1 Include Other Materials, Transfers and Loss on disposal of PPE

The total Operating Expenditure budget for all municipalities in the province was adjusted upwards by R586.2 million from R55 billion to R55.6 billion during the 2016/17 Adjusted Budget process. The consolidated Operating Expenditure performance of the province reflects unaudited spending of R52.5 billion or 94.4 percent against the Adjusted Budget of R55.6 billion. The Operating Expenditure Adjusted Budget has been under spent by R3.1 billion or 5.6 percent. The under expenditure has decreased in comparison to the under spending of R3.2 billion or 6 percent reported in the previous financial year.

With the exception of the Amajuba (103.9 percent), the uMkhanyakude (102.1 percent) and the King Cetshwayo (100.5 percent) Districts, the expenditure on the operating Adjusted Budgets for all other districts including the eThekweni Metro were within their Adjusted Budgets. It should be noted that some municipalities within the various districts over spent on their Adjusted Operating Expenditure Budgets, while other municipalities under spent against their Adjusted Operating Expenditure Budgets. This had an impact on the Operating Expenditure performance of their respective districts.

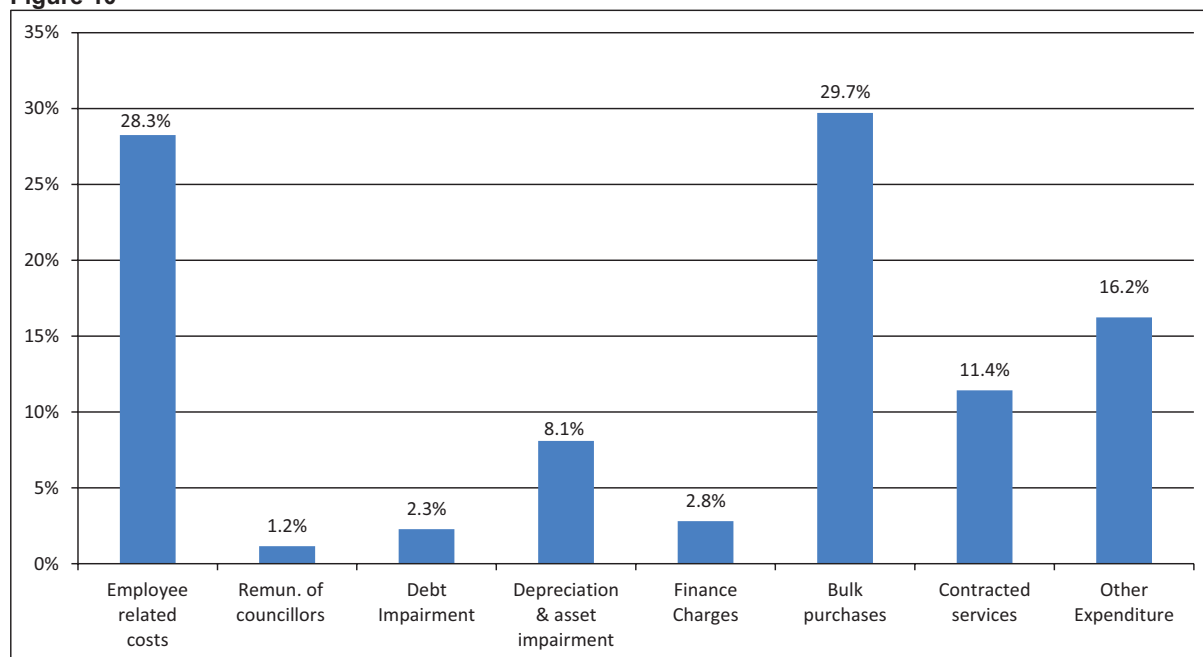
Municipalities that reflected over spending against their Adjusted Budgets include; the Ugu District (115.3 percent), the uThukela District (109.7 percent), the uMvoti Local Municipality (106.8 percent), the uMzinyathi District (108.3 percent), the Newcastle Local Municipality (107.8 percent), the Nongoma Local Municipality (108.3 percent), the Ulundi Local Municipality (103.8 percent), the Zululand District (105.4 percent), the Big Five Hlabisa Local Municipality (1786.5 percent), the uMfolozi Local Municipality (101.4), the uMhlathuze Local Municipality (104.9), the Nkandla Local Municipality (104.4 percent) and the Mandeni Local Municipality (105.9 percent) (refer to Appendix 2). Detailed explanations for the over expenditure recorded by these municipalities are detailed in Chapter 4 under the relevant municipal budget performance analysis.

The abnormal over expenditure by the Big Five Hlabisa Local Municipality of 1786.5 percent is due to the fact that the Local Municipality only reflected the Adjusted *Remuneration of councillors* figure in their Financial Performance Adjusted Budget return which was submitted to the NT Lgdatabase and as a result the total Operating Expenditure Adjusted Budget is grossly understated.

The uThukela District (81.8 percent) and the Harry Gwala District (81.8 percent) spent the least of their Adjusted Budgets.

Figure 10 shows the breakdown of Operating Expenditure for the 2016/17 financial year.

Figure 10



Bulk purchases of R15.6 billion or 29.7 percent comprised the largest item of Operating Expenditure. This was followed by *Employee related costs* of R14.8 billion or 28.3 percent and *Other expenditure* of R8.5 billion or 16.2 percent. *Remuneration of councillors* of R611.3 million or 1.2 percent represents the lowest contributor to Operating Expenditure as shown in Figure 10.

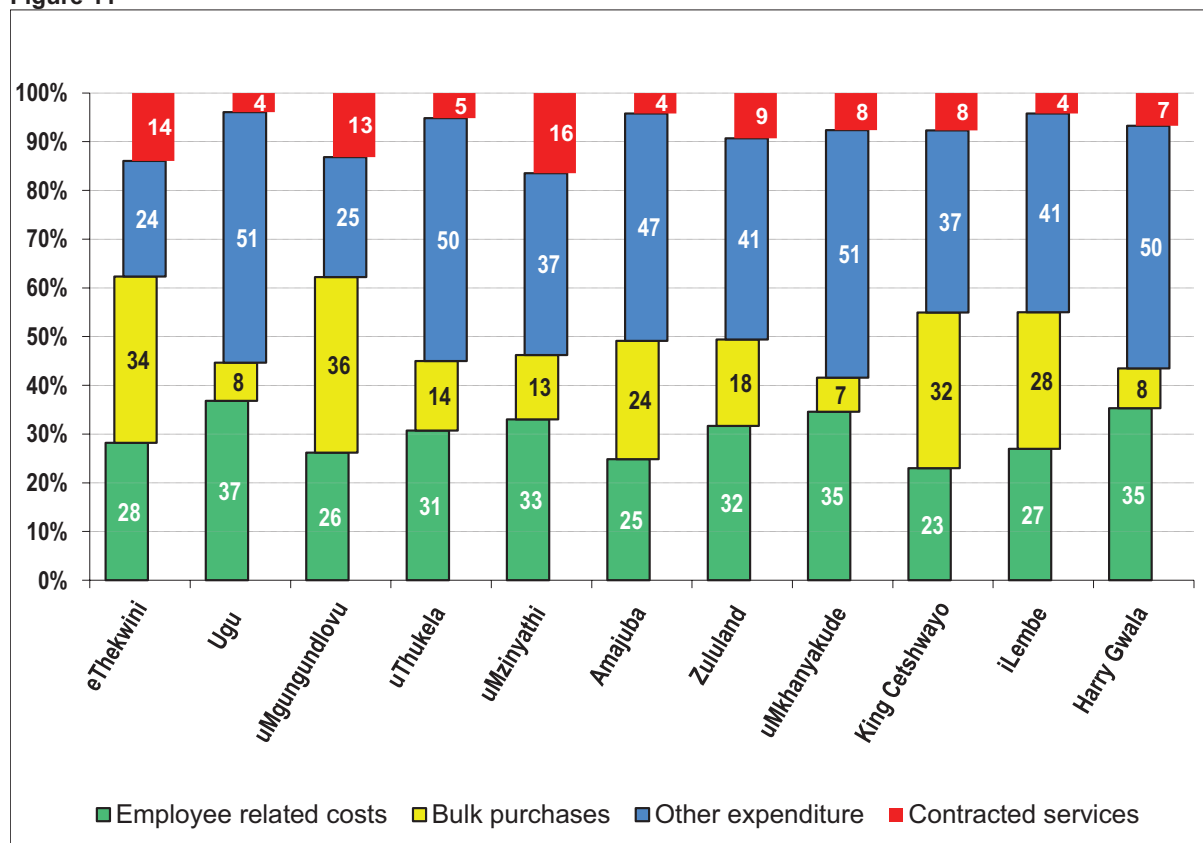
In most districts in the province, *Water* and *Sanitation* services are provided by the district municipalities while the *Electricity* service is provided by Eskom. Hence, it was noted that 19 local municipalities (refer to Appendix 2) did not report on *Bulk purchases* for water and electricity.

Of the total of 54 municipalities in the province, 27 municipalities or 50 percent did not report on *Debt impairment*. The reason for municipalities' failure to report on their *Debt impairment* expense is due to the fact that municipalities tend to submit preliminary figures in their Section 71 returns prior to effecting all the necessary year end adjustments for the submission of their Annual Financial Statements (AFS). In light of the uncertainty in the recoverability of municipal debt, municipalities that provide services should review the recoverability of their debtors' balances and adequately provide for *Debt impairment* continuously throughout the financial year.

It was also noted that 15 municipalities or 27.8 percent did not report on *Depreciation and asset impairment*, contributing to an incorrect status of the performance against this item. Similar to *Debt impairment*, municipalities are not reporting their *Depreciation and asset impairment* due to the fact that municipalities tend to submit preliminary figures in their Section 71 returns prior to effecting all the necessary year end adjustments whilst finalising their AFS.

Figure 11 shows a breakdown of Operating Expenditure per district and per item of expenditure for the 2016/17 financial year.

Figure 11



At a consolidated district level, municipalities spent between 23 percent and 37 percent of their budgets on *Employee related costs*. Districts with the largest portions of *Employee related costs* are Ugu (36.8 percent), Harry Gwala (35.3 percent) and uMkhanyakude (34.6 percent). The King Cetshwayo (23 percent), Amajuba (24.9 percent) and uMgungundlovu (26.2 percent) Districts spent the least percentage on *Employee related costs* when compared to the other districts.

The uMgungundlovu District (36 percent), the eThekwini Metro (34.1 percent) and the King Cetshwayo District (32 percent) spent the highest percentage for *Bulk purchases* as compared to the other districts. This was due to the Msunduzi Local Municipality spending R1.8 billion or 86.9 percent (uMgungundlovu District) and uMhlathuze Local Municipality spending R1.3 billion or 91 percent (King Cetshwayo District) of the district total for *Bulk purchases*. This influenced the expenditure under this item in their respective districts. It is not surprising that these districts reflected the highest expenditure on *Bulk purchases* due to the fact that the uMgungundlovu and King Cetshwayo Districts host secondary cities (Msunduzi and uMhlathuze), while eThekwini is a Metro. They provide services such as *Water* and *Electricity* to densely populated areas in the province.

A significant portion of the Operating Expenditure for Ugu District (51.4 percent), uMkhanyakude District (50.8 percent), uThukela District (49.8 percent), Harry Gwala District (49.8 percent), Amajuba District (46.7 percent), Zululand District (41.3 percent), iLembe District (40.8 percent), uMzinyathi District (37.3 percent) and King Cetshwayo District (37.3 percent) is made up of *Other expenditure*.

Other expenditure contributed 23.7 percent and 24.6 percent of the Operating Expenditure of the eThekwini Metro and the uMgungundlovu District respectively. The largest portion of their total Operating Expenditure is made up of *Bulk purchases* (34.1 percent and 36 percent respectively).

Table 3.4 shows a summary of the districts' spending against the Adjusted Budgets for Operating Expenditure per district for the 2016/17 financial year.

Table 3.4: Over and Under Spending against the Adjusted Budgets for Operating Expenditure by district municipalities for the 2016/17 financial year

| | Districts | Under | | | On Target | | (Over) | | | Total No. of Municipalities in District |
|----|-----------------|---------------|---------------------|--------------------|--------------------|-------------------|--------------------|---------------------|---------------|---|
| | | More than 15% | Between 10% and 15% | Between 5% and 10% | Between 0% and -5% | Between 0% and 5% | Between 5% and 10% | Between 10% and 15% | More than 15% | |
| 1 | eThekweni Metro | - | - | 1 | - | - | - | - | - | 1 |
| 2 | Ugu | 3 | - | - | 1 | - | - | - | 1 | 5 |
| 3 | uMgungundlovu | 2 | 2 | 3 | 1 | - | - | - | - | 8 |
| 4 | uThukela | 3 | - | - | - | - | 1 | - | - | 4 |
| 5 | uMzinyathi | 2 | - | 1 | - | - | 2 | - | - | 5 |
| 6 | Amajuba | 1 | 1 | 1 | - | - | 1 | - | - | 4 |
| 7 | Zululand | 1 | - | 1 | 1 | 1 | 2 | - | - | 6 |
| 8 | uMkhanyakude | 2 | - | - | 2 | - | - | - | 1 | 5 |
| 9 | King Cetshwayo | 1 | - | 2 | - | 3 | - | - | - | 6 |
| 10 | iLembe | 1 | - | 2 | 1 | - | 1 | - | - | 5 |
| 11 | Harry Gwala | 2 | 3 | - | - | - | - | - | - | 5 |
| | Totals | 18 | 6 | 11 | 6 | 4 | 7 | 0 | 2 | 54 |

Source: NT Lgdatabase

Of the 54 reporting municipalities:

- 35 municipalities or 64.8 percent under spent their Adjusted Budgets for Operating Expenditure. 18 of these municipalities or 33.3 percent under spent their budgets by more than 15 percent.
- 10 or 18.5 percent of the municipalities were on target, which is between 95 percent (-5 percent) and 105 percent (+5 percent) expenditure against their Adjusted Budgets.
- 9 municipalities or 16.7 percent recorded over expenditure against their Adjusted Operating Expenditure Budgets. Two of these municipalities overspent their Adjusted Budgets by more than 15.0 percent.

3.3 Capital Expenditure

At the end of the 2016/17 financial year, the aggregated municipal Adjusted Budget for Capital Expenditure for the 54 municipalities in KwaZulu-Natal was R14.2 billion.

The total Capital Expenditure aggregated for all municipalities in the province amounted to R12.1 billion (85.2 percent) of the total Adjusted Budget. This equates to an under spending of R2.1 billion for the 2016/17 financial year. An improvement was noted when compared to the under spending of R2.3 billion in the 2015/16 financial year. Capital Expenditure increased significantly towards the end of the 2016/17 financial year from R7.8 billion at the end of Quarter 3 to R12.1 billion at the end of Quarter 4. The trend indicates that municipalities usually spend the bulk of their Capital Expenditure in the fourth quarter of the financial year which is probably due to poor planning.

Table 3.5 shows the Original Budget, Adjusted Budget and Unaudited Actual per standard classification per district for the 2016/17 financial year.

Table 3.5: Capital Expenditure per item and per district –2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent | Detail | | | | | | | | | |
|----------------|-------------------|-------------------|-------------------|-------------|------------------------------------|-----------------------------|--------------|--------------------|-------------------------------------|--------------------|------------------|----------------------------|---------------|---------------|
| | | | | | Governance and Admin. ¹ | Community and Public Safety | | | Economic and Environmental Services | | Trading Services | | | Other |
| | | | | | | Housing | Health | Other ² | Road Transport | Other ³ | Electricity | Water and Waste Water Mgt. | Waste Mgt | |
| eThekweni | 6 725 067 | 6 693 732 | 6 066 717 | 90.6 | 302 182 | 1 306 626 | 7 927 | 196 676 | 1 674 334 | 234 978 | 720 662 | 1 488 739 | 45 751 | 88 842 |
| Ugu | 728 192 | 700 723 | 541 694 | 77.3 | 120 270 | - | - | 44 760 | 62 955 | 3 170 | 272 | 291 684 | 18 584 | (0) |
| uMgungundlovu | 1 071 124 | 1 145 315 | 1 057 732 | 92.4 | 71 323 | 25 972 | - | 114 722 | 366 961 | 44 766 | 84 321 | 339 471 | 7 809 | 2 388 |
| uThukela | 575 995 | 719 606 | 485 556 | 67.5 | 11 825 | - | 270 | 28 771 | 105 820 | 81 762 | 16 844 | 240 264 | - | - |
| uMzinyathi | 577 596 | 594 311 | 496 166 | 83.5 | 6 740 | - | - | 34 856 | 86 657 | 2 954 | 41 948 | 320 771 | 2 240 | - |
| Amajuba | 443 282 | 433 111 | 328 854 | 75.5 | 51 485 | 2 206 | - | 7 394 | 71 834 | 44 891 | 9 367 | 139 318 | 358 | - |
| Zululand | 743 582 | 775 904 | 646 749 | 83.4 | 6 157 | - | - | 23 952 | 88 835 | 24 742 | 79 538 | 422 119 | 1 406 | - |
| uMkhanyakude | 506 526 | 528 091 | 361 242 | 68.4 | 31 254 | - | - | 7 196 | 73 128 | 66 941 | - | 182 143 | 580 | - |
| King Cetshwayo | 1 162 470 | 1 242 295 | 958 066 | 77.1 | 74 857 | 7 524 | 1 250 | 80 373 | 198 011 | 73 428 | 47 248 | 466 522 | 5 838 | 3 016 |
| iLembe | 701 789 | 763 784 | 791 177 | 103.6 | 33 421 | 611 | - | 31 226 | 258 201 | 27 705 | 68 620 | 371 193 | 200 | - |
| Harry Gwala | 580 997 | 625 303 | 382 031 | 61.1 | 12 347 | - | - | 19 055 | 81 685 | 110 065 | 9 209 | 148 813 | 857 | - |
| Total | 13 816 619 | 14 222 153 | 12 113 984 | 85.2 | 721 859 | 1 342 940 | 9 447 | 588 980 | 3 068 421 | 715 402 | 1 078 028 | 4 411 036 | 83 623 | 94 246 |

Source: NT Lgdatabase

1 Include Expenditure & Council, Budget & Treasury Office and Corporate Services.

2 Include Community & Social Services, Sports and Recreation and Public Safety.

3 Include Planning and Development and Environmental Protection.

The iLembe District recorded R791.2 million (103.6 percent) of Capital Expenditure and has thus exceeded the district's Adjusted Budget for Capital Expenditure. The eThekweni Metro and the other nine districts recorded poor levels of Capital Expenditure as they achieved less than 95 percent of their respective Adjusted Budgets. Capital Expenditure is directly linked to service delivery and under spending on Capital Expenditure negatively impacts on service delivery.

The bulk of Capital Expenditure amounting to R4.4 billion was spent on *Water and Waste Water Management* capital projects which constitutes 36.4 percent of the total Unaudited Actual Expenditure for the 2016/17 financial year. The second highest category of Capital Expenditure was on *Road Transport* with R3.1 billion (25.3 percent), followed by *Housing* with R1.3 billion (11.1 percent) and *Electricity* with R1.1 billion (8.9 percent).

The lowest spending against the Adjusted Budget for the 2016/17 financial year was noted on *Health* with R9.4 million (0.1 percent), *Waste Management* with R83.6 million (0.7 percent), *Other* with R94.2 million (0.8 percent), *Community and Public Safety – Other* with R589 million (4.9 percent), *Economic and Environmental Services – Other* with R715.4 million (5.9 percent) and *Governance and Administration* with R721.9 million (6 percent).

None of the municipalities under the uThukela, uMzinyathi, Zululand, uMkhanyakude and Harry Gwala Districts budgeted and spent on *Housing* as the function is performed by the KwaZulu-Natal Department of Human Settlements. The eThekweni Metro exceeded its *Housing* budgeted expenditure with the total expenditure against the budget amounting to R1.3 billion or 108.7 percent.

The Maphumulo Local Municipality incorrectly reflected a *Housing* Adjusted Budget of R10 000 as the municipality does not perform any functions on behalf of the KwaZulu-Natal Department of Human Settlements and correspondingly incorrectly reported expenditure of R42 529 or 425.3 percent of the Adjusted Budget of R10 000. The Newcastle Local Municipality reported *Housing* expenditure of R2.2 million however, this expenditure was misallocated as the municipality has an Adjusted Budget of R100 000 which was incorrectly submitted as a nil Adjusted Budget for the *Housing* Capital Expenditure category in the Adjusted Budget returns. Three municipalities that budgeted for *Housing* under performed against their Adjusted Budgets, namely, the Msunduzi (73.3 percent), KwaDukuza (50.8 percent) and uMhlathuze (35.2 percent) Local Municipalities.

The Ray Nkonyeni Local Municipality within the Ugu District performs housing functions on behalf of the KwaZulu-Natal Department of Human Settlements however, no expenditure was recorded by the district. The municipality did not spend any portion of the R52.7 million Adjusted Budget for *Housing* expenditure due to implementation challenges. The uMdoni Local Municipality incorrectly allocated

R340 000 to *Housing* in the Adjusted Budget. Accordingly, no expenditure was recorded against *Housing* by the municipality.

The expenditure on *Housing* was largely related to the municipalities performing the function as an agent on behalf of the KwaZulu-Natal Department of Human Settlements. Agency functions include overseeing the work of the service providers appointed by the KwaZulu-Natal Department of Human Settlements, inspecting the completed units to verify that the service providers complied with the tender specifications and the transfer of payments to service providers upon the instruction from the KwaZulu-Natal Department of Human Settlements. No expenditure reported by municipalities does not imply that no housing projects were undertaken as the houses are transferred to occupants upon completion and the municipalities therefore do not reflect any Capital Expenditure against the projects.

According to the Adjusted Budgets, *Health* services are provided by the following municipalities; the eThekweni Metro, the uThukela and King Cetshwayo District Municipalities as well as the uMhlathuze and uMlalazi Local Municipalities. All the municipalities delivering *Health* services under performed in the 2016/17 financial year. The highest expenditure reported against the Adjusted Budget was the uMhlathuze Local Municipality with 93.2 percent followed by the King Cetshwayo District Municipality with 88.3 percent, the uMlalazi Local Municipality with 74.1 percent and the eThekweni Metro with 27.3 percent. The uThukela District Municipality reported no expenditure against the Adjusted Budget of R460 000. The Newcastle Local Municipality also performs *Health* services however, there was no budget for the service in the Adjusted Budget due to misallocations between the other Capital Expenditure categories.

The districts in the province reported 91 percent expenditure of the Adjusted Budget for *Water* and *Waste Water Management* despite the drought which continued to affect the province's dams for the 2016/17 financial year. The iLembe District, the eThekweni Metro and the uMgungundlovu District over spent their *Water* and *Waste Water Management* Adjusted Budgets by 19.5 percent, 5.8 percent and 5.7 percent respectively, while the remaining districts reported satisfactory spending against their Adjusted Budgets, namely; the Ugu (97 percent), uMzinyathi (91.3 percent), Zululand (89.9 percent), Amajuba (77.3 percent), King Cetshwayo (77.1 percent) uThukela (73.5 percent) and uMkhanyakude (68.1 percent) Districts. The Harry Gwala District performed poorly as the municipality reported performance of 48.1 percent.

Roads Transport ranked second in terms of Capital Expenditure in the 2016/17 financial year. The Ugu District reported the highest expenditure of 174.9 percent against the *Road Transport* Adjusted Budget, however the figures for the district were distorted by misallocation of performance figures in the uMdoni Local Municipality where R52.6 million or 49 529.9 percent expenditure was reported against the *Road Transport* Adjusted Budget of R106 294 whilst the Ray Nkonyeni Local Municipality reflected expenditure of R49 605 (0.1 percent) against the Adjusted Budget of R35.9 million. The King Cetshwayo District was the only other district to report over expenditure against the Adjusted Budget for *Road Transport* with 105.7 percent however, the performance appears to be distorted due to a misallocation of the performance figures by the Mthonjaneni Local Municipality which reported 200.7 percent expenditure against the *Road Transport* Adjusted Budget. The uThukela and Harry Gwala Districts spent the least of their Adjusted Budgets for *Road Transport*, reporting expenditure rates of 50.7 percent and 53 percent respectively.

The eThekweni Metro reported over expenditure of 108.2 percent against its *Electricity* Adjusted Budget. The uMzinyathi, iLembe and Zululand Districts also reported over expenditure of 256.9 percent, 104.6 percent and 101.2 percent respectively. The remaining districts reported poor levels of Capital Expenditure for *Electricity*, namely the Harry Gwala (63.1 percent), Amajuba (49.8 percent), uMgungundlovu (44.2 percent), uThukela (41.8 percent) and King Cetshwayo (41 percent) Districts. The Ugu District spent only 5.5 percent or R272 203 of the R4.9 million *Electricity* Adjusted Budget for the district.

The over spending of the Adjusted Budgets for capital projects by various municipalities may be attributed to municipalities understating their Adjusted Capital Budgets by erroneously reflecting incorrect figures or not incorporating additional capital funding in their Adjusted Capital Budgets or municipalities misallocating actual expenditure incurred. Therefore, the reported Actual Capital Expenditure performance is questionable in these instances.

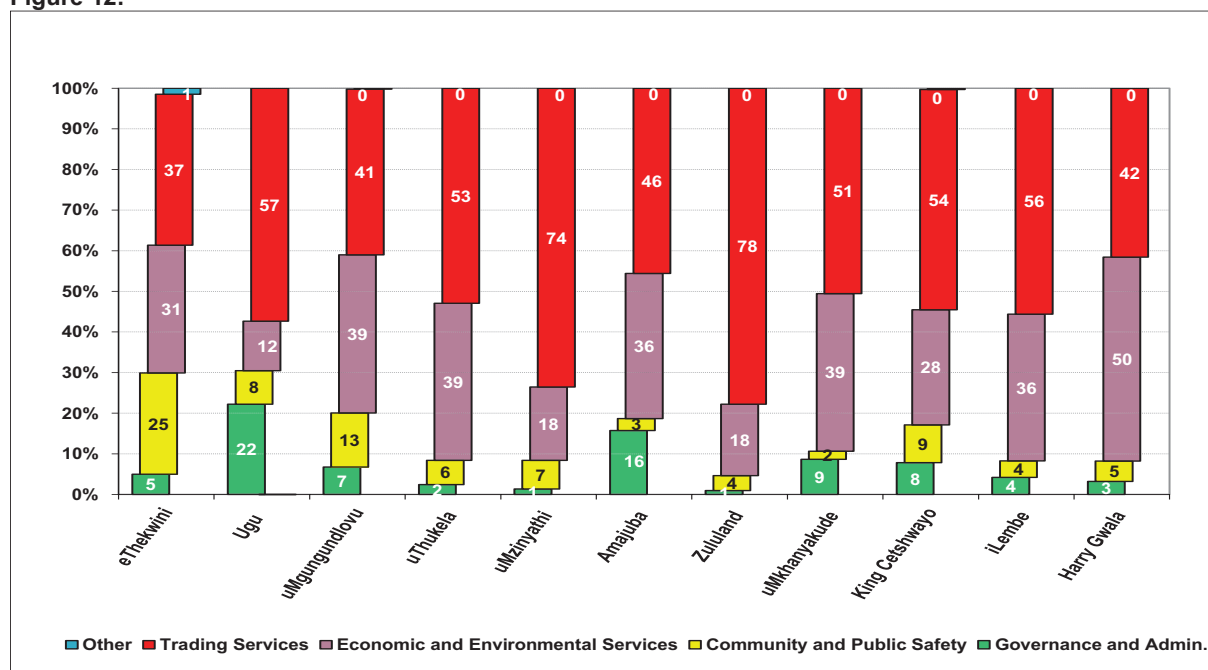
On the other hand, under spending of the Adjusted Budget for Capital can be attributed to poor planning by certain municipalities, over budgeting for capital projects, poor management of the procurement processes, non-submission of the monthly capital expenditure returns for the 2016/17 financial year and delays in payments due to disputes with service providers. Furthermore, municipalities are in the process of finalising their 2016/17 Annual Financial Statements (AFS) which includes the updating and balancing of their asset registers with the latest available financial information and factoring in accounting journal entries such as accruals. Thus, the year-end adjustments to the Capital Expenditure figures would not have been included in the Section 71 Reports submitted to the Local Government Database. This could result in the final figures being significantly different from the ones reported in the MFMA Section 71 Reports. The low spending on capital expenditure projects will delay the delivery of infrastructure for basic services and exacerbate the current backlogs.

Most municipalities indicated that the unspent conditional grant funding was committed to specific projects. Provincial Treasury Circular PT/MF 2 of 2017/18 was issued to remind municipalities of the 31 August 2017 deadline for the submission of rollover applications/motivations to National Treasury to retain Unspent conditional grant funding, as required in terms of the Division of Revenue Act No. 3 of 2016 (DoRA).

In terms of the provisions of the 2016 DoRA Section 22, any conditional allocation that is not spent at the end of a municipal financial year reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects. Therefore, it is imperative that municipalities adopt appropriate monitoring systems and take corrective steps where under spending is recorded.

Figure 12 shows a breakdown in terms of Capital Expenditure per district and by standard classification for the 2016/17 financial year.

Figure 12:



The largest portion of capital spending by standard classification was in *Trading services* with R5.6 billion or 46 percent of total Capital Expenditure. All districts with the exception of the Harry Gwala District spent the largest portion of their Capital Expenditure on *Trading services*. The districts with the highest spending on *Trading services* were Zululand and uMzinyathi with 77.8 percent and 73.6 percent respectively.

The second highest expenditure was for *Economic and Environmental Services* which reported capital spending per standard classification of R3.8 billion or 31.2 percent of total Capital Expenditure. The Harry Gwala District (50.2 percent) spent the bulk of its Capital Expenditure on *Economic and Environmental Services*.

The third largest portion of spending per standard classification of R1.9 billion or 16 percent of total Capital Expenditure was on *Community and Public Safety* with the eThekweni Metro and the uMgungundlovu District Municipality spending 24.9 percent and 13.3 percent of their Capital Expenditure on this classification respectively.

Lastly, the lowest portion of spending per standard classification of R721.9 million or 6 percent of total Capital Expenditure was on *Governance and Administration* and R94.2 million or 0.8 percent on *Other*. The Ugu District spent 22.2 percent of their total Capital Expenditure on *Governance and Administration* while the Amajuba District spent 15.8 percent. The eThekweni Metro spent the highest on *Other* with 1.5 percent of Total Capital Expenditure.

Table 3.6 shows the range of over and under spending against the Adjusted Capital Budgets by districts for the 2016/17 financial year.

Table 3.6: Over and Under spending against the Adjusted Capital Budgets by districts for the 2016/17 financial year

| | Districts | Under | | | On Target | | (Over) | | | Total No. of Municipalities in District |
|----|-----------------|---------------|---------------------|--------------------|--------------------|-------------------|--------------------|---------------------|---------------|---|
| | | More than 15% | Between 10% and 15% | Between 5% and 10% | Between 0% and -5% | Between 0% and 5% | Between 5% and 10% | Between 10% and 15% | More than 15% | |
| 1 | eThekweni Metro | - | - | 1 | - | - | - | - | - | 1 |
| 2 | Ugu | 3 | - | 1 | 1 | - | - | - | - | 5 |
| 3 | uMgungundlovu | 2 | 3 | - | 1 | 1 | - | - | 1 | 8 |
| 4 | Uthukela | 4 | - | - | - | - | - | - | - | 4 |
| 5 | uMzinyathi | 4 | 1 | - | - | - | - | - | - | 5 |
| 6 | Amajuba | 4 | - | - | - | - | - | - | - | 4 |
| 7 | Zululand | 3 | - | 2 | - | - | - | - | 1 | 6 |
| 8 | Umkhanyakude | 2 | 3 | - | - | - | - | - | - | 5 |
| 9 | King Cetshwayo | 3 | 1 | 2 | - | - | - | - | - | 6 |
| 10 | iLembe | 1 | 1 | - | - | - | - | - | 3 | 5 |
| 11 | Harry Gwala | 4 | 1 | - | - | - | - | - | - | 5 |
| | Totals | 30 | 10 | 6 | 2 | 1 | 0 | 0 | 5 | 54 |

Source: NT Lgdatabase

Under spending on capital budgets is a common and concerning trend among municipalities. Of the 54 municipalities:

- 46 of 54 municipalities or 85 percent have under spent their Adjusted Budgets by at least 5 and more percent. This is a regression from the 43 of 61 municipalities which reported significant under expenditure in the 2015/16 financial year;
- 3 of 54 municipalities or 6 percent were on target as they achieved a spending rate that was between 95 and 105 percent as at the end of the 2016/17 financial year; and
- the remaining 5 of 54 municipalities or 9 percent have over spent their Adjusted Capital Budgets by 5 percent and more.

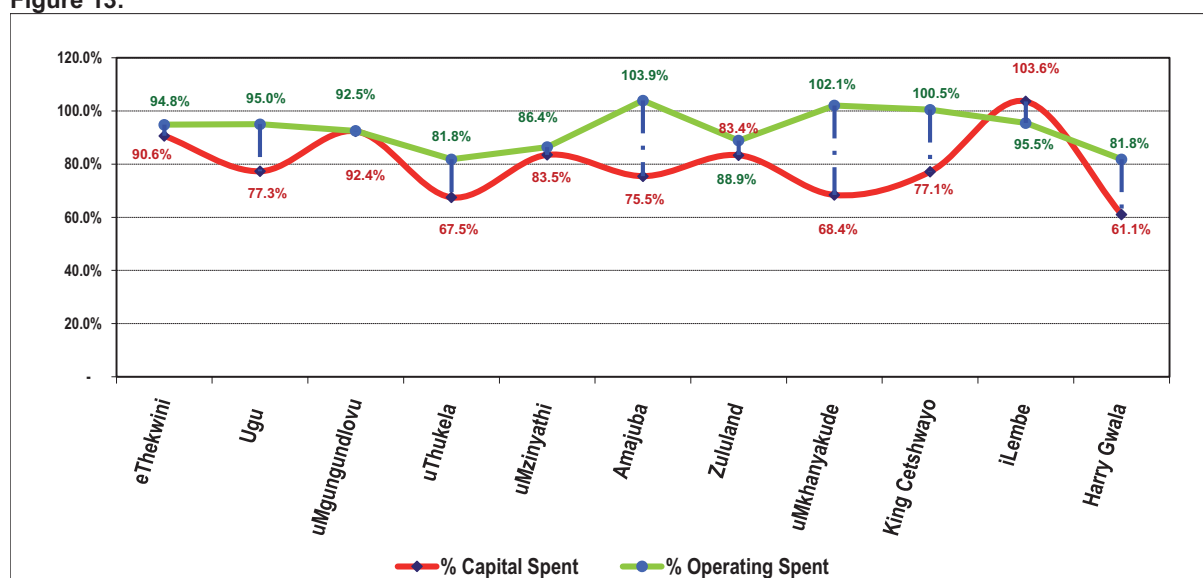
The low spending on capital projects will impact negatively on service delivery by the municipalities. Moreover, renewal of municipal infrastructure to ensure reliability and quality of municipal services to support economic growth within their jurisdictions will be affected.

3.4 Capital and Operating Expenditure Comparatives

Analysing Capital Expenditure in relation to Operating Expenditure provides an insight into expenditure trends at municipalities.

Figure 13 shows the comparatives of Capital against Operating Expenditure for the reporting municipalities, aggregated at a district level. The graph reveals district performance against the budget and thus reflects Capital Expenditure as a percentage of the Adjusted Capital Budget together with Operating Expenditure as a percentage of the Adjusted Operating Expenditure Budget for the 2016/17 financial year.

Figure 13:



The variance between the average Capital Expenditure against the Adjusted Capital Budget and average Operating Expenditure against the Adjusted Operating Budget is 13 percent at an aggregate level for the 2016/17 financial year. This compares unfavorably to the variance of 9 percent in the 2015/16 financial year, which implies that the gap between Capital Expenditure and Operating Expenditure has widened from 2015/16 to 2016/17. Only the iLembe District reported Capital Expenditure performance against the Adjusted Capital Budget that exceeded its Operating Expenditure performance against the Adjusted Operating Budget. The remaining districts have spent significantly less against their Adjusted Capital Expenditure Budget, in relation to their Adjusted Operating Expenditure Budget for 2016/17 with the largest differences being noted in the uMkhanyakude (33.7 percent), Amajuba (28.5 percent), King Cetshwayo (23.4 percent) and Harry Gwala (20.7 percent) Districts. The least difference was noted in the uMgungundlovu District with 0.1 percent.

The average Capital Expenditure across districts against their respective Adjusted Capital Budgets was 80 percent for the 2016/17 financial year which is a regression when compared to the district average of 82.5 percent in the 2015/16 financial year. The iLembe (103.6 percent), uMgungundlovu (92.4 percent) Districts, the eThekweni Metro (90.6 percent), the uMzinyathi (83.5 percent) and Zululand (83.4 percent) Districts reported to have spent more than the district Capital Expenditure average at the end of the financial year, while the remainder reported to have spent less than the average of 80 percent.

The average Operating Expenditure against the respective Adjusted Operating Budgets across all districts was 93 percent for the 2016/17 financial year and represents an increase of 1.4 percent from the average of 91.6 percent for the 2015/16 financial year. The Amajuba (103.9 percent), the uMkhanyakude (102.1 percent), King Cetshwayo (100.5 percent), iLembe (95.5 percent) and Ugu (95 percent) Districts and the eThekweni Metro (94.8 percent) spent more than the district average, whilst the remainder spent less than the district average at the end of the 2016/17 financial year. Significant under spending against their Adjusted Operating Expenditure Budgets could be attributed to inaccurate reporting on non-cash items such as *Depreciation and asset impairment* and *Debt impairment*.

3.5 Debt Management

Debtors by age analysis

Table 3.7 shows debtors age analysis per district as at 30 June 2017.

Table 3.7: Debtor Age Analysis per district (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61- 90 Days | | Over 90 Days | | Total |
|----------------|------------------|-------------|----------------|------------|----------------|------------|-------------------|-------------|-------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eThekweni | 1 512 892 | 18.8 | 623 684 | 7.8 | 274 889 | 3.4 | 5 628 278 | 70.0 | 8 039 743 |
| Ugu | 49 154 | 8.3 | 23 395 | 4.0 | 27 773 | 4.7 | 488 475 | 83.0 | 588 798 |
| uMgungundlovu | 375 733 | 14.1 | 176 299 | 6.6 | 84 917 | 3.2 | 2 027 491 | 76.1 | 2 664 440 |
| uThukela | 65 955 | 5.8 | 41 086 | 3.6 | 27 093 | 2.4 | 1 005 576 | 88.2 | 1 139 710 |
| uMzinyathi | 26 360 | 7.0 | 10 092 | 2.7 | 10 555 | 2.8 | 330 993 | 87.6 | 378 000 |
| Amajuba | 89 534 | 8.0 | 26 703 | 2.4 | 24 266 | 2.2 | 973 306 | 87.4 | 1 113 809 |
| Zululand | 35 802 | 6.0 | 13 645 | 2.3 | 12 810 | 2.2 | 531 580 | 89.5 | 593 836 |
| uMkhanyakude | 12 620 | 2.7 | 12 759 | 2.7 | 6 586 | 1.4 | 443 926 | 93.3 | 475 890 |
| King Cetshwayo | 150 040 | 34.6 | 16 350 | 3.8 | 13 217 | 3.0 | 254 503 | 58.6 | 434 110 |
| iLembe | 44 369 | 7.3 | 44 556 | 7.3 | 12 111 | 2.0 | 507 653 | 83.4 | 608 689 |
| Harry Gwala | 10 636 | 9.0 | 5 361 | 4.5 | 3 616 | 3.0 | 99 211 | 83.5 | 118 823 |
| Total | 2 373 095 | 14.7 | 993 930 | 6.2 | 497 834 | 3.1 | 12 290 990 | 76.1 | 16 155 849 |

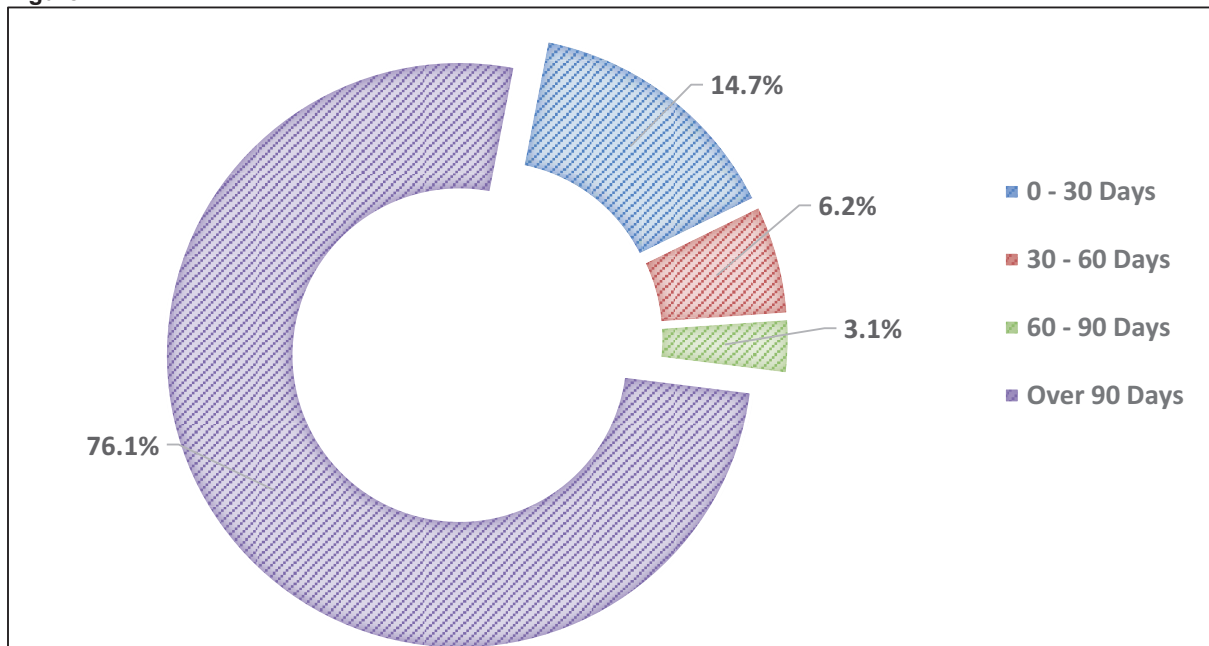
Source: NT Lgdatabase

The total debt owed to municipalities at the end of the fourth quarter of the 2016/17 financial year was R16.2 billion and represents an increase of 19.8 percent from an amount of R13.5 billion owed in the 2015/16 financial year.

The eThekweni Metro had the largest amount of outstanding debt (R8 billion), followed by the uMgungundlovu District (R2.7 billion), the uThukela District (R1.1 billion) and the Amajuba District (R1.1 billion). The Harry Gwala District recorded the lowest amount of outstanding debt (R118.8 million).

Figure 14 further illustrates the debtors age analysis as at 30 June 2017.

Figure 14



At the end of 2016/17 financial year, a substantial amount of debt, R12.3 billion (76.1 percent) was outstanding in the *Over 90 Days* category, representing an increase of R1.8 billion debt outstanding in the same category since 2015/16 (R10.5 billion). In the 2016/17 financial year, the debtors per age category were as follows: *0-30 Days*: R2.4 billion (14.7 percent), *31-60 Days*: R993.9 million (6.2 percent), and *61-90 Days*: R497.8 million (3.1 percent).

All of the districts had more than 70 percent of their debt outstanding in the *Over 90 Days* category with the exception of King Cetshwayo District that only had 58.6 percent of debt outstanding in this category. It should be noted that the high level of debt across districts is influenced by a number of factors such as the social economic environment, economic factors including high level of indigents, state social grants dependency and the unemployment rate.

Municipalities need to implement effective debt collection strategies and policies in order to improve their collection rates and thus ensuring that debt does not become irrecoverable. All municipalities in the province reported on their debt with the exception of the Mpofana Local Municipality and the Harry Gwala District Municipality, which represents an improvement from the 2015/16 financial year where 5 municipalities did not report on their outstanding debtors.

Debtors by Customer Group

Table 3.8 shows debtors by customer group per district as at 30 June 2017.

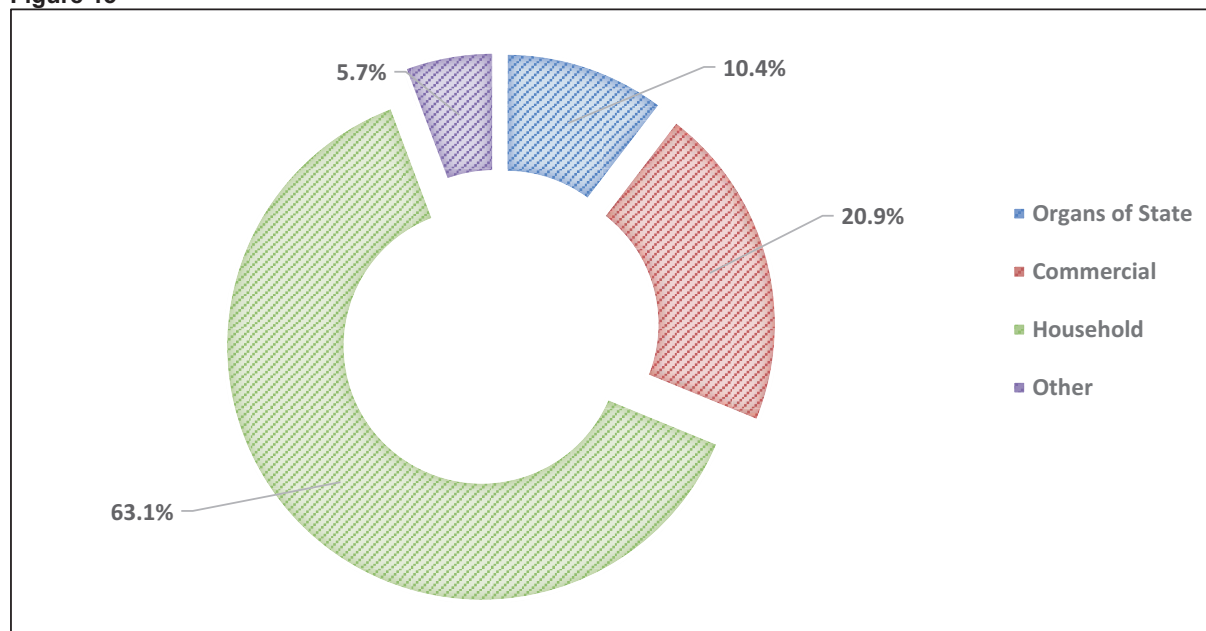
Table 3.8: Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|----------------|------------------|-------------|------------------|-------------|-------------------|-------------|----------------|------------|-------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eThekwini | 382 597 | 4.8 | 2 141 733 | 26.6 | 5 409 851 | 67.3 | 105 563 | 1.3 | 8 039 743 |
| Ugu | 35 041 | 6.0 | 100 862 | 17.1 | 431 336 | 73.3 | 21 559 | 3.7 | 588 798 |
| uMgungundlovu | 215 442 | 8.1 | 442 692 | 16.6 | 1 803 212 | 67.7 | 203 095 | 7.6 | 2 664 440 |
| uThukela | 691 229 | 60.6 | 39 310 | 3.4 | 68 806 | 6.0 | 340 365 | 29.9 | 1 139 710 |
| uMzinyathi | 49 254 | 13.0 | 45 173 | 12.0 | 275 552 | 72.9 | 8 021 | 2.1 | 378 000 |
| Amajuba | 49 129 | 4.4 | 114 797 | 10.3 | 925 380 | 83.1 | 24 503 | 2.2 | 1 113 809 |
| Zululand | 82 272 | 13.9 | 93 713 | 15.8 | 375 620 | 63.3 | 42 231 | 7.1 | 593 836 |
| uMkhanyakude | 73 799 | 15.5 | 89 552 | 18.8 | 250 500 | 52.6 | 62 040 | 13.0 | 475 890 |
| King Cetshwayo | 40 623 | 9.4 | 165 748 | 38.2 | 197 362 | 45.5 | 30 377 | 7.0 | 434 110 |
| iLembe | 34 089 | 5.6 | 109 764 | 18.0 | 409 186 | 67.2 | 55 651 | 9.1 | 608 689 |
| Harry Gwala | 20 443 | 17.2 | 26 568 | 22.4 | 45 440 | 38.2 | 26 371 | 22.2 | 118 823 |
| Total | 1 673 918 | 10.4 | 3 369 912 | 20.9 | 10 192 244 | 63.1 | 919 775 | 5.7 | 16 155 849 |

Source: NT Lgdatabase

Figure 15 shows municipal debt owed by Customer Group as at 30 June 2017.

Figure 15



The largest portion of outstanding debtors in the province, as at 30 June 2017, is owed by the *Household* customer group amounting to R10.2 billion (63.1 percent). This customer group is followed by debtors classified as *Commercial*: R3.4 billion (20.9 percent), *Organs of State*: R1.7 billion (10.4 percent) and *Other*: R919.8 million (5.7 percent).

The *Household* debt has increased by 24.5 percent from R8.2 billion (60.7 percent) in 2015/16 to R10.2 billion (63.1 percent) in 2016/17. The *Organs of state* debt has also increased from R790.6 million (5.9 percent) in 2015/16 to R1.7 billion (10.4 percent) in 2016/17. However, these amounts may not be a true reflection due to some municipalities not reporting on debtors for Month 12 in the 2016/17 financial year.

The eThekwini Metro contributed the greatest amount to debtors in the *Commercial* category with R2.1 billion or 63.6 percent of the total *Commercial* debtors of R3.4 billion. Other significant contributors to this category were the uMgungundlovu and King Cetshwayo Districts amounting to R442.7 million and R165.7 million, respectively.

With the exception of the uThukela District, all districts within the province had the bulk of their debtors reflected against the *Household* customer group. The Ugu, Amajuba and uMzinyathi Districts recorded more than 70 percent of their debtors outstanding by this customer group. Within the uThukela District, debt reflected in the Organs of state category by uThukela District Municipality increased from R6.7 million in 2015/16 to R625.8 million in 2016/17 due to incorrect classification on the Section 71 Returns. The debt classification within the district is therefore distorted.

It was noted that the *Other* customer group has slightly increased from the 2015/16 (R729 million) to the 2016/17 financial year (R919.8 million), contributing 5.7 percent of the total debt outstanding. Municipalities are encouraged to ensure that they classify debt correctly under the relevant customer group. uThukela District classified R340.4 million or 29.9 percent of the district's total debt as *Other* and contributed the greatest amount to total debt classified as *Other*. The uMgungundlovu District (R203.1 million) and the eThekweni Metro (R105.6 million) were other significant contributors to total debt in the *Other* category.

3.6 Bulk Services

The Municipal Finance Management Act No. 56 of 2003 (MFMA) promotes a co-operative approach to fiscal and financial management across all spheres of government. In the spirit of co-operative governance, Section 41(2) of the MFMA states that, *each organ of the state providing bulk resources to a municipality must within 15 days after the end of each month furnish the National Treasury with a written statement setting out, for each municipality or for each municipal entity providing municipal services on behalf of such municipalities:*

- (a) *the amount to be paid by the municipality or municipal entity for such bulk resources for that month, and for the financial year up to the end of that month;*
- (b) *the arrears owing and the aged profile of such arrears; and*
- (c) *any action taken by that organ of the state to recover arrears.*

The organs of state providing bulk services in KwaZulu-Natal are the Umgeni Water Board and the Mhlathuze Water Board for the provision of *bulk water services* and Eskom for the provision of *bulk electricity*.

The amounts shown in Table 3.9 to Table 3.15 are based on the Umgeni Water Board, the Mhlathuze Water Board and Eskom's MFMA Section 41 reports as at 30 June 2017 that were submitted to National Treasury. The municipalities are required to pay for their bulk purchases from the Water Boards and Eskom within 30 days of receiving the invoice as per Section 65(2)(e) of the MFMA.

3.6.1 Sale of Bulk Water

Table 3.9 shows the sale of *bulk water* to municipalities by the Umgeni Water Board for the month of June 2017 and the actual year to date sales amount.

Table 3.9: Sale of bulk water to municipalities

| Name of municipality | Sale of Bulk Water (R'000) | |
|----------------------|----------------------------|------------------|
| | June 2017 | YTD |
| eThekweni Metro | 176 259 | 1 852 225 |
| Msunduzi | 46 500 | 501 445 |
| uMgungundlovu DM | 10 972 | 116 630 |
| Ugu DM | 8 338 | 81 761 |
| iLembe DM | 8 769 | 80 683 |
| Harry Gwala DM | 1 113 | 10 170 |
| Total | 251 952 | 2 642 914 |

Source: Umgeni Water Board MFMA Section 41 Report

The sale of *bulk water* to municipalities from the Umgeni Water Board for the year under review amounted to R2.6 billion, which is an increase of R121.2 million or 4.8 percent when compared to R2.5 billion for the 2015/16 financial year ended 30 June 2016. The increase was attributed to increases in both volume and price of water sold. eThekweni Metro (R1.9 billion) and Msunduzi Local Municipality (R501.4 million) were the largest purchasers of *bulk water* at the end of the 2016/17 financial year, contributing 70.1 percent and 19 percent of the total sales, respectively. This was mainly due to the fact that they provide water to the most densely populated regions in the Province. Harry Gwala District Municipality purchased the least amount of water (R10.2 million or 0.4 percent).

uMhlathuze Local Municipality purchases *bulk water* from the Mhlathuze Water Board. uMhlathuze Local Municipality purchased R17.6 million of *bulk water* for the month of June 2017 and a total of R203.3 million during the 2016/17 financial year. Amajuba District Municipality incurred costs of R782 365 from the Mhlathuze Water Board for water testing done during the 2016/17 financial year.

The *Capital Unit Charge* is based on the volume of water sold to municipalities. The Umgeni Water Board invoices and collects these amounts from the municipalities on behalf of the Department of Water and Sanitation (DWS), using a tariff which is provided by the department. The *Capital Unit Charge* is mainly for the construction of the Spring Grove Dam.

Table 3.10 shows the capital unit charge incurred by municipalities for the month of June 2017 and the actual year to date amount.

Table 3.10: Capital Unit Charge

| Name of municipality | Capital Unit Charge (R'000) | |
|----------------------|-----------------------------|----------------|
| | June 2017 | YTD |
| eThekweni Metro | 15 946 | 167 188 |
| Msunduzi | 3 355 | 34 803 |
| uMgungundlovu DM | 975 | 10 302 |
| Ugu DM | 741 | 7 243 |
| iLembe DM | 779 | 7 139 |
| Harry Gwala DM | 60 | 429 |
| Total | 21 856 | 227 104 |

Source: Umgeni Water Board MFMA Section 41 Report

The *Capital Unit Charge* to the municipalities for the year under review amounted to R227.1 million. eThekweni Metro (R167.2 million) and Msunduzi Local Municipality (R34.8 million) incurred the highest *Capital Unit Charge* at the end of the financial year, contributing 73.6 percent and 15.3 percent of the total charges, respectively. Harry Gwala District Municipality incurred the least amount of the total *Capital Unit Charge* (R429 000 or 0.2 percent).

Umgeni Water Board also reports on the Mkhomazi Bulk Water Scheme (MBWS) which is a charge for the construction of the Mkhomazi Water Scheme and is based on the volume of water sold to municipalities. Umgeni Water Board invoices and collects these amounts from the municipalities on behalf of the DWS, using a tariff which is provided by the department.

Table 3.11 shows the charges incurred by municipalities in relation to the MBWS for the month of June 2017 and the actual year to date amount.

Table 3.11: Mkomazi Bulk Water Scheme

| Name of municipality | Mkomazi Bulk Water Scheme (R'000) | |
|----------------------|-----------------------------------|---------------|
| | June 2017 | YTD |
| eThekwini Metro | 3 490 | 27 385 |
| Msunduzi | 749 | 5 865 |
| uMgungundlovu DM | 218 | 1 722 |
| Ugu DM | 165 | 1 242 |
| iLembe DM | 174 | 1 254 |
| Harry Gwala DM | 13 | 81 |
| Total | 4 809 | 37 549 |

Source: Umgeni Water Board MFMA Section 41 Report

The MBWS charges incurred by municipalities for the 2016/17 financial year amounted to R37.5 million. eThekwini Metro (R27.4 million) and Msunduzi Local Municipality (R5.9 million) incurred the highest charges, contributing 72.9 percent and 15.6 percent to the total charges, respectively. This was mainly due to the fact that they provide water to the most densely populated regions in the province. Harry Gwala District Municipality incurred the least charges (R81 000 or 0.2 percent).

Age Profile of Umgeni Water Board Municipal Debtors

Table 3.12 shows the age analysis of the Umgeni Water Board (bulk water) MFMA Section 41 report as at 30 June 2017 that was submitted to the National Treasury:

Table 3.12: Age analysis of municipal Umgeni Water Board debtors (Bulk water)

| Name of municipality | Current | 30 Days | 60 Days | 90 Days | 120 Days + | Total |
|----------------------|----------------|--------------|--------------|--------------|--------------|----------------|
| R'000 | | | | | | |
| eThekwini Metro | 176 259 | – | – | – | – | 176 259 |
| Msunduzi | 46 500 | 433 | – | – | (1) | 46 933 |
| uMgungundlovu DM | 10 972 | 106 | – | – | – | 11 079 |
| Ugu DM | 8 338 | 853 | – | – | – | 9 191 |
| iLembe DM | 8 769 | 7 446 | 7 392 | 7 589 | – | 31 196 |
| Harry Gwala DM | 1 113 | 934 | 878 | 905 | 2 211 | 6 042 |
| Total | 251 952 | 9 773 | 8 270 | 8 494 | 2 210 | 280 700 |

Source: Umgeni Water Board MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R280.7 million was owed to the Umgeni Water Board as at 30 June 2017. With the exception of the eThekwini Metro, all municipalities as shown in Table 3.12 had amounts owing for longer than 30 days. The iLembe District Municipality made a payment toward their debt in July 2017.

Table 3.13 shows the age analysis of the Umgeni Water Board (Capital Unit Charge) MFMA Section 41 report as at 30 June 2017 that was submitted to the National Treasury:

Table 3.13: Age analysis of Umgeni Water Board municipal debtors (Capital Unit Charge)

| Name of municipality | Current | 30 Days | 60 Days | 90 Days | 120 Days + | Total |
|----------------------|---------------|------------|------------|------------|---------------|---------------|
| R'000 | | | | | | |
| eThekwini Metro | 15 946 | – | – | – | – | 15 946 |
| Msunduzi | 3 355 | – | – | – | – | 3 355 |
| uMgungundlovu DM | 975 | – | – | – | – | 975 |
| Ugu DM | 741 | – | – | – | – | 741 |
| iLembe DM | 779 | 662 | 657 | 674 | 19 632 | 22 403 |
| Harry Gwala DM | 60 | 37 | 41 | 43 | 27 | 209 |
| Total | 21 856 | 699 | 698 | 718 | 19 659 | 43 629 |

Source: Umgeni Water Board MFMA Section 41 Report

In terms of the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R43.6 million was owed to the Umgeni Water Board as at 30 June 2017 for the *Capital Unit Charge*. With the exception of iLembe and Harry Gwala District Municipalities, all municipalities as shown in Table 3.13 ensured that their *Capital Unit Charge* debt did not fall into arrears.

The iLembe District Municipality has sent a letter to DWS and requested that DWS passes credit notes amounting to R10.2 million relating to the amount already paid by the iLembe District Municipality for the period July 2012 to January 2014. The iLembe District Municipality has informed the Umgeni Water Board that due to the above, they will not be paying the *Capital Unit Charge* as they do not believe that they derive any benefit from the building of Spring Grove Dam.

Table 3.14 shows the age analysis of the Umgeni Water Board (MBWS) MFMA Section 41 report as at 30 June 2017 that was submitted to National Treasury:

Table 3.14: Age analysis of Umgeni Water Board municipal debtors (Mkomazi Bulk Water Scheme)

| Name of municipality | Current | 30 Days | 60 Days | 90 Days | 120 Days + | Total |
|----------------------|--------------|------------|------------|------------|------------|--------------|
| R'000 | | | | | | |
| eThekwini Metro | 3 490 | – | – | – | – | 3 490 |
| Msunduzi | 749 | – | – | – | – | 749 |
| uMgungundlovu DM | 218 | – | – | – | – | 218 |
| Ugu DM | 165 | – | – | – | – | 165 |
| iLembe DM | 174 | 148 | 147 | 150 | – | 619 |
| Harry Gwala DM | 13 | 8 | 9 | 10 | 6 | 47 |
| Total | 4 809 | 156 | 156 | 160 | 6 | 5 287 |

Source: Umgeni Water Board MFMA Section 41 Report

In terms of the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R5.3 million was owed to the Umgeni Water Board as at 30 June 2017 for the MBWS. With the exception of iLembe and Harry Gwala Districts Municipalities, all municipalities as shown in Table 3.14 ensured that their debt for MBWS did not fall into arrears. iLembe District Municipality made a payment toward their debt in July 2017.

Age Profile of Mhlathuze Water Board Municipal Debtors

As per the MFMA Section 41 report submitted to the National Treasury by the Mhlathuze Water Board, R36 million was owed to the Mhlathuze Water Board by KwaZulu-Natal municipalities as at 30 June 2017 of which uMhlathuze Local Municipality owed the Mhlathuze Water Board R35.7 million. The municipality had an amount of R18.1 million outstanding for over 30 days, however this was paid on 1 July 2017. The Amajuba District Municipality owed the Mhlathuze Water Board R233 000 which has been outstanding for 90 days and longer as at 30 June 2017.

3.6.2 Sale of bulk electricity

As per the MFMA Section 41 report submitted to the National Treasury by Eskom, R3.9 billion in sales were made to the KZN municipalities in the 2016/17 financial year, which is an increase of R300 million when compared to the 2015/16 financial year. The increase was attributed to increases in both volume and price of electricity sold.

eThekwini Metro (R2.4 billion), Msunduzi Local Municipality (R433.1 million) and uMhlathuze Local Municipality (R315.5 million) were the highest purchasers of *bulk electricity* at the end of the 2016/17 financial year, contributing 61.5 percent, 11.1 percent and 8.1 percent of total sales, respectively.

Age Profile of Municipal Eskom Debtors

Table 3.15 shows the age analysis of Eskom's MFMA Section 41 report as at 30 June 2017 that was submitted to National Treasury.

Table 3.15: Age analysis of municipal Eskom debtors

| Name of municipality R'000 | Current | 30 Days | 60 Days | 90 Days | 120 Days + | Total |
|-------------------------------|------------------|---------------|---------------|--------------|---------------|------------------|
| eThekwini Metro | 1 081 269 | 312 | - | - | - | 1 081 581 |
| uMzumbe | (13) | 14 | - | - | - | 1 |
| Hibiscus Coast | 11 014 | - | - | - | - | 11 014 |
| Ugu DM | (2) | - | - | - | - | (2) |
| uMshwathi | 89 | - | - | - | - | 89 |
| uMngeni | 6 972 | 35 | - | 33 | 175 | 7 215 |
| Mpofana | 6 234 | - | 4 671 | 4 693 | 24 048 | 39 646 |
| Msunduzi | 197 955 | - | 62 | 508 | - | 198 525 |
| uMgungundlovu DM | (9) | - | - | - | - | (9) |
| Emnambithi/Lady smith | 28 798 | - | - | - | - | 28 798 |
| Umtshezi | 21 479 | 14 032 | - | - | - | 35 511 |
| Okhahlamba | 35 | - | - | - | - | 35 |
| iNkosi Langa libalele | 23 | - | - | - | - | 23 |
| uThukela DM | 801 | 165 | - | - | - | 966 |
| eNdumeni | 11 921 | - | - | - | - | 11 921 |
| uMsinga | 5 | 19 | - | - | - | 24 |
| uMvoti | 6 278 | - | - | - | - | 6 278 |
| uMzinyathi DM | 204 | - | - | - | - | 204 |
| New castle | 64 015 | 44 105 | 200 | - | - | 108 319 |
| eMadlangeni | 1 363 | - | - | - | - | 1 363 |
| Amajuba DM | 209 | - | 2 | - | - | 210 |
| eDumbe | 2 942 | - | 3 873 | 40 | 197 | 7 052 |
| uPhongolo | 2 | 6 813 | 1 | - | - | 6 816 |
| AbaQulusi | 21 257 | 11 920 | - | - | - | 33 177 |
| Nongoma | 190 | - | - | - | - | 190 |
| Ulundi | 6 579 | - | 56 014 | - | - | 62 593 |
| Zululand DM | 1 122 | 32 | 152 | 4 | - | 1 309 |
| Jozini | (71) | - | - | - | - | (71) |
| The Big Five False Bay | 18 | - | - | - | - | 18 |
| Hlabisa | 29 | - | - | - | - | 29 |
| Mtubatuba | 12 | 18 | - | - | - | 30 |
| uMkhanyakude DM | 1 032 | 71 | - | - | - | 1 103 |
| uMfolozi | 93 | 23 | 94 | - | - | 209 |
| uMhlathuze | 129 979 | - | - | - | - | 129 979 |
| uMlalazi | 6 010 | - | - | - | - | 6 010 |
| Nkandla | 1 428 | 843 | - | - | - | 2 271 |
| King Cetshwayo DM | 25 | 12 | 12 | - | - | 48 |
| Mandeni | 48 | 1 344 | - | - | - | 1 392 |
| KwaDukuza | 72 538 | - | - | - | - | 72 538 |
| Maphumulo | (295) | - | 57 | 57 | 56 | (124) |
| iLembe DM | 479 | - | - | - | - | 479 |
| Ingwe | 23 | - | - | - | - | 23 |
| Greater Kokstad | (2) | - | - | - | - | (2) |
| uBuhlebezwe | 65 | - | - | - | - | 65 |
| Dr. Nkosazana Dlamini Zuma | 192 | - | - | - | - | 192 |
| Harry Gwala DM | (1 655) | 56 | - | - | - | (1 599) |
| Total | 1 680 678 | 79 814 | 65 136 | 5 336 | 24 477 | 1 855 440 |

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to the National Treasury by Eskom, R1.9 billion was owed to Eskom as at 30 of June 2017 by municipalities. R174.8 million thereof has been outstanding for more than 30 days in contravention of Section 65(e) of the MFMA.

eThekwini Metro, King Cetshwayo District, uThukela District, Zululand District, uMkhanyakude District, as well as uMzumbe, Umtshezi, uMsinga, AbaQulusi, uMhlathuze, Nkandla, Mandeni and Maphumulo Local Municipalities all settled their total outstanding debt owed to Eskom in July 2017.

Ulundi, eDumbe, Mpfana and Newcastle Local Municipalities have payment arrangements in place with Eskom. Ulundi and Mpfana Local Municipalities have not honoured their payment arrangements resulting in various revisions to their payment arrangements.

3.7 National Conditional Grants

3.7.1 National Conditional Grants – Provincial Total (Summary)

In terms of the Division of Revenue Act (DoRA) 2016, direct allocations to all 54 KwaZulu-Natal municipalities amounted to R7.1 billion, while allocations in-kind amounted to R1.3 billion, totaling R8.4 billion.

Of the direct allocations of R7.1 billion, 99.2 percent was transferred to municipalities as at the end of the 2016/17 financial year.

Municipalities have reported spending of R6.6 billion or 93.9 percent against the total amount transferred of R7.1 billion. When compared to the total DoRA allocation of R7.1 billion, 93.1 percent has been spent.

Table 3.16 shows the total national conditional grants transferred to all 54 municipalities in KwaZulu-Natal for the 2016/17 financial year and the related expenditure against the transfer.

Table 3.16: National Conditional Grants – Summary

| R'000 | DoRA 2016 Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
|--|--|---------------------------------|--|---------------------------|-------------|-----------------------|-------------|
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent |
| Local Government Financial Management Grant | 103 255 | 103 255 | 103 255 | 97 364 | 94.3 | 97 978 | 94.9 |
| Infrastructure Skills Development Grant | 37 855 | 37 855 | 37 855 | 21 147 | 55.9 | 29 913 | 79.0 |
| Integrated City Development Grant | 50 256 | - | - | - | - | 50 256 | - |
| Neighbourhood Development Partnership (Schedule 5B) | 146 556 | 146 556 | 146 556 | 107 097 | 73.1 | 68 478 | 46.7 |
| Municipal Disaster Recovery Grant | 90 000 | 90 000 | 90 000 | - | 0.0 | 54 649 | 60.7 |
| Municipal Demarcation Transition Grant (Schedule 5B) | 43 711 | 43 711 | 43 711 | 7 224 | 16.5 | 54 281 | 124.2 |
| Public Transport Network Grant | 1 150 109 | 1 150 109 | 1 150 109 | 977 847 | 85.0 | 1 150 109 | 100.0 |
| Rural Road Assets Management Systems Grant | 24 299 | 24 299 | 18 332 | 14 577 | 79.5 | 18 277 | 99.7 |
| Expanded Public Works Programme Integrated Grant (Municipality) | 165 490 | 165 490 | 165 490 | 152 492 | 92.1 | 171 306 | 103.5 |
| Integrated National Electrification Programme (Municipal) Grant | 564 050 | 564 050 | 564 050 | 260 271 | 46.1 | 500 663 | 88.8 |
| Energy Efficiency and Demand Side Management (Municipal) Grant | 16 000 | 16 000 | 16 000 | 11 370 | 71.1 | 14 339 | 89.6 |
| Regional Bulk Infrastructure Grant (Schedule 5B) | 584 388 | 584 388 | 584 388 | 418 573 | 71.6 | 499 844 | 85.5 |
| Municipal Water Infrastructure Grant (Schedule 5B) | - | - | - | - | - | 3 450 | - |
| Water Services Infrastructure Grant (Schedule 5B) | 855 622 | 855 622 | 855 622 | 736 414 | 86.1 | 727 743 | 85.1 |
| Municipal Infrastructure Grant | 3 295 457 | 3 295 457 | 3 295 457 | 3 238 343 | 98.3 | 3 196 719 | 97.0 |
| Total | 7 127 048 | 7 076 792 | 7 070 825 | 6 042 719 | 85.5 | 6 638 004 | 93.9 |
| Neighbourhood Development Partnership (Schedule 6B) | 5 000 | 5 000 | - | - | - | - | - |
| Municipal Systems Improvement Grant (Schedule 6B) | 13 009 | 13 009 | - | - | - | - | - |
| Municipal Demarcation Transition Grant (Schedule 6B) | 7 428 | 7 428 | - | - | - | - | - |
| Integrated National Electrification Programme (Allocation in-kind) Grant | 984 869 | 984 869 | - | - | - | - | - |
| Regional Bulk Infrastructure Grant (Schedule 6B) | 285 558 | 285 558 | - | - | - | - | - |
| Total | 1 295 864 | 1 295 864 | - | - | - | - | - |

Source: NT Lgdatabase

Note: The Urban Settlements Development Grant allocated to the eThekweni Metro is not included in the above figures. In terms of the DoRA, the allocation for this grant amounted to R1.9 billion.

3.7.2 Local Government Financial Management Grant

The DoRA states that the purpose of the Local Government Financial Management Grant (FMG) is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

The FMG is also used to pay for the stipend of municipal interns.

Table 3.17 shows the total FMG transferred by district in KwaZulu-Natal for the 2016/17 financial year and the related expenditure against the transfer.

Table 3.17: Expenditure on Local Government Financial Management Grant

| R'000 | Financial Management Grant | | | | | | |
|----------------|---------------------------------------|------------------------------|--|---------------------------|-------------|-----------------------|-------------|
| | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent |
| eThekwini | 1 050 | 1 050 | 1 050 | 1 050 | 100.0 | 1 050 | 100.0 |
| Ugu | 12 395 | 12 395 | 12 395 | 11 792 | 95.1 | 11 902 | 96.0 |
| uMgungundlovu | 13 625 | 13 625 | 13 625 | 13 184 | 96.8 | 13 376 | 98.2 |
| uThukela | 10 185 | 10 185 | 10 185 | 7 864 | 77.2 | 8 581 | 84.3 |
| uMzinyathi | 8 250 | 8 250 | 8 250 | 7 800 | 94.5 | 6 824 | 82.7 |
| Amajuba | 6 775 | 6 775 | 6 775 | 6 640 | 98.0 | 5 793 | 85.5 |
| Zululand | 10 075 | 10 075 | 10 075 | 8 928 | 88.6 | 8 802 | 87.4 |
| uMkhanyakude | 10 375 | 10 375 | 10 375 | 9 835 | 94.8 | 10 588 | 102.1 |
| King Cetshwayo | 11 800 | 11 800 | 11 800 | 11 583 | 98.2 | 12 166 | 103.1 |
| iLembe | 8 450 | 8 450 | 8 450 | 8 449 | 100.0 | 8 498 | 100.6 |
| Harry Gwala | 10 275 | 10 275 | 10 275 | 10 239 | 99.6 | 10 397 | 101.2 |
| Total | 103 255 | 103 255 | 103 255 | 97 364 | 94.3 | 97 978 | 94.9 |

Source: NT Lgdatabase

Municipalities have reported spending R98 million or 94.9 percent against a transfer of R103.3 million for the 2016/17 financial year. The King Cetshwayo District recorded the highest percentage spent against the amount transferred of 103.1 percent or R12.2 million whilst the uMzinyathi District recorded the lowest percentage spent against the amount transferred of 82.7 percent or R6.8 million.

As per Appendix 8, a total of 8 municipalities reported over expenditure on their FMG for 2016/17, with 35 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining 11 municipalities reported under expenditure on their FMG for the 2016/17 financial year.

3.7.3 Expanded Public Works Programme Integrated Grant for Municipalities

In terms of the DoRA, the purpose of the Expanded Public Works Programme Integrated Grant (EPWP) is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas in compliance with the EPWP guidelines.

Municipalities have reported spending R171.3 million or 103.5 percent against a transfer of R165.5 million for the 2016/17 financial year, suggesting the possible spending of rollover funds from previous years.

Table 3.18 shows the total EPWP allocation transferred by district in KwaZulu-Natal for the 2016/17 financial year and the related expenditure against the transfer.

Table 3.18: Expenditure on Expanded Public Works Programme Integrated Grant

| R'000 | Expanded Public Works Programme Intergrated Grant | | | | | | |
|----------------|---|------------------------------|--|---------------------------|-------------|-----------------------|--------------|
| | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent |
| eThekwini | 49 478 | 49 478 | 49 478 | 49 478 | 100.0 | 52 854 | 106.8 |
| Ugu | 8 698 | 8 698 | 8 698 | 8 369 | 96.2 | 8 290 | 95.3 |
| uMgungundlovu | 16 506 | 16 506 | 16 506 | 12 295 | 74.5 | 13 780 | 83.5 |
| uThukela | 13 337 | 13 337 | 13 337 | 12 325 | 92.4 | 13 500 | 101.2 |
| uMzinyathi | 9 282 | 9 282 | 9 282 | 7 897 | 85.1 | 13 077 | 140.9 |
| Amajuba | 7 073 | 7 073 | 7 073 | 5 550 | 78.5 | 6 963 | 98.4 |
| Zululand | 11 145 | 11 145 | 11 145 | 11 517 | 103.3 | 12 317 | 110.5 |
| uMkhanyakude | 11 861 | 11 861 | 11 861 | 11 337 | 95.6 | 13 897 | 117.2 |
| King Cetshwayo | 19 410 | 19 410 | 19 410 | 18 114 | 93.3 | 19 626 | 101.1 |
| iLembe | 8 242 | 8 242 | 8 242 | 6 719 | 81.5 | 8 136 | 98.7 |
| Harry Gwala | 10 458 | 10 458 | 10 458 | 8 891 | 85.0 | 8 866 | 84.8 |
| Total | 165 490 | 165 490 | 165 490 | 152 492 | 92.1 | 171 305 | 103.5 |

Source: NT Lgdatabase

As per Appendix 8, a total of 18 municipalities reported over expenditure on their EPWP grant for the 2016/17 financial year, with 23 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining 13 municipalities reported under expenditure on their EPWP grant for the 2016/17 financial year.

The uMsinga and Jozini Local Municipalities were the largest contributors towards over spending in the uMzinyathi and uMkhanyakude Districts which reported spending of R6.7 million (321 percent) and R4.5 million (135.4 percent), respectively.

The Msunduzi Local Municipality and Harry Gwala District Municipality were the largest contributors towards the under spending in the uMgungundlovu and Harry Gwala Districts, with reported spending of R3.9 million (57.5 percent) and R1.8 million (52.6 percent) respectively against their EPWP allocations.

3.7.4 Integrated National Electrification Programme (Municipal) Grant

The DoRA states that the purpose of the Integrated National Electrification Programme (Municipal) Grant (INEP) is to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

A total of 41 municipalities in the province received the INEP grant for the 2016/17 financial year. Municipalities have reported spending R500.7 million or 88.8 percent against a transfer of R564.1 million.

Table 3.19 shows the total INEP allocation transferred by district in KwaZulu-Natal for the 2016/17 financial year and the related expenditure against the transfer.

Table 3.19: Expenditure on Integrated National Electrification Programme (Municipal) Grant

| R'000 | Intergrated National Electrification Programme (municipal) Grant | | | | | | |
|----------------|--|------------------------------|--|---------------------------|-------------|-----------------------|-------------|
| | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent |
| eThekwini | 31 000 | 31 000 | 31 000 | 23 695 | 76.4 | 34 379 | 110.9 |
| Ugu | 24 000 | 24 000 | 24 000 | 16 128 | 67.2 | 21 762 | 90.7 |
| uMgungundlovu | 54 000 | 54 000 | 54 000 | - | - | 53 520 | 99.1 |
| uThukela | 33 000 | 33 000 | 33 000 | 33 000 | 100.0 | 20 560 | 62.3 |
| uMzinyathi | 78 000 | 78 000 | 78 000 | 67 221 | 86.2 | 75 674 | 97.0 |
| Amajuba | 17 000 | 17 000 | 17 000 | 4 141 | 24.4 | 7 887 | 46.4 |
| Zululand | 96 500 | 96 500 | 96 500 | 31 357 | 32.5 | 77 257 | 80.1 |
| uMkhanyakude | 72 000 | 72 000 | 72 000 | 49 028 | 68.1 | 72 434 | 100.6 |
| King Cetshwayo | 44 225 | 44 225 | 44 225 | 13 676 | 30.9 | 42 712 | 96.6 |
| iLembe | 44 825 | 44 825 | 44 825 | 15 073 | 33.6 | 41 020 | 91.5 |
| Harry Gwala | 69 500 | 69 500 | 69 500 | 6 952 | 10.0 | 53 457 | 76.9 |
| Total | 564 050 | 564 050 | 564 050 | 260 271 | 46.1 | 500 663 | 88.8 |

Source: NT Lgdatabase

As per Appendix 8, a total of 9 municipalities reported over expenditure on their INEP grant for the 2016/17 financial year, with 13 municipalities having spent exactly the amount that was allocated and transferred to them. A total of 19 municipalities reported under expenditure on their INEP grant for the 2016/17 financial year.

The eThekwini Metro recorded the highest percentage spent of 110.9 percent.

The Alfred Duma and eMadlangeni Local Municipalities were the largest contributors towards the under spending in the uThukela and Amajuba Districts, with reported spending of R3.5 million (30.4 percent) and R1.9 million (21 percent) respectively against their INEP allocations.

3.7.5 Municipal Infrastructure Grant

The DoRA states that the purpose of the Municipal Infrastructure Grant (MIG) is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

The total MIG allocation to municipalities within the province was R3.3 billion, including allocations to two of the three non-delegated municipalities; namely the uMhlathuze and Msunduzi Local Municipalities. The eThekwini Metro receives the Urban Settlements Development Grant and therefore does not receive the MIG.

Table 3.20 shows the total MIG transferred by district in KwaZulu-Natal for the 2016/17 financial year and the related expenditure against the transfer.

Table 3.20: Expenditure on Municipal Infrastructure Grant

| R'000 | Municipal Infrastructure Grant | | | | | | |
|----------------|---------------------------------------|------------------------------|--|---------------------------|-------------|-----------------------|-------------|
| | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent |
| eThekwini | – | – | – | – | – | – | – |
| Ugu | 390 196 | 390 196 | 390 196 | 385 407 | 98.8 | 346 445 | 88.8 |
| uMgungundlovu | 412 930 | 412 930 | 412 930 | 402 863 | 97.6 | 416 210 | 100.8 |
| uThukela | 314 420 | 314 420 | 314 420 | 305 529 | 97.2 | 319 486 | 101.6 |
| uMzinyathi | 283 359 | 283 359 | 283 359 | 283 359 | 100.0 | 304 401 | 107.4 |
| Amajuba | 180 602 | 180 602 | 180 602 | 175 621 | 97.2 | 169 852 | 94.0 |
| Zululand | 377 658 | 377 658 | 377 658 | 377 549 | 100.0 | 375 487 | 99.4 |
| uMkhanyakude | 334 139 | 334 139 | 334 139 | 326 843 | 97.8 | 359 775 | 107.7 |
| King Cetshwayo | 375 269 | 375 269 | 375 269 | 375 269 | 100.0 | 374 400 | 99.8 |
| iLembe | 319 323 | 319 323 | 319 323 | 307 052 | 96.2 | 315 484 | 98.8 |
| Harry Gwala | 307 561 | 307 561 | 307 561 | 298 851 | 97.2 | 215 180 | 70.0 |
| Total | 3 295 457 | 3 295 457 | 3 295 457 | 3 238 343 | 98.3 | 3 196 719 | 97.0 |

Source: NT Lgdatabase

During the 2016/17 financial year, R3.3 billion was transferred to municipalities according to the data supplied by National Treasury. A total of R3.2 billion or 97 percent was expended against the allocation for the 2016/17 financial year.

The Ugu, uMgungundlovu, Zululand and King Cetshwayo Districts received the largest MIG transfers of more than R375 million per district.

As per Appendix 8, a total of 11 municipalities have spent more than the amount transferred to them, suggesting the possible spending of rollover funds from previous years. The highest over spending was in the uMkhanyakude and uMzinyathi Districts with spending rates of 107.7 percent and 107.4 percent respectively.

The uMkhanyakude District Municipality reported spending of R232.8 million or 112.2 percent against a transfer of R207.5 million, resulting in over spending of R25.3 million and was the largest contributor to the over spending in the uMkhanyakude District. The uMzinyathi District Municipality reported spending of R194 million or 107.2 percent against a transfer of R181.1 million, resulting in over spending of R13 million and was the largest contributor to the over spending in the uMzinyathi District.

A total of 29 municipalities spent 100 percent of their grant allocation.

The remaining 13 municipalities reported under expenditure on their MIG for the 2016/17 financial year. The uMdoni, Ray Nkonyeni, AbaQulusi and Jozini Local Municipalities and the Harry Gwala District Municipality spent less than 75 percent of their MIG allocations as at the end of the 2016/17 financial year. The Harry Gwala District Municipality's expenditure was by far the lowest at 51.7 percent.

3.8 Unspent Conditional Grants

Section 214 of the Constitution provides for National Government to transfer funds to municipalities in terms of the Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. In this regard, the National Government allocates monies to municipalities for specific purposes and the use of the allocated monies is subject to various conditions.

In general, Conditional Grant transfers aim to:

- Address the structural imbalance between revenue available to municipalities and the expenditure responsibilities assigned to them;
- Support national and provincial priorities, as outlined through different sector policies, in particular those focused on providing universal and sustainable access to services; and
- Establish incentives for good governance and building local government capacity within a sound fiscal framework.

Often, municipalities do not fully utilise the conditional grants received by the end of the financial year. When preparing their Annual Financial Statements, a municipality must determine what portion of each national conditional allocation remained unspent as at the end of the financial year. In terms of Section 22 of DoRA, unspent conditional grants revert to the National Revenue Fund (NRF), unless the relevant municipality can prove to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

National Treasury will then confirm in writing whether or not the municipality may retain as a rollover any of the unspent funds or whether it has agreed to any alternative payment methods or schedules. Municipalities are then required to appropriate the approved rollover funds in an Adjustments Budget in terms of Regulation 23 of the Municipal Budget and Reporting Regulations (MBRR). Furthermore, municipalities must report spending on conditional grants that are rolled over on a separate National Treasury customised reporting template.

In the event that municipalities fail to apply for a roll over or where a rollover application is rejected and the Unspent Conditional Grants are not refunded to the NRF, National Treasury will offset such amounts against the municipality's Equitable Share allocation and recover the funds accordingly. The inability of the municipality to refund these amounts is a consequence of using those monies for purposes other than in accordance with the conditions of the grant.

3.8.1 Unspent Conditional Grants – (2014/15)

During 2015, unspent conditional grants of R748.9 million was offset against the November 2015 Equitable Share.

On the 1 December 2016, National Treasury released the second tranche of the 2016/17 Equitable Share payment to KZN municipalities after offsetting unspent conditional grants of R17.2 million for the 2014/15 financial year. The amount related to unspent roll overs for eThekweni Metro (R12.1 million) and local municipalities namely, Hibiscus Coast (R583 000), uMvoti (R836 000), uMlalazi (R1.4 million) and district municipalities, uMgungundlovu (R1.3 million) and uMkhanyakude (R1 million) respectively.

Furthermore, uMzimkhulu Local Municipality repaid R612 000 to the NRF relating to unspent grant rollovers.

Consequently, total unspent grants of R766.7 million was returned to the NRF by KZN municipalities for the 2014/15 financial year.

3.8.2 Unspent Conditional Grants – (2015/16)

During 2016, 34 municipalities submitted rollover applications with motivations to National Treasury in respect of unspent conditional grants for the 2015/16 financial year. On the 22th and 23th September 2016, National Treasury together with key stakeholders i.e. KZN Provincial Treasury, Department of Co-operative Governance and Traditional Affairs (CoGTA National and Provincial), Department of

Public Works and the Department of Energy, jointly assessed the rollover applications received as at 31 August 2016.

On 07 October 2016, National Treasury sent a letter to Municipal Managers notifying them as to whether their application for the rollover of the unspent conditional grant was approved or rejected in terms of Section 22 of the Division of Revenue Act (DoRA) and provided them with reasons for the rejection based on the criteria as per MFMA Circular No. 75.

National Treasury initially approved rollovers for 19 municipalities in KZN, amounting to a total of R53.3 million for 2015/16. Following subsequent engagements with municipalities, National Treasury further assessed and approved rollover applications of R14.3 million. This brought the total amount approved for rollover to R67.6 million for the 2015/16 unspent conditional grants. Appendix 13 shows the respective municipalities and the approved rollovers for 2015/16.

Municipalities who had their rollover applications rejected were requested to return any unspent conditional grants that were not approved, to the National Revenue Fund by the 14 November 2016.

National Treasury subsequently sent a letter to the affected Municipal Managers on the 25 October 2016 advising them of the following:

“National Treasury has finalised the unspent conditional grant process for the 2015/16 financial year and has determined the unspent amount to be repaid to the National Revenue Fund.

National Treasury has used the 2016 pre-audited Annual Financial Statements to update the unspent conditional grant dataset for the 2015/16 financial year. In the absence of the AFS, National Treasury used the Section 71 report for the fourth quarter of 2015/16 to determine the amount to be surrendered to the National Revenue Fund.”

Municipalities were notified of their unspent amount and were reminded that it reverts to the National Revenue Fund. Municipalities were provided with the NRF bank account details and once again requested to return the unspent grants by 14 November 2016.

Municipalities were warned that failing to return the unspent grants or comply with Section 22(1) of the 2015 DoRA by 14 November 2016, would result in National Treasury deducting the entire unspent amount from the respective municipality’s equitable share instalment to be received on the 1 December 2016, in terms of Section 22(4) of the 2015 DoRA.

In terms of Section 22(5) of DoRA, municipalities were also given 14 days upon receipt of the letter to propose an alternative repayment arrangement for the unspent grants to be repaid into the NRF.

In December 2016 National Treasury offset R372.8 million unspent conditional grants against the second installment of the Equitable Share of the affected municipalities. This amount is in respect of unspent grants of R17.8 million for 2014/15 and R355 million for 2015/16.

Subsequent engagements with municipalities resulted in National Treasury reimbursing R32.4 million in relation to the 2015/16 unspent grants offset in December 2016.

Msunduzi (R196.7 million) and uMzimkhulu (R612 000) Local Municipalities repaid their respective 2015/16 unspent conditional grants directly to the National Revenue Fund. This consequently resulted in total unspent grants for 2015/16 decreasing to R322.6 million.

Appendix 10 shows the total amount offset and/or returned i.e. R322.6 million and provides a further breakdown per grant offset. It is of great concern that the largest amounts offset are in respect of the

basic service delivery grants, namely Public Transport and Infrastructure and Systems Grant (PTIG) (R165.2 million), Integrated National Electrification Programme (INEP) (R53.1 million) and Neighbourhood Development Programme (NDPG) (R31 million), the result of which will be a negative impact on service delivery and development in the Province.

Appendix 12 shows that historically total unspent conditional grants of R2 billion was returned to the National Revenue Fund (NRF) for the period 2011/12 to 2015/16. These are funds that could have been used by our municipalities to develop infrastructure and provide essential services but has now left our Province due to poor grant management. eThekweni Metro, Msunduzi and Newcastle Local Municipalities have surrendered the highest amount of unspent conditional grants to the NRF.

Provincial Treasury has made every effort to assist municipalities in the rollover process for 2015/16. This was evidenced by the issue of Provincial Treasury Circular TC/RM 3 on 25 August 2016 which provided guidance, summarised legislation and key deadlines on the conditional grant management and rollover process. Following the release of the circular, Provincial Treasury officials engaged with municipalities in order to reiterate the importance of following the rollover process correctly and offered direction and support on the preparation of rollover applications.

Provincial Treasury was one of the key stakeholders together with National Treasury involved in comprehensively evaluating municipalities' 2015/16 grant rollover motivations. In addition, Provincial Treasury assisted numerous municipalities that raised queries or required clarity regarding the rejection of rollover applications.

3.8.3 Unspent Conditional Grants – (2016/17)

Municipalities were required to submit their 2016/17 AFS to the Auditor General by the 31 August 2017. During this process, municipalities were required to determine the unspent portion of the National Conditional Grants for the 2016/17 financial year which will be subject to scrutiny by the Auditor-General when they perform the audit.

Municipalities were also requested to submit their rollover applications and supporting documentation to National Treasury by 31 August 2017 in accordance with National Treasury, Annexure to MFMA Circular No. 86 and 2016 DoRA.

Provincial Treasury also issued Circular PT/MF 2 on the 01 August 2017, providing guidance and key deadlines on the conditional grant management and the rollover process.

3.8.4 Stopping of Conditional Grants

In terms of Section 38 of the Municipal Finance Management Act (MFMA) and Section 19 of the DoRA, 2016, National Treasury may, at its discretion or at the request of a transferring officer stop the transfer of funds to a municipality for the following reasons:

- Persistent and material non-compliance with DoRA; or
- If National Treasury anticipates that a municipality will substantially under-spend on the programme or allocation in the financial year.

In terms of Section 38(2)(a) of the MFMA, municipalities are requested to submit written representations regarding the proposed stopping of the allocated funds.

In terms of Section 19 of DoRA and Section 38 of the MFMA National Treasury notified 6 municipalities on the 15 December 2016 of its intention to stop a portion of the following 2016/17 grant allocations:

- Water Services Infrastructure Grant;
- Rural Roads Assets Management Grant;
- Regional Bulk Infrastructure Grant; and
- Neighbourhood Development Partnership Grant

Municipalities were given 7 days to make representation regarding the stopping of these grants.

National Treasury then issued a notification letter to CoGTA and Provincial Treasury on 01 March 2017 identifying 6 municipalities for which the grants would be officially stopped. Government Gazette number 40670 issued on 08 March 2017 confirmed the stopping of allocations of the affected municipalities.

Further to this, National Treasury notified 24 municipalities on 15 February 2017 of its intention to stop a portion of their 2016/17 Municipal Infrastructure Grant allocations, due to under performance against this grant. National Treasury issued a notification letter to CoGTA and Provincial Treasury on the 16 March 2017 identifying 10 municipalities for which the grants would be officially stopped. Government Gazette number 40707 issued on 22 March 2017 confirmed the stopping of allocations of the affected municipalities.

The failure to fully or appropriately utilise conditional grants negatively impacts the development of infrastructure and exacerbates the current backlogs thus impeding economic growth and the provision of service delivery by municipalities. It therefore becomes essential that municipalities engage in proper management of conditional grant funding and strictly adhere to the requirements regarding reporting as well as the submission of applications for rollover.

3.9 Cash Flow Position – 2015/16

Municipalities are required, at a very minimum to maintain a positive cash position. Provincial Treasury conducted an analysis of the cash resources of the municipalities in KwaZulu-Natal by assessing their Net Available Cash and their Cash Coverage Ratio using the audited 2015/16 annual financial statements. It was concluded that there is a deterioration in the cash position of a significant number of municipalities due to increasing challenges experienced regarding the management of cash. The results of the analysis are detailed below.

3.9.1 Net Available Cash

Net Available Cash is calculated as ‘Cash and Investments’ less ‘Unspent Conditional Grants’, where ‘Cash and Investments’ comprises of Cash, Bank, Call Investment Deposits and Long Term Investments.

If Net Available Cash is positive, it indicates that the municipality’s unspent conditional grants are cash backed. If the Net Available Cash is negative, it indicates that the unspent conditional grants are not cash backed.

Table 3.21 shows 11 municipalities with a negative ‘Net Available Cash’ (Red) position in the 2015/16 financial year and consequently, a negative Cash Coverage Ratio.

Table 3.21 Unspent Conditional Grants Not Cash Backed (Summary)

| R'000 | 2014/15 | | | | 2015/16 | | | |
|------------------------|----------------------|----------------------------|--------------------|------------------------------------|----------------------|----------------------------|--------------------|------------------------------------|
| | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months |
| Mpofana | 12 175 | 19 230 | -7 055 | -0.9 | 4 935 | 19 709 | -14 774 | -1.5 |
| Umtshezi | 8 122 | 2 450 | 5 672 | 0.2 | 11 886 | 15 684 | -3 799 | -0.1 |
| Amajuba DM | 148 | 6 810 | -6 662 | -0.5 | 17 990 | 18 664 | -674 | -0.0 |
| eDumbe | 1 116 | 2 770 | -1 654 | -0.2 | 719 | 1 046 | -327 | -0.0 |
| uPhongolo | 13 137 | 10 336 | 2 801 | 0.2 | 9 774 | 12 763 | -2 989 | -0.2 |
| Zululand DM | -45 481 | 0 | -45 481 | -1.2 | -33 432 | 13 362 | -46 794 | -1.2 |
| The Big Five False Bay | -1 841 | 148 | -1 989 | -0.5 | 2 734 | 5 401 | -2 667 | -0.6 |
| Hlabisa | 4 954 | 6 376 | -1 421 | -0.3 | 1 985 | 7 762 | -5 776 | -1.0 |
| uMfolozi | 3 188 | 4 765 | -1 577 | -0.2 | 211 | 5 564 | -5 354 | -0.6 |
| Nkandla | 9 051 | 4 788 | 4 263 | 0.6 | 4 482 | 4 503 | -21 | -0.0 |
| Harry Gwala DM | 25 871 | 7 280 | 18 591 | 0.7 | 5 819 | 6 677 | -858 | -0.0 |

Source: Auditor General: Audited 2015/16 Annual Financial Statements

It is imperative to further evaluate if the negative cash balances are reflecting a deteriorating trend. In other words, is the negative cash balance temporary or is it an indication of deeper rooted financial difficulties prevalent in the municipality. Table 3.21 also shows that the financial position for the majority of the municipalities listed above reflect continuing negative cash balances over the 2014/15 and 2015/16 financial years.

3.9.2 Unspent Conditional Grants - Not Cash-backed

Table 3.22 shows the net available cash after making provision to cash back the unspent conditional grants and whether the unspent conditional grants were cash backed for the 2014/15 and 2015/16 financial years.

Based on the analysis of the 2015/16 audited AFS reflected in Table 3.22, 11 of the 61 municipalities' Unspent Conditional grants are not cash backed. The following should also be noted:

- 7 of the 11 municipalities' Unspent Conditional grants are not cash backed by less than R5 million.
- 2 of the 11 municipalities' Unspent Conditional grants are not cash backed by between R5 million and R10 million.
- 2 of the 11 municipalities' Unspent Conditional grants are not cash backed by more than R10 million.

The following is a detailed breakdown per district for 2015/16, with the relevant amounts by which the municipalities are not cash backed.

- uMgungundlovu District: Mpofana (R14.8 million)
- uThukela District: Umtshezi (R3.8 million)
- Amajuba District: Amajuba DM (R674 000)
- Zululand District: eDumbe (R327 000), uPhongolo (R3 million) and Zululand DM (R46.8 million)
- uMkhanyakude District: The Big Five False Bay (R2.7 million), Hlabisa (R5.8 million)
- King Cetshwayo District: uMfolozi (R5.4 million) and Nkandla (R21 000)
- Harry Gwala District: Harry Gwala DM (R858 000)

Based on the figures in the Annual Financial Statements the unspent conditional grants for all the municipalities in the Ugu, uMzinyathi and iLembe Districts appear to be cash backed.

Table 3.22 Unspent Conditional Grants Not Cash Backed

| R'000 | 2014/15 | | | | 2015/16 | | | |
|------------------------|----------------------|----------------------------|--------------------|------------------------------------|----------------------|----------------------------|--------------------|------------------------------------|
| | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months |
| eThekweni Metro | 5 898 757 | 1 126 071 | 4 772 686 | 2.3 | 6 915 704 | 749 320 | 6 166 384 | 3.1 |
| Vulamehlo | 31 716 | 5 776 | 25 940 | 5.9 | 27 032 | 5 445 | 21 588 | 3.2 |
| uMdoni | 110 351 | 11 764 | 98 586 | 9.6 | 123 676 | 511 | 123 165 | 10.7 |
| uMzambe | 110 413 | 8 492 | 101 921 | 12.9 | 122 840 | 5 412 | 117 428 | 12.0 |
| uMuziwabantu | 77 097 | 10 541 | 66 556 | 7.6 | 110 840 | 3 757 | 107 083 | 12.4 |
| Ezinqolweni | 40 974 | 1 866 | 39 108 | 14.3 | 33 101 | 770 | 32 331 | 8.9 |
| Hibiscus Coast | 83 613 | 14 644 | 68 969 | 1.3 | 82 346 | 31 681 | 50 666 | 0.9 |
| Ugu DM | 232 922 | 21 366 | 211 556 | 4.5 | 256 457 | 8 730 | 247 727 | 4.8 |
| uMshwathi | 2 070 | 0 | 2 070 | 0.3 | 3 980 | 0 | 3 980 | 0.4 |
| uMngeni | 45 311 | 22 223 | 23 087 | 1.2 | 38 399 | 11 078 | 27 321 | 1.3 |
| Mpofana | 12 175 | 19 230 | -7 055 | -0.9 | 4 935 | 19 709 | -14 774 | -1.5 |
| iMpendle | 4 644 | 464 | 4 180 | 1.2 | 4 099 | 381 | 3 718 | 0.9 |
| Msunduzi | 840 868 | 134 857 | 706 011 | 2.6 | 977 942 | 249 941 | 728 001 | 2.5 |
| Mkhambathini | 14 614 | 4 055 | 10 558 | 2.6 | 37 260 | 3 171 | 34 090 | 8.0 |
| Richmond | 47 063 | 7 417 | 39 647 | 8.1 | 47 736 | 7 803 | 39 933 | 6.7 |
| uMgungundlovu DM | 158 744 | 55 288 | 103 455 | 2.6 | 174 761 | 21 251 | 153 510 | 3.2 |
| Emnambithi/Lady smith | 190 574 | 20 610 | 169 964 | 4.3 | 139 284 | 18 202 | 121 081 | 2.8 |
| Indaka | 140 591 | 10 792 | 129 799 | 43.8 | 137 023 | 3 987 | 133 037 | 37.8 |
| Umtshezi | 8 122 | 2 450 | 5 672 | 0.2 | 11 886 | 15 684 | -3 799 | -0.1 |
| Okhahlamba | 45 227 | 14 354 | 30 873 | 3.2 | 41 431 | 20 333 | 21 098 | 1.9 |
| Imbabazane | 23 218 | 36 | 23 182 | 2.9 | 9 330 | 6 | 9 324 | 1.1 |
| uThukela DM | 145 088 | 6 999 | 138 089 | 3.9 | 36 715 | 468 | 36 248 | 0.8 |
| eNdumeni | 57 903 | 14 408 | 43 495 | 2.6 | 68 345 | 17 655 | 50 690 | 2.7 |
| Nquthu | 114 553 | 16 736 | 97 817 | 9.5 | 118 751 | 1 503 | 117 248 | 12.8 |
| uMsinga | 69 269 | 17 220 | 52 048 | 5.6 | 40 989 | 4 135 | 36 854 | 3.2 |
| uMvoti | 39 476 | 13 163 | 26 312 | 2.1 | 42 672 | 6 084 | 36 588 | 2.2 |
| uMzinyathi DM | 57 974 | 4 718 | 53 257 | 1.8 | 60 935 | 17 362 | 43 573 | 1.2 |
| New castle | 340 813 | 69 611 | 271 202 | 2.6 | 44 573 | 32 409 | 12 164 | 0.1 |
| eMadlangeni | 27 463 | 1 893 | 25 570 | 6.8 | 21 028 | 2 707 | 18 321 | 3.7 |
| Dannhauser | 30 343 | 21 886 | 8 456 | 1.3 | 36 742 | 6 507 | 30 236 | 4.6 |
| Amajuba DM | 148 | 6 810 | -6 662 | -0.5 | 17 990 | 18 664 | -674 | -0.0 |
| eDumbe | 1 116 | 2 770 | -1 654 | -0.2 | 719 | 1 046 | -327 | -0.0 |
| uPhongolo | 13 137 | 10 336 | 2 801 | 0.2 | 9 774 | 12 763 | -2 989 | -0.2 |
| AbaQulusi | 36 636 | 8 034 | 28 602 | 0.8 | 13 622 | 10 825 | 2 797 | 0.1 |
| Nongoma | 15 678 | 15 559 | 119 | 0.0 | 6 546 | 221 | 6 325 | 0.6 |
| Ulundi | 4 246 | 1 286 | 2 960 | 0.2 | 2 378 | 1 121 | 1 256 | 0.1 |
| Zululand DM | -45 481 | 0 | -45 481 | -1.2 | -33 432 | 13 362 | -46 794 | -1.2 |
| uMhlabyalingana | 77 654 | 2 357 | 75 297 | 9.8 | 62 188 | 9 126 | 53 063 | 4.1 |
| Jozini | 22 508 | 8 335 | 14 173 | 1.6 | 74 627 | 9 228 | 65 399 | 5.8 |
| The Big Five False Bay | -1 841 | 148 | -1 989 | -0.5 | 2 734 | 5 401 | -2 667 | -0.6 |
| Hlabisa | 4 954 | 6 376 | -1 421 | -0.3 | 1 985 | 7 762 | -5 776 | -1.0 |
| Mtubatuba | 13 845 | 3 269 | 10 576 | 1.2 | 16 161 | 2 512 | 13 649 | 1.5 |
| uMkhanyakude DM | 12 696 | 33 540 | -20 844 | -0.6 | 27 315 | 24 102 | 3 213 | 0.1 |
| uMfolozi | 3 188 | 4 765 | -1 577 | -0.2 | 211 | 5 564 | -5 354 | -0.6 |
| uMhlathuze | 421 638 | 39 733 | 381 905 | 2.2 | 462 406 | 19 103 | 443 303 | 2.5 |
| Ntambanana | 21 252 | 9 904 | 11 348 | 3.2 | 15 634 | 1 703 | 13 931 | 2.4 |
| uMlalazi | 79 035 | 14 951 | 64 085 | 3.8 | 112 440 | 20 099 | 92 341 | 4.6 |
| Mthonjaneni | 47 719 | 295 | 47 424 | 8.2 | 40 930 | 177 | 40 754 | 6.5 |
| Nkandla | 9 051 | 4 788 | 4 263 | 0.6 | 4 482 | 4 503 | -21 | -0.0 |
| King Cetshwayo DM | 428 309 | 38 603 | 389 706 | 8.3 | 422 557 | 15 939 | 406 618 | 7.5 |
| Mandeni | 29 057 | 7 318 | 21 739 | 1.7 | 27 749 | 11 271 | 16 478 | 1.1 |
| KwaDukuza | 540 391 | 39 226 | 501 165 | 6.1 | 452 173 | 19 919 | 432 254 | 4.8 |
| Ndwedwe | 76 667 | 18 921 | 57 746 | 9.1 | 109 380 | 8 457 | 100 923 | 15.0 |
| Maphumulo | 15 683 | 28 438 | -12 755 | -1.7 | 22 797 | 16 546 | 6 250 | 0.9 |
| iLembe DM | 31 863 | 9 768 | 22 096 | 0.5 | 35 916 | 4 487 | 31 429 | 0.8 |
| Ingwe | 57 000 | 5 594 | 51 406 | 9.1 | 69 130 | 16 006 | 53 124 | 9.1 |
| Kwa Sani | 18 941 | 1 394 | 17 547 | 5.8 | 15 056 | 823 | 14 233 | 4.5 |
| Greater Kokstad | 52 716 | 6 446 | 46 270 | 2.7 | 88 367 | 5 492 | 82 875 | 4.5 |
| uBuhlebezwe | 81 970 | 14 169 | 67 800 | 10.3 | 103 230 | 9 765 | 93 465 | 12.7 |
| uMzimkhulu | 94 283 | 20 168 | 74 116 | 8.2 | 111 745 | 18 529 | 93 216 | 8.7 |
| Harry Gwala DM | 25 871 | 7 280 | 18 591 | 0.7 | 5 819 | 6 677 | -858 | -0.0 |

Source: Auditor General: Audited 2015/16 Annual Financial Statements

Table 3.22 shows that R1.6 billion for National, Provincial and other conditional grants were unspent as per the 2015/16 Audited Annual Financial Statements as compared to R2 billion in 2014/15.

It must also be noted that Zululand District Municipality was in a negative cash position before even considering the cash backing of unspent conditional grants. In terms of Section 45 of the MFMA municipalities are not allowed to close the financial year with any short term borrowing or overdraft. The fact that the municipality was not able to close the financial year with a positive cash position is a strong indicator that the municipality is in severe financial distress.

Table 3.23 shows the Regression of Net Available Cash from 2014/15 to 2015/16 in 28 municipalities. It was noted that Newcastle, uThukela DM and KwaDukuza Municipalities had regressed the most in 2015/16.

Table 3.23: Regression of Net Available Cash

| R'000 | 2014/15 | | | | 2015/16 | | | | Regression of Net Available Cash from 2014/15 to 2015/16 |
|------------------------|----------------------|----------------------------|--------------------|------------------------------------|----------------------|----------------------------|--------------------|------------------------------------|--|
| | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months | Cash and Investments | Unspent Conditional Grants | Net Available Cash | Cash Coverage Ratio - No of months | |
| Vulamehlo | 31 716 | 5 776 | 25 940 | 5.9 | 27 032 | 5 445 | 21 588 | 3.2 | -4 352 |
| Ezinqolweni | 40 974 | 1 866 | 39 108 | 14.3 | 33 101 | 770 | 32 331 | 8.9 | -6 778 |
| Hibiscus Coast | 83 613 | 14 644 | 68 969 | 1.3 | 82 346 | 31 681 | 50 666 | 0.9 | -18 303 |
| Mpofana | 12 175 | 19 230 | -7 055 | -0.9 | 4 935 | 19 709 | -14 774 | -1.5 | -7 719 |
| iMpendle | 4 644 | 464 | 4 180 | 1.2 | 4 099 | 381 | 3 718 | 0.9 | -461 |
| Emnambithi/Ladysmith | 190 574 | 20 610 | 169 964 | 4.3 | 139 284 | 18 202 | 121 081 | 2.8 | -48 883 |
| Umtshezi | 8 122 | 2 450 | 5 672 | 0.2 | 11 886 | 15 684 | -3 799 | -0.1 | -9 471 |
| Okhahlamba | 45 227 | 14 354 | 30 873 | 3.2 | 41 431 | 20 333 | 21 098 | 1.9 | -9 775 |
| Imbabazane | 23 218 | 36 | 23 182 | 2.9 | 9 330 | 6 | 9 324 | 1.1 | -13 858 |
| uThukela DM | 145 088 | 6 999 | 138 089 | 3.9 | 36 715 | 468 | 36 248 | 0.8 | -101 841 |
| uMsinga | 69 269 | 17 220 | 52 048 | 5.6 | 40 989 | 4 135 | 36 854 | 3.2 | -15 194 |
| uMzinyathi DM | 57 974 | 4 718 | 53 257 | 1.8 | 60 935 | 17 362 | 43 573 | 1.2 | -9 683 |
| Newcastle | 340 813 | 69 611 | 271 202 | 2.6 | 44 573 | 32 409 | 12 164 | 0.1 | -259 038 |
| eMadlangeni | 27 463 | 1 893 | 25 570 | 6.8 | 21 028 | 2 707 | 18 321 | 3.7 | -7 249 |
| uPhongolo | 13 137 | 10 336 | 2 801 | 0.2 | 9 774 | 12 763 | -2 989 | -0.2 | -5 791 |
| AbaQulusi | 36 636 | 8 034 | 28 602 | 0.8 | 13 622 | 10 825 | 2 797 | 0.1 | -25 806 |
| Ulundi | 4 246 | 1 286 | 2 960 | 0.2 | 2 378 | 1 121 | 1 256 | 0.1 | -1 704 |
| Zululand DM | -45 481 | 0 | -45 481 | -1.2 | -33 432 | 13 362 | -46 794 | -1.2 | -1 313 |
| uMhlabayalingana | 77 654 | 2 357 | 75 297 | 9.8 | 62 188 | 9 126 | 53 063 | 4.1 | -22 234 |
| The Big Five False Bay | -1 841 | 148 | -1 989 | -0.5 | 2 734 | 5 401 | -2 667 | -0.6 | -679 |
| Hlabisa | 4 954 | 6 376 | -1 421 | -0.3 | 1 985 | 7 762 | -5 776 | -1.0 | -4 355 |
| uMfolozi | 3 188 | 4 765 | -1 577 | -0.2 | 211 | 5 564 | -5 354 | -0.6 | -3 777 |
| Mthonjaneni | 47 719 | 295 | 47 424 | 8.2 | 40 930 | 177 | 40 754 | 6.5 | -6 670 |
| Nkandla | 9 051 | 4 788 | 4 263 | 0.6 | 4 482 | 4 503 | -21 | -0.0 | -4 284 |
| Mandeni | 29 057 | 7 318 | 21 739 | 1.7 | 27 749 | 11 271 | 16 478 | 1.1 | -5 262 |
| KwaDukuza | 540 391 | 39 226 | 501 165 | 6.1 | 452 173 | 19 919 | 432 254 | 4.8 | -68 911 |
| Kwa Sani | 18 941 | 1 394 | 17 547 | 5.8 | 15 056 | 823 | 14 233 | 4.5 | -3 314 |
| Harry Gwala DM | 25 871 | 7 280 | 18 591 | 0.7 | 5 819 | 6 677 | -858 | -0.0 | -19 449 |

Source: Auditor General: Audited 2015/16 Annual Financial Statements

3.9.3 Cash Coverage Ratio

Whilst a positive cash balance is a good indicator, a major challenge facing municipalities is to ensure that there is sufficient cash available to cover their monthly fixed operating commitments.

A negative ratio indicates that the municipality has insufficient cash available to meet its monthly fixed operating commitments, i.e. it has a negative net available cash position. A positive ratio confirms that there is sufficient cash available to cover monthly fixed payments. Although a municipality may have a positive ratio, the guideline is a ratio of greater than or equal to 3 (i.e. a coverage of 3 months).

Using the 2015/16 Annual Financial Statements, Table 3.24 shows the period that each municipality can meet its monthly fixed operating commitments without collecting any additional revenue during that month. The results of this analysis are as follows:

- 27 of the 61 municipalities have a cash coverage ratio of 3 months or greater.
- 23 of the 61 municipalities have a cash coverage ratio between zero and less than 3 months.
- 11 of the 61 municipalities have a cash coverage ratio of less than zero.

Table 3.24: Cash Coverage Ratio (Ranking)

| Municipalities with a negative cash coverage ratio (11 Municipalities - 18%) | Municipalities with a cash coverage ratio between 0 and <3 months (23 Municipalities - 38%) | | Municipalities with a cash coverage ratio of greater than =3 months (27 Municipalities - 44%) | |
|---|---|-----------------|--|-------------------|
| Mpofana | Hibiscus Coast | uMkhanyakude DM | eThekweni Metro | uMlalazi |
| Umtshezi | uMshwathi | uMhlathuze | Vulamehlo | Mthonjaneni |
| Amajuba DM | uMngeni | Ntambanana | uMdoni | King Cetshwayo DM |
| eDumbe | iMpendle | Mandeni | uMzumbhe | KwaDukuza |
| uPhongolo | Msunduzi | Maphumulo | uMuzwabantu | Ndwedwe |
| Zululand DM | Emnambithi/Ladysmith | iLembe District | Ezinqoleni | Ingwe |
| The Big Five False Bay | Okhahlamba | | Ugu DM | KwaSani |
| Hlabisa | Imbabazane | | Mkhambathini | Greater Kokstad |
| uMfolozi | uThukela DM | | Richmond | uBuhlebezwe |
| Nkandla | eNdumeni | | uMgungundlow DM | uMzimkhulu |
| Harry Gwala DM | uMvoti | | Indaka | |
| | uMzinyathi DM | | Nquthu | |
| | Newcastle | | Msinga | |
| | AbaQulusi | | eMadlangeni | |
| | Nongoma | | Dannhauser | |
| | Ulundi | | uMhlabuyalingana | |
| | Mtubatuba | | Jozini | |

Source: Auditor General: Audited 2015/16 Annual Financial Statements

As shown in Table 3.24, 56 percent of the municipalities in the province do not have a healthy cash coverage ratio. Furthermore Table 3.22 shows the 22 municipalities that do not have sufficient cash available to cover at least 1 month of fixed commitments. This indicates that these municipalities may not be financially sustainable.

The analysis of the KZN municipalities' Net Available Cash and their Cash Coverage Ratio highlighted two major challenges facing a number of municipalities:

Unspent conditional grants are not cash backed due to the following:

- Municipalities have insufficient available cash to ensure that unspent conditional grants are cash backed, and/or
- Municipalities are utilising unspent conditional grants to fund both operating and capital expenditure without prior approval of Treasury, and/or
- Poor management and reporting on conditional grants.

Cash Coverage

Municipalities have insufficient funds available to meet their fixed monthly commitments, hence the negative cash ratio. This results in municipalities depending on conditional grants to fund operating expenditure.

The Auditor-General had identified matters relating to the going concern of six (6) municipalities namely; Mpofana Local Municipality, eDumbe Local Municipality, AbaQulusi Local Municipality, Ulundi Local Municipality, Hlabisa Local Municipality and Amajuba District Municipality. Further these municipalities had going concern matters raised in the prior year. Going concern matters were raised by the Auditor-General based on the following:

- Conditional grants not being cash-backed;
- Repayments as per loan agreements that could not be met;
- Non-payment of current liabilities;
- Current liabilities exceeded cash resources;
- Poor cash coverage ratios;
- Poor current ratios; and
- Net loss for the year.

These issues may stem from municipalities incurring material losses, high levels of material impairments and poor debt collection processes. The root causes of the going concern issues must be identified and addressed.

Section 71 Reporting

When evaluating the cash position of the municipalities, it was also identified that for many municipalities there was no alignment between the cash information in the Section 71 reports and the annual year end financial statements figure. Possible reasons include:

- Municipalities do not regularly prepare and/or review bank reconciliations throughout the year and usually defer this important control process to year end. This indicates that the Section 71 reporting of the cash position is flawed; and
- Municipalities have not implemented the practice of closing off their General Ledger either monthly or quarterly. This results in transactions that continue to be processed for historical periods (e.g. previous months) throughout the financial year. This practice leads to actual financial information that is constantly changing or incomplete. Reporting appears to only stabilise at year end when journals are processed and figures are finalised for submission of the Annual Financial Statements to the Auditor- General.

The current state of municipal finances in KwaZulu-Natal reflects a deterioration in the cash position of a significant number of municipalities and major challenges being experienced in cash flow management. Municipalities therefore need to take a proactive approach to avoid moving into a state of financial distress.

3.9.4 Challenges faced by municipalities which are negatively impacting the cash position of municipalities:

- The increasing rates and tariffs together with the slow recovery of the economy have negatively impacted on the consumers' ability to pay. This has resulted in a significant deterioration in revenue collections. Many of the municipalities affected by cash flow problems also service an increasing number of indigent and poor communities who are the victims of continued service delivery backlogs and challenges;
- The high debtor levels at municipalities indicate poor implementation of debt collection and credit control policies and practices. This may also further reflect a failure on the part of mayors and

councillors to provide political backing to revenue enhancement programmes. Municipalities are failing to collect revenues promptly and pursue debtors with due rigour;

- Municipalities have demonstrated an inability to prepare or implement credible budgets resulting in unrealistic revenue and cash projections, excessive operating expenditure or a capital budget which is over ambitious. Many municipalities are still preparing budgets incorrectly by first planning their spending and thereafter projecting their income. They are not accounting for the timing differences between when revenue is billed and actual cash is collected. This results in major cash flow difficulties as municipalities become vulnerable due to exhausting their historical cash reserves;
- Municipalities experience poor management, monitoring and reporting of conditional grant funding. Municipalities regularly utilize conditional grant funds to supplement operating expenditure requirements instead of using the funds in accordance with the applicable grant conditions;
- The deteriorating system of governance resulting from the high vacancy rates and insufficient municipal capacity due to lack of skills, has negatively affected the cash position, budgeting and financial management at municipalities. The skills shortage and poor capacity at municipalities has compromised the implementation of proper cash flow management;
- Major unresolved disputes coupled with poor service delivery has resulted in increasing ratepayer/consumer boycotts and have lead to resistance from communities to pay their accounts owing to the municipalities;
- The failure to optimise tariffs to ensure that they are cost reflective together with the cash flow difference between increasing cost of bulk electricity/water and poor revenue collection, further impacts negatively on the cash position of municipalities;
- Weak billing system reflecting poor data integrity, failure to timeously update consumer information, and inaccurate or delayed invoicing, further contributes to the poor cash position. Failure to bill consumers accurately or on time results in delays in revenue collections; and
- Municipalities are incurring significant water and electricity distribution losses caused by theft and/or poor infrastructure. This results in material revenue losses and negatively impacts the overall cash position.

3.9.5 Risks associated with a negative or low cash position:

- A poor cash position may result in existing staff not getting paid and may make it difficult for a municipality to hire and retain employees. This could further lead to labour disputes at the municipality resulting in a disruption of operations;
- Contractors, suppliers and service providers may also not get paid or experience extensive delays in receiving payment due to lack of funds. This can result in poor service delivery and further backlogs in infrastructure development;
- Municipalities suffering from cash flow difficulties have no margin of safety in the case of unanticipated expenses;
- Deteriorating cash position makes it more expensive for municipalities to borrow funds from financial institutions. Municipalities will therefore experience problems obtaining financing for expansion and development;
- A poor cash position indicates ineffective cash management which further implies poor processes and systems and therefore exposes the municipality to the risk of theft, corruption and fraud;
- When a municipality experiences a deteriorating financial position, repairs and maintenance is usually one of the first categories of expenses that is reduced. This results in shortening the useful life of assets while reducing the reliability and quality of services; and

- A poor cash position could ultimately lead to technical insolvency which could further impact the going concern position and negatively impact the audit opinion of a municipality.

Municipalities facing cash flow crises simply throw money at the problem by means of grant funding or additional borrowing, which is a temporary solution at best. A cash flow crisis is usually a symptom of a broader issue facing the municipality. Cash management requires more than just a financial fix; it requires a holistic approach that focuses on making a municipality operate more efficiently.

A cash management process allows a municipality to control its cash and manage its operations economically, efficiently and effectively. In this way the municipality can reduce operational disruptions, operate in a smooth and efficient manner, and provide for ongoing growth and development. Effective cash management optimizes the use of cash in a municipality.

3.9.6 The collective objectives of cash management can be summarized as follows:

- To ensure the availability at all times of adequate liquid resources for operational purposes and investment in assets. In effect generating positive cash flow by applying effective techniques for collecting cash due to the municipality, and expending no more cash than necessary;
- To have a positive cash buffer as a safety net against any unforeseen crises or emergencies;
- To take advantage of opportunities that arise by attaining the highest possible return at the lowest risk on investments of surplus cash; and
- To demonstrate proper stewardship, accountability and implementation of effective controls on cash resources – ie.to ensure the safety of public funds.

Municipalities need to perform a cash management analysis in order to address short falls, increase revenue collection and curtail spending. Understanding and managing cash is not nearly as complicated as it first seems as it is reduced to the identification of opportunities to generate more cash inflows or reducing cash outflows.

Implementing sound cash management may require harsh measures but it will minimize cash flow problems, help maintain continued financial viability and invariably ensure the sustainability and survival of the municipality. Every municipality has its own unique cash needs but good cash management is universally essential to a financially healthy organisation.

Chapter 4: District Performance Analysis

The monthly budget reports produced by municipalities in terms of Section 71 of the MFMA are the core of the In-Year Monitoring (IYM) process that National and Provincial Treasury have implemented. The objectives of the IYM process are amongst others:

- to improve the quality and the credibility of the information provided;
- to assist municipalities in identifying financial problems facing municipalities, including any emerging or impending financial problems (early warning system); and
- to allow for appropriate and timeous action to be taken should there be an indication of substantial over or under spending against the budget, or any other financial problems.

The information provided by municipalities through the Section 71 reports is often not credible. The following factors contribute to the poor quality of these reports:

- Section 71 reports are not submitted on time. Some reports were outstanding for a few municipalities and as a result, these were not included in the Section 71 publication for the year ended 30 June 2017. Those municipalities are listed in Chapter 5: Non-compliance with DoRA and MFMA;
- Non-submission of Signed Verification Schedules for Section 71 and Conditional Grants Reports for the fourth quarter of 2016/17. The following were the main non-complying municipalities: Ray Nkonyeni and Mpofana Local Municipalities. This implies that these municipalities did not scrutinise and verify their information for accuracy prior to National Treasury publishing the Section 71 figures;
- The reported budget performance results by some of the municipalities showed either a material under expenditure or over expenditure;
- Municipalities with municipal entities, especially the district municipalities, are failing to submit the consolidated performance reports which include the Budget performance results of their municipal entities. In terms of Section 87(11) of the MFMA, Accounting Officers of municipal entities are expected to submit to their parent municipality by no later than seven working days after the end of each month, a statement in the prescribed format on the state of the entity's budget performance;
- Accruals are not processed on a monthly basis;
- A large number of municipalities do not account for Depreciation and asset impairment as well as Debt impairment in their financial performance returns on a monthly basis; and
- The Section 71 figures, although signed off by certain municipalities are not always reviewed before submission to the National Treasury Local Government Database (NT Lgdatabase).

The above indicates that, it is probable that there will be material differences between the NT Lgdatabase published Section 71 report figures and the 2016/17 pre-audited Annual Financial Statements (AFS) figures to be submitted to the Auditor-General by the end of August 2017.

While every attempt has been made in this chapter to provide a high level analysis of the budget performance of all the delegated municipalities, Provincial Treasury's assessment has been limited to a large extent due to lack of accuracy and credibility of the figures submitted by municipalities, as indicated above. Thus, all queries on the budgeted and actual figures reflected in this report must be referred to the relevant Municipal Manager (MM) and Chief Financial Officer (CFO) as they were required to sign off the Section 71 reports as part of the quarterly verification process undertaken by National Treasury. Furthermore, the reasons for over or under performance were obtained directly from the municipalities. Where plausible reasons could not be obtained, it has been stated as such in the report.

4.1 Ugu District

Ugu District comprises of four local municipalities namely; uMdoni, uMzumbe, uMuziwabantu and Ray Nkonyeni. The district is located in the South Coast of the KwaZulu-Natal province and covers a geographical area of 5 866 km² with a coastline of 112 kilometres. Well established commercial bases are found at Ray Nkonyeni and uMdoni Local Municipalities while uMzumbe and uMuziwabantu Local Municipalities are rural.

The core trading services rendered by Ugu District Municipality are *Water and Sanitation* services. uMuziwabantu and Ray Nkonyeni Local Municipalities provide *Electricity* and *Refuse removal* services whilst uMdoni and uMzumbe Local Municipalities only render *Refuse removal* services.

During the 2016/17 financial year all the municipalities within the Ugu district had their Municipal Managers (MM) and Chief Financial Officers (CFO) in office except for uMuziwabantu Local Municipality where the position of the CFO was vacant from 2 November 2015.

uMuziwabantu and uMzumbe Local Municipalities maintained a clean audit report from the 2014/15 financial year to 2015/16 financial year. uMdoni, Ezingoleni and Hibiscus Coast Local Municipalities regressed from a clean audit report in 2014/15 to unqualified audit opinion with other matters in 2015/16. Vulamehlo Local Municipality improved from a qualified audit opinion to a financially unqualified audit opinion with other matters in 2015/16 while Ugu District Municipality remained unchanged with an unqualified audit opinion with other matters in 2015/16 financial year.

Vulamehlo Local Municipality was disestablished since the 2016 local government elections due to the redetermination of municipal boundaries by the Demarcation Board. The wards for Vulamehlo Local Municipality were split between eThekweni Metro and uMdoni Local Municipalities. Ezingoleni and Hibiscus Coast Local Municipalities were amalgamated after the 2016 local government elections to establish a new municipality called Ray Nkonyeni Local Municipality.

It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. The figures could also change during the preparation and the audit of the 2016/17 Annual Financial Statements.

4.1.1 Overview of Ugu District Performance

Table 4.1(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|--------------|------------------|------------------|------------------|-------------|
| uMdoni | 255 138 | 254 350 | 225 627 | 88.7 |
| uMzumbe | 145 984 | 147 833 | 139 037 | 94.1 |
| uMuziwabantu | 140 377 | 141 767 | 118 624 | 83.7 |
| Ray Nkonyeni | 837 225 | 837 225 | 764 373 | 91.3 |
| Ugu DM | 914 506 | 932 345 | 865 342 | 92.8 |
| Total | 2 293 229 | 2 313 520 | 2 113 003 | 91.3 |

Source: NT Igdatabase

Table 4.1(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|------------------|------------------|------------------|-------------|
| uMdoni | 285 776 | 230 414 | 190 754 | 82.8 |
| uMzumbe | 152 247 | 155 321 | 123 448 | 79.5 |
| uMuziwabantu | 137 814 | 143 673 | 141 832 | 98.7 |
| Ray Nkonyeni | 836 394 | 836 394 | 653 175 | 78.1 |
| Ugu DM | 912 263 | 928 221 | 1 070 224 | 115.3 |
| Total | 2 324 495 | 2 294 023 | 2 179 433 | 95.0 |

Source: NT Igdatabase

Table 4.1(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|-----------------|-----------------|------------------|-------------|
| uMdoni | 110 194 | 109 643 | 70 321 | 64.1 |
| uMzumbe | 56 166 | 60 071 | 43 454 | 72.3 |
| uMuziwabantu | 46 257 | 35 348 | 33 940 | 96.0 |
| Ray Nkonyeni | 146 428 | 146 428 | 64 529 | 44.1 |
| Ugu DM | 369 147 | 349 233 | 329 449 | 94.3 |
| Total | 728 192 | 700 723 | 541 694 | 77.3 |

Source: NT Igdatabase

Table 4.1(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|---------------|------------|---------------|------------|---------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMdoni | (3 422) | -7.4 | 2 103 | 4.5 | 1 238 | 2.7 | 46 595 | 100.2 | 46 514 |
| uMzumbe | (15) | -0.1 | (2) | 0.0 | (751) | -6.3 | 12 684 | 106.4 | 11 916 |
| uMuziwabantu | 2 658 | 17.6 | 1 666 | 11.0 | 761 | 5.0 | 10 042 | 66.4 | 15 127 |
| Ray Nkonyeni | 13 236 | 7.1 | 3 528 | 1.9 | 9 277 | 5.0 | 159 208 | 85.9 | 185 248 |
| Ugu DM | 36 698 | 11.1 | 16 101 | 4.9 | 17 248 | 5.2 | 259 946 | 78.8 | 329 993 |
| Total | 49 154 | 8.3 | 23 395 | 4.0 | 27 773 | 4.7 | 488 475 | 83.0 | 588 798 |

Source: NT Igdatabase

Table 4.1(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|--------------|-----------------|------------|----------------|-------------|----------------|-------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMdoni | 3 427 | 7.4 | 17 126 | 36.8 | 23 929 | 51.4 | 2 031 | 4.4 | 46 514 |
| uMzumbe | 6 972 | 58.5 | 2 569 | 21.6 | - | - | 2 374 | 19.9 | 11 916 |
| uMuziwabantu | 3 401 | 22.5 | 4 121 | 27.2 | 7 604 | 50.3 | - | - | 15 127 |
| Ray Nkonyeni | 4 475 | 2.4 | 24 714 | 13.3 | 139 771 | 75.5 | 16 288 | 8.8 | 185 248 |
| Ugu DM | 16 765 | 5.1 | 52 331 | 15.9 | 260 032 | 78.8 | 865 | 0.3 | 329 993 |
| Total | 35 041 | 6.0 | 100 862 | 17.1 | 431 336 | 73.3 | 21 559 | 3.7 | 588 798 |

Source: NT Igdatabase

Table 4.1(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|---------------|-------------|--------------|------------|--------------|------------|--------------|------------|---------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMdoni | 27 723 | 100.0 | - | - | - | - | - | - | 27 723 |
| uMzumbe | - | - | - | - | - | - | - | - | - |
| uMuziwabantu | - | - | - | - | - | - | - | - | - |
| Ray Nkonyeni | 13 334 | 100.0 | - | - | - | - | - | - | 13 334 |
| Ugu DM | 19 012 | 81.2 | 2 370 | 10.1 | 1 057 | 4.5 | 969 | 4.1 | 23 408 |
| Total | 60 068 | 93.2 | 2 370 | 3.7 | 1 057 | 1.6 | 969 | 1.5 | 64 465 |

Source: NT Igdatabase

4.1.2 Analysis per municipality: uMdoni Local Municipality

Table 4.1 (g) Operating Revenue and Expenditure Performance - uMdoni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 75 066 | 76 480 | 76 256 | 99.7 | |
| Service Charges ² | 8 663 | 8 663 | 8 554 | 98.7 | |
| Transfers recognised - operational | 142 612 | 117 306 | 122 995 | 104.9 | The municipality has generated R123 million or 104.9 percent for Transfers recognised - operational against an Adjusted Budget of R117.3 million. The municipality indicated that they have erroneously recognised roll-overs as Transfers recognised - operational. This error will be rectified during the preparation of the 2016/17 Annual Financial Statements (AFS). |
| Other sources of Revenue ³ | 28 797 | 51 902 | 17 821 | 34.3 | The municipality has generated revenue of R17.8 million or 34.3 percent for Other sources of Revenue against an Adjusted Budget of R51.9 million. The municipality has indicated that the variance in Other sources of Revenue is due to the inclusion of an amount of R20.7 million for Accumulated surplus in the Other revenue budget during the 2016/17 Adjustments Budget process. The municipality was advised during the Adjustments Budget assessment process not to include the Accumulated surplus under Other revenue as this income has already been accounted for in previous years. This has distorted the budgeted income that was to be generated for the period. |
| Total Operating Revenue | 255 138 | 254 350 | 225 627 | 88.7 | |
| Operating Expenditure | | | | | |
| Employee related costs | 89 276 | 77 713 | 79 055 | 101.7 | |
| Remuneration of councillors | 14 231 | 12 010 | 5 940 | 49.5 | The municipality reported expenditure of R5.9 million or 49.5 percent against the Adjusted Budget of R12 million for Remuneration of councillors. The municipality attributed this under performance to reporting errors and misallocations in the MFMA Section 71 Reports. |
| Debt impairment | 3 734 | 1 500 | - | - | The municipality has not reported on Debt impairment against an Adjusted Budget amount of R1.5 million, thus understating the Operating Expenditure for 2016/17. The municipality indicated that the Debt impairment for the year will be processed as part of the year-end journal entries during the preparation of the AFS. This was despite the municipality being advised by Provincial Treasury to report the expenditure on a monthly basis. |
| Depreciation and asset impairment | 41 127 | 35 400 | - | - | The municipality has not reported on Depreciation and asset impairment against an Adjusted Budget amount of R35.4 million, thus understating the Operating Expenditure for 2016/17. The Depreciation and asset impairment is only calculated at year-end by the municipality and the amount was not yet calculated by the time of the MFMA Section 71 reporting. Despite the municipality being urged throughout the financial year in the IYM assessment, Mid Year Budget and Performance Assessment, as well as the Adjustments Budget process, to report the Depreciation and asset impairment on a monthly basis, it has failed to implement the advice from Provincial Treasury. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 27 522 | - | 23 997 | - | The municipality reported R24 million for Contracted services, which was not budgeted for in the 2016/17 Adjusted Budget. The municipality attributed this variance to an error in the Adjustments Budget as Contracted services were incorrectly budgeted under Other expenditure. In addition, the municipality confirmed that the amount of R24 million actually relates to Contracted services and will be reported as such in the 2016/17 AFS. |
| Other expenditure items ⁴ | 109 886 | 103 791 | 81 762 | 78.8 | The municipality reported R81.8 million or 78.8 percent against the Adjusted Budget of R103.8 million for Other expenditure items. The municipality has attributed this under performance to an error in the Adjustments Budget, wherein the expenditure for Contracted services was incorrectly budgeted under Other expenditure. |
| Total Operating Expenditure | 285 776 | 230 414 | 190 754 | 82.8 | |
| Operating surplus/(deficit) | (30 638) | 23 936 | 34 873 | | The municipality has reported an Operating surplus of R34.9 million. However, the exclusion of Accumulated surplus amount of R20.7 million and the inclusion of the expenditure on Debt impairment and Depreciation and asset impairment may result in an Operating deficit. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.1 (h) Capital, Cash and Conditional grant Performance - uMdoni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 71 477 | 62 352 | 45 756 | 73.4 | The municipality attributed the under performance in Transfers recognised - capital to the capital projects that were not completed as at the end of the financial year. The majority of these capital projects were funded by Small Town Rehabilitation Grant. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 38 717 | 47 291 | 24 565 | 51.9 | The municipality attributed the under performance of Internally generated funds to the capital expenditure budget not being fully spent. |
| Total Capital Revenue | 110 194 | 109 643 | 70 321 | 64.1 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 110 194 | 11 660 | 15 050 | 129.1 | The municipality has attributed this over expenditure to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality indicated that these errors and misallocations will be corrected prior to the finalisation of the 2016/17 AFS. |
| Community and Public Safety | - | 30 151 | 2 484 | 8.2 | The municipality indicated that the under spending on this vote was due to delays in the implementation of the capital projects. |
| Eco. & Environmental Services | - | 2 211 | 52 704 | 2 383.9 | The municipality has attributed this over expenditure to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality indicated that these errors and misallocations will be corrected prior to the finalisation of the 2016/17 AFS. |
| Trading Services | - | 2 716 | 83 | 3.1 | The municipality indicated that the under spending on this vote was due to delays in the implementation of the capital projects. |
| Other | - | 62 904 | - | - | No expenditure was reported against the Adjusted Budget of R62.9 million for Other. The municipality has attributed the lack of expenditure to errors and misallocations in the figures reported in the MFMA Section 71 reports as well as accruals not being taken into account at the time of the submission of MFMA Section 71 reports. The municipality indicated that these errors and misallocations will be corrected prior to the finalisation of the 2016/17 AFS. |
| Total Capital Expenditure | 110 194 | 109 643 | 70 321 | 64.1 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 122 978 | 122 978 | 6 486 | | The municipality has incorrectly populated the MFMA Section 71 reports as they reflected R6.5 million as Cash and cash equivalent at the year begin instead of R150.7 million as per the 2015/16 AFS. This error has resulted in Cash and cash equivalent at the year begin being understated by R144.2 million. |
| Cash/cash equiv. at the year end: | 135 676 | 135 676 | 11 748 | | Based on the error noted above, the Cash and cash equivalents at the year end amount of R11.7 million is not accurate and may increase significantly. |
| Net Increase/(Decrease) in cash held | 12 698 | 12 698 | 5 262 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 835 | 3 945 | 102.9% | (110) | The municipality indicated that they spent R3.8 million or 100 percent of the Financial Management Grant. The difference of R110 000 was funded by the Equitable Share. The correcting return has been subsequently submitted to the National Treasury's database. |
| Expanded Public Works Programme Integrated Grant | 2 038 | 1 943 | 95.3% | 95 | The municipality indicated that the under spending on this grant was due to poor planning during the first half of the year, which resulted in delays in incurring the expenditure. |
| Municipal Infrastructure Grant | 35 870 | 13 928 | 38.8% | 21 942 | The municipality indicated that at the time of the preparation of the MFMA Section 71 report, not all capital expenditure had been accrued or accounted for. The municipality indicated that the actual year to date expenditure is R32.7 million or 91.3 percent. This will be corrected during the finalisation of the 2016/17 AFS. |

Table 4.1 (i) Trade and other receivables, Trade and other payables and Key ratios - uMdoni Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 39 649 | | |
| Debtors as at 30 June 2017 | 46 514 | | The Debtors balance has increased by R6.9 million or 17.3 percent from R39.6 million as at 30 June 2016 to R46.5 million as at 30 June 2017. This is an indication that the municipality is not collecting debtors which will have an adverse effect on the Cash Flow. |
| By age analysis | | | |
| 0-30 days | (3 422) | - | The negative balance is due to Debtors paying their accounts in advance. These amounts will only be allocated as and when the debt becomes payable. |
| 31-60 days | 2 103 | 4.5% | |
| 61-90 days | 1 238 | 2.7% | |
| >90 days | 46 595 | 100.2% | The municipality has R46.6 million of Debtors that are in the "Over 90 days" category as at 30 June 2017. These Debtors relate mainly to Property rates and Waste management of which R23.9 million or 51.4 percent is owed by Households. The municipality indicated that these long outstanding Debtors have not been written-off as the municipality believes that they are still recoverable and have been handed over to the debt collectors. |
| Total by age analysis | 46 514 | 100.0% | |
| By customer group | | | |
| Organs of state | 3 427 | 7.4% | |
| Commercial | 17 126 | 36.8% | The Commercial category owed R17.1 million or 36.8 percent of total Debtors, which is attributed to the culture of non payment within the municipal area. |
| Households | 23 929 | 51.4% | The Households owed R23.9 million or 51.4 percent of total Debtors, which is attributed to a culture of non payment within the municipal area. |
| Other | 2 031 | 4.4% | |
| Total by customer group | 46 514 | 100.0% | |
| Creditors | | | |
| By age analysis | | | |
| 0-30 days | 27 723 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 27 723 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| Expenditure management | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 44.6% | The municipality attributed this to the labour intensive mechanism used to deliver municipal services and the implementation of the Expanded Public Works Programme which is also labour intensive. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 12.6% | Considering that this ratio is in excess of the norm of 5 percent, it could indicate that many functions are being outsourced to Consultants, or that Contracted Services are not effectively utilised. |
| Grant dependency | | | |
| Own sources of revenue to total operating revenue | - | 45.5% | This is an indication that the municipality is not self sufficient and reliance is placed on grant allocations to fund operations. |
| Own funded capital expenditure | - | 34.9% | |
| Asset Management | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 26.9% | This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g). |
| Efficiency | | | |
| Net operating surplus margin | = or > 0% | 15.5% | This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g). |

4.1.3 Analysis per municipality: uMzumbe Local Municipality

Table 4.1 (j) Operating Revenue and Expenditure Performance - uMzumbe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 4 158 | 4 158 | 5 763 | 138.6 | The municipality generated R5.8 million or 138.6 percent of revenue against the Adjusted Budget of R4.2 million for Property rates. The municipality has attributed this over generation of revenue to the budget which was understated, thus resulting in the Property Rates revenue being higher than the Adjustments Budget. |
| Service Charges ² | 32 | 32 | 42 | 130.0 | The municipality generated R42 000 or 130 percent of revenue against the Adjusted Budget of R32 000 for Service charges - refuse revenue. The municipality indicated that the over generation of Service charges - refuse revenue was as a result of the underestimation of the Adjusted Budget amount of R32 000 during the Adjustments Budget process. |
| Transfers recognised - operational | 133 027 | 134 177 | 122 522 | 91.3 | The municipality generated R122.5 million or 91.3 percent of revenue against the Adjusted Budget of R134.2 million for Transfers recognised - operational. The municipality has attributed the under generation of this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. |
| Other sources of Revenue ³ | 8 767 | 9 467 | 10 710 | 113.1 | The municipality generated R10.7 million or 113.1 percent of revenue against the Adjusted Budget of R9.5 million for Other sources of Revenue. The municipality has attributed the over generation of this line item to the Interest earned - external investments, which generated R2.8 million or 33 percent more than the Adjusted Budget of R8.6 million. |
| Total Operating Revenue | 145 984 | 147 833 | 139 037 | 94.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 47 656 | 47 656 | 39 026 | 81.9 | The municipality reported expenditure of R39 million or 81.9 percent against the Adjusted Budget of R47.7 million for Employee related costs. The municipality attributed this under expenditure to the implementation of the cost cutting measures, which included a decision to only fill critical vacant posts. |
| Remuneration of councillors | 13 294 | 13 294 | 13 932 | 104.8 | The municipality reported expenditure of R13.9 million for 104.8 percent against the Adjusted Budget of R13.3 million for Remuneration of councillors. The municipality indicated that there will be further processing of adjustments to correct the over spending of the Remuneration of councillors line item. |
| Debt impairment | 396 | 396 | - | - | The municipality has not reported on Debt impairment against an Adjusted Budget amount of R396 000, thus understating the Operating Expenditure for 2016/17. The municipality indicated that the Debt impairment for the year will be processed as part of the year-end journal entries during the preparation of the Annual Financial Statements (AFS). This was despite the municipality being advised by Provincial Treasury to report the expenditure on a monthly basis. |
| Depreciation and asset impairment | 20 814 | 20 814 | - | - | The municipality has not reported on Depreciation and asset impairment against an Adjusted Budget amount of R20.8 million, thus understating the Operating Expenditure for 2016/17. The Depreciation and asset impairment is only calculated at year-end by the municipality and the amount was not yet calculated by the time of the MFMA Section 71 reporting. Despite the municipality being urged throughout the financial year in the IYM assessments, Mid Year Budget and Performance Assessments, as well as the Adjustments Budget process, to report the Depreciation and asset impairment on a monthly basis, it has failed to implement the advice from Provincial Treasury. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 2 000 | 2 140 | 2 107 | 98.5 | |
| Other expenditure items ⁴ | 68 088 | 71 022 | 68 382 | 96.3 | |
| Total Operating Expenditure | 152 247 | 155 321 | 123 448 | 79.5 | |
| Operating surplus/(deficit) | (6 263) | (7 488) | 15 589 | | The municipality has reported an Operating surplus of R15.6 million. However, the inclusion of the expenditure on Debt impairment and Depreciation and asset impairment could result in an Operating deficit. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.1 (k) Capital, Cash and Conditional grant Performance - uMzumbe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 40 991 | 60 071 | 43 454 | 72.3 | The municipality incorrectly populated an amount of R60.1 million in the Adjusted Budget return instead of R45.1 million as per the Approved Adjustments Budget. The municipality has however indicated that it will rectify this error during the preparation of the 2016/17 AFS. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 15 175 | – | – | – | The municipality did not accurately populate the Adjusted Budget return for Capital expenditure as an amount of R15 million for Internally generated funds was not populated as per the Approved Adjustments Budget. Furthermore, the poor performance under this line item is due to delays in the implementation of the capital projects. |
| Total Capital Revenue | 56 166 | 60 071 | 43 454 | 72.3 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 4 875 | 4 875 | 4 691 | 96.2 | |
| Community and Public Safety | 51 291 | 55 196 | 38 763 | 70.2 | The municipality reported R38.8 million or 70.2 percent against the Adjusted Budget of R55.2 million for Community and Public Safety. The municipality indicated that the under spending on this vote was due to delays in the implementation of the capital projects. |
| Eco. & Environmental Services | – | – | – | – | |
| Trading Services | – | – | – | – | |
| Other | – | – | – | – | |
| Total Capital Expenditure | 56 166 | 60 071 | 43 454 | 72.3 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 151 206 | – | – | – | The municipality did not report on the opening balances of the Cash and cash equivalents at the beginning of the 2016/17 financial year. The municipality indicated that the correct amount to be reflected for both the Adjusted Budget and Unaudited Actual columns is R122.8 million as per the audited 2015/16 AFS. |
| Cash/cash equiv. at the year end: | 161 247 | 24 337 | 2 320 | 22.017 | Based on the error noted above, the Cash and cash equivalents at the year end amount of R2.3 million is not correct and may increase significantly after the correction of the errors. |
| Net Increase/(Decrease) in cash held | 10 041 | 24 337 | 2 320 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | – | |
| Expanded Public Works Programme Integrated Grant | 1 083 | 1 083 | 100.0% | – | |
| Municipal Infrastructure Grant | 35 622 | 35 496 | 99.6% | 126 | The municipality reported R35.5 million or 99.6 percent against the allocation of R35.6 million for Municipal Infrastructure Grant (MIG). The municipality indicated that the under spending on this grant was due to delays in the implementation of the capital projects. |

Table 4.1 (l) Trade and other receivables, Trade and other payables and Key ratios - uMzombe Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 9 153 | | |
| Debtors as at 30 June 2017 | 11 916 | | The Debtors balance has increased by R2.8 million or 30.2 percent from R9.2 million as at 30 June 2016 to R11.9 million as at 30 June 2017. This is an indication that the municipality is not collecting debtors which will have an adverse effect on the Cash Flow. |
| <u>By age analysis</u> | | | |
| 0-30 days | (15) | - | The negative balance is due to Debtors paying their accounts in advance. These amounts will only be allocated as and when the debt becomes payable. |
| 31-60 days | (2) | - | The negative balance is due to Debtors paying their accounts in advance. These amounts will only be allocated as and when the debt becomes payable. |
| 61-90 days | (751) | - | The negative balance is due to Debtors paying their accounts in advance. These amounts will only be allocated as and when the debt becomes payable. |
| >90 days | 12 684 | 106.4% | The municipality reported R12 million for Debtors outstanding for over 90 days. These Debtors relate to Property rates of which R7 million or 58.5 percent is owed by Organs of state. |
| Total by age analysis | 11 916 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 6 972 | 58.5% | The municipality reported R7 million or 58.5 percent of its debtors outstanding from Organs of state. The municipality has attributed this debt to unverified properties, farm land and forests which are assumed to be belonging to the state. The municipality has indicated that it has engaged the KZN CoGTA for assistance in this regard. |
| Commercial | 2 569 | 21.6% | |
| Households | - | - | |
| Other | 2 374 | 19.9% | The municipality indicated that this category mainly relates to Agriculture, Public Benefit Organisations and Vacant land. |
| Total by customer group | 11 916 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality did not submit their MFMA Section 71 Report on Creditors. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 42.9% | The municipality attributed this to the labour intensive mechanism used to deliver municipal services and the implementation of the Expanded Public Works Programme which is also labour intensive. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 1.7% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 11.9% | This ratio suggest that the municipality is highly dependent on grants to fund some of the operating expenditure. |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 26.0% | This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(j). |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 11.2% | This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(j). |

4.1.4 Analysis per municipality: uMuziwabantu Local Municipality

Table 4.1 (m) Operating Revenue and Expenditure Performance - uMuziwabantu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 14 783 | 15 133 | 18 252 | 120.6 | The municipality has attributed the over generation of revenue to the under estimation of the Adjusted Budget amount of R15.1 million during the Adjustments Budget process. |
| Service Charges ² | 35 622 | 35 610 | 30 696 | 86.2 | The municipality has attributed this under generation of revenue to over budgeting for Service charges during the Adjustments Budget process. |
| Transfers recognised - operational | 80 386 | 80 386 | 54 196 | 67.4 | The municipality has attributed the under generation of revenue to unprocessed journals that were not taken into account at the time of the MFMA Section 71 reporting. Furthermore, the Small Town Rehabilitation Grant from the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs (KZN CoGTA) amounting to R3 million was not fully spent. The municipality will apply for a rollover of these funds for the next financial year. |
| Other sources of Revenue ³ | 9 586 | 10 640 | 15 480 | 145.5 | The over generation of revenue is mainly attributed to Interest earned - external investments which reported R11.3 million or 161.1 percent of revenue against the Adjusted Budget of R7 million and Other own revenue which reported R1.7 million or 172.9 percent of revenue against the Adjusted Budget of R1 million. The over generation of revenue in these line items was not anticipated by the municipality during the preparation of the 2016/17 Adjustments Budget. |
| Total Operating Revenue | 140 377 | 141 769 | 118 624 | 83.7 | |
| Operating Expenditure | | | | | |
| Employee related costs | 49 407 | 49 407 | 49 767 | 100.7 | |
| Remuneration of councillors | 8 074 | 8 074 | 7 457 | 92.4 | The municipality reported expenditure of R7.5 million or 92.4 percent against the Adjusted Budget of R8.1 million for Remuneration of councillors. The municipality attributed this under performance to the 2 vacant Councillor positions. |
| Debt impairment | 629 | 629 | - | - | The municipality did not account for Debt impairment in the MFMA Section 71 reports for the period ended 30 June 2017 despite having budgeted R629 000 for this line item. The municipality indicated that Debt impairment figures were not finalised at the time of MFMA Section 71 reporting and will be incorporated in the 2016/17 Annual Financial Statements (AFS). |
| Depreciation and asset impairment | 10 377 | 12 675 | 182 | 1.4 | The reported expenditure of R182 000 appears to be significantly understated however, the municipality indicated that the asset verification process was not finalised at the time of the MFMA Section 71 reporting. The municipality further indicated that it will reflect the correct amount in the 2016/17 AFS. |
| Bulk purchases | 30 629 | 30 246 | 24 761 | 81.9 | The municipality indicated that the reported expenditure is understated due to the fact that year end accruals were not yet processed at the time of the MFMA Section 71 reporting. |
| Contracted services | 3 019 | 3 239 | 3 725 | 115.0 | The municipality has however attributed this over spending to the under estimation of Security services and Telephone costs during the Adjustments Budget process. |
| Other expenditure items ⁴ | 35 679 | 39 403 | 55 939 | 142.0 | The municipality has however attributed this over spending to misallocation of expenditure including that of the Expanded Public Works Programme (EPWP) Grant and Municipal Infrastructure Grant (MIG). The municipality indicated that it will reflect the correct amount in the 2016/17 AFS. |
| Total Operating Expenditure | 137 814 | 143 673 | 141 832 | 98.7 | |
| Operating surplus/(deficit) | 2 563 | (1 904) | (23 207) | | The municipality reported an Operating deficit of R23.2 million which may be misstated due to the reasons noted above. Notwithstanding the overstatement of Other expenditure items, non-cash items such as Depreciation and asset impairment and Debt impairment have not yet been accounted for in the MFMA Section 71 Reports for the period ended 30 June 2017. However, the municipality indicated that it will achieve an Operating surplus once all entries have been accounted for during the finalisation of the 2016/17 AFS. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.1 (n) Capital, Cash and Conditional grant Performance - uMuziwabantu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 23 161 | 23 511 | 34 184 | 145.4 | The municipality has attributed the over generation of revenue to errors and misallocation of revenue for Internally Generated Funds in the MFMA Section 71 reports. The municipality will correct the error and reflect 100 percent revenue recognised for this line item in the 2016/17 AFS. |
| Public contributions and donations | - | - | (1) | - | The municipality has attributed this negative amount of R1 000 for Public Contributions and Donations to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the AFS. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 23 096 | 11 836 | (242) | - | The municipality has reported negative R242 000 of revenue against the R11.8 million Adjusted Budget for Internally generated funds. This is as a result of errors and misallocation of revenue reported in the MFMA Section 71 reports. The municipality indicated that this will be rectified during the preparation of the 2016/17 AFS in order to reflect at least 70 percent revenue for Internally generated funds as at 30 June 2017. |
| Total Capital Revenue | 46 257 | 35 348 | 33 940 | 96.0 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 200 | 2 170 | 1 675 | 77.2 | The municipality has attributed under expenditure on this line item to the over estimation of the budget during the Adjustments Budget process. |
| Community and Public Safety | 2 000 | 2 204 | 650 | 29.5 | The municipality has attributed this under spending to a R2 million Municipal Pound Project that was not implemented during the 2016/17 financial year. |
| Eco. & Environmental Services | 41 557 | 18 755 | 12 843 | 68.5 | The municipality has attributed the under expenditure to accruals that were not yet processed at the time of the MFMA Section 71 reporting. |
| Trading Services | 500 | 10 219 | 18 773 | 183.7 | The municipality has attributed over expenditure on this line item to Landfill Site project costs that were under estimated by the municipality during the Adjustments Budget process. |
| Other | 2 000 | 2 000 | (0) | - | The municipality has not reported expenditure for Other in the MFMA Section 71 reports for the period ended 30 June 2017 despite having budgeted R2 million for this line item. The municipality attributed this to Small Town Rehabilitation grant allocation for the 2016/17 financial year that was not spent during the year. |
| Total Capital Expenditure | 46 257 | 35 348 | 33 940 | 96.0 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 73 900 | 110 840 | 9 221 | | The municipality reported R9.2 million for Cash/ cash equivalents at year begin as reflected in the MFMA Section 71 reports while the audited 2015/16 AFS reflected an opening balance of R110.8 million. |
| Cash/cash equiv. at the year end: | 64 605 | 108 910 | (8 197) | | The municipality has reported Cash/ cash equivalents at the year end of negative R8.2 million as at 30 June 2017. The municipality indicated that the final Bank Reconciliation for the month ending 30 June 2017 was not finalised at the time of the MFMA Section 71 reporting. The municipality further indicated that the correct closing bank balance amounted to R3.8 million and Investments amounted to R125 million as at 30 June 2017. |
| Net Increase/(Decrease) in cash held | (9 295) | (1 931) | (17 418) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 129 | 980 | 86.8% | 149 | The municipality has attributed the under expenditure on the Expanded Public Works Programme grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent expenditure for this conditional grant. |
| Municipal Infrastructure Grant | 22 275 | 20 932 | 94.0% | 1 343 | The municipality has attributed the under expenditure on the Municipal Infrastructure Grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These errors will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent expenditure for this conditional grant. |

Table 4.1 (o) Trade and other receivables, Trade and other payables and Key ratios - uMuziwabantu Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 14 190 | | |
| Debtors as at 30 June 2017 | 15 127 | | The municipality reported R15.1 million for Debtors as at 30 June 2017, which is a R937 000 or 6.6 percent increase from the 2015/16 financial year. The municipality attributed the increase in Debtors to the culture of non payment in the municipal area and indicated that it has approached a third party to assist in the collection of long outstanding debts. |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 658 | 17.6% | |
| 31-60 days | 1 666 | 11.0% | |
| 61-90 days | 761 | 5.0% | |
| >90 days | 10 042 | 66.4% | The municipality reported R10 million or 66.4 percent for Debtors outstanding for over 90 days of which R5 million or 50.3 percent of these Debtors relates to Households; R2.3 million or 22.7 percent relates to Commercial and R2.7 million or 27.3 percent relates to Organs of State. The municipality has attributed this long outstanding ageing Debtors to a culture of non payment within the municipal area. |
| Total by age analysis | 15 127 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 3 401 | 22.5% | |
| Commercial | 4 121 | 27.2% | |
| Households | 7 604 | 50.3% | Households owed R7.6 million or 50.3 percent of the total Debtors. The municipality attributed this percentage to a high unemployment rate and the overall socio-economic environment within the municipal area. |
| Other | - | - | |
| Total by customer group | 15 127 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality did not submit their MFMA Section 71 Report on Creditors. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 40.3% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.6% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 54.3% | |
| Own funded capital expenditure | - | -0.7% | The municipality has reported Own funded capital expenditure ratio of a negative 0.7 percent and this was attributed to errors and misallocations noted in the MFMA Section 71 reports. The correct percentage ratio for Own funded capital expenditure is estimated to be 33 percent and this is due to the municipality being highly grant-dependant. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 19.3% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -19.6% | The municipality has reported a Net operating surplus margin of a negative 19.6 percent. However, the municipality has indicated that it will be reporting an Operating surplus once all correcting journals have been processed during the preparation of the 2016/17 AFS. |

4.1.5 Analysis per municipality: Ray Nkonyeni Local Municipality

Table 4.1 (p) Operating Revenue and Expenditure Performance - Ray Nkonyeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 345 274 | 345 274 | 285 619 | 82.7 | The municipality indicated that figures for Month 12 were not finalised at the time of the MFMA Section 71 reporting. |
| Service Charges ² | 183 536 | 183 536 | 151 609 | 82.6 | The municipality indicated that figures for Month 12 were not finalised at the time of the MFMA Section 71 reporting. |
| Transfers recognised - operational | 200 962 | 200 962 | 165 895 | 82.6 | The municipality has attributed the under generation of revenue to unprocessed journals that were not taken into account at the time of the MFMA Section 71 reporting. The municipality has indicated to have fully spent all grants and will be reflecting 100 percent revenue generated from Transfers recognised - operational in the 2016/17 AFS. |
| Other sources of Revenue ³ | 107 452 | 107 452 | 161 250 | 150.1 | The over generation of this line item is mainly attributed to Interest earned - outstanding debtors which reported R11.3 million or 108 percent of revenue against the Adjusted Budget of R10.5 million; Fines which reported R15 million or 143.1 percent of revenue against the Adjusted Budget of R10.5 million; Agency services which reported R1.8 million or 3 584 percent of revenue against the Adjusted Budget of R49 000 and Other own revenue which reported R118.1 million or 195.7 percent of revenue against the Adjusted Budget of R60.4 million. The over generation of revenue in these line items was not anticipated by the municipality during the preparation of the 2016/17 Adjustments Budget. |
| Total Operating Revenue | 837 225 | 837 225 | 764 373 | 91.3 | |
| Operating Expenditure | | | | | |
| Employee related costs | 337 347 | 337 347 | 302 575 | 89.7 | The municipality attributed this under performance to unfilled vacancies. The municipality made a decision through a Council Resolution not to fill vacancies until the placement process of the staff from the former Eziqoleni and Hibiscus Coast Municipalities, was finalised. |
| Remuneration of councillors | 25 448 | 25 448 | 21 757 | 85.5 | The municipality attributed this under performance to the budgeted contribution provided by the municipality as a benefit for all Councillors. However, some Councillors did not take advantage of the benefit. |
| Debt impairment | 682 | 682 | - | - | The municipality did not account for Debt impairment in the MFMA Section 71 reports for the period ended 30 June 2017 despite having budgeted R682 000 for this line item. The municipality indicated that Debt impairment figures were not finalised at the time of MFMA Section 71 reporting and will be incorporated in the 2016/17 Annual Financial Statements (AFS). |
| Depreciation and asset impairment | 70 058 | 70 058 | - | - | The municipality did not account for Depreciation and asset impairment in the MFMA Section 71 reports for the period ended 30 June 2017 despite having budgeted R70.1 million for this line item. The municipality indicated that the asset verification process was not finalised at the time of the MFMA Section 71 reporting and the finalised amount will be reflected and incorporated in the 2016/17 AFS. |
| Bulk purchases | 86 712 | 86 712 | 75 567 | 87.1 | The municipality has attributed this under performance to a lower demand for electricity by consumers which has resulted in a decrease in expenditure for Bulk purchases for the 2016/17 financial year. |
| Contracted services | 38 179 | 38 179 | 19 073 | 50.0 | The municipality indicated that the reported expenditure is understated due to the fact that year-end accruals were not yet processed at the time of the MFMA Section 71 reporting. |
| Other expenditure items ⁴ | 277 968 | 277 968 | 234 203 | 84.3 | The municipality has attributed this under performance to the implementation of cost-cutting measures during the 2016/17 financial year. |
| Total Operating Expenditure | 836 394 | 836 394 | 653 175 | 78.1 | |
| Operating surplus/(deficit) | 831 | 831 | 111 197 | | The municipality reported an Operating surplus of R111.2 million which may be overstated due to errors noted above and items such as Depreciation and asset impairment and Debt impairment which were not accounted for in the MFMA Section 71 Reports. Furthermore, the municipality did not submit its MFMA Section 71 Returns for Month 12 therefore, Provincial Treasury could not determine the true operating performance of the municipality for the period ended 30 June 2017. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.1 (q) Capital, Cash and Conditional grant Performance - Ray Nkonyeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 126 498 | 126 498 | 50 799 | 40.2 | The municipality has attributed the under generation of revenue to accruals that were not taken into account at the time of the MFMA Section 71 reporting and these will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent revenue recognised for this line item. |
| Public contributions and donations | - | - | 335 | - | The municipality has reported capital revenue of R335 000 while no budget was provided for Public contributions and donations. The municipality has attributed this overstatement to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the 2016/17 AFS. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 19 930 | 19 930 | 13 395 | 67.2 | The municipality indicated that a resolution was taken to prioritise capital projects funded by the National Revenue Fund (NRF). As a result, capital revenue from Internally generated funds was not fully spent. |
| Total Capital Revenue | 146 428 | 146 428 | 64 529 | 44.1 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 20 171 | 20 171 | 64 329 | 318.9 | The municipality has attributed this overspending to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the 2016/17 AFS. |
| Community and Public Safety | 75 843 | 75 843 | 111 | 0.1 | The municipality has attributed this underspending to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the 2016/17 AFS. |
| Eco. & Environmental Services | 46 385 | 46 385 | 50 | 0.1 | The municipality has attributed this underspending to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the 2016/17 AFS. |
| Trading Services | 4 030 | 4 030 | 39 | 1.0 | The municipality has attributed this underspending to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the preparation of the 2016/17 AFS. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 146 428 | 146 428 | 64 529 | 44.1 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 82 603 | 119 051 | 87 142 | | The municipality reported R87.1 million for Cash/ cash equivalents at year begin while the audited 2015/16 AFS reflected an opening balance of R82.3 million for the former Hibiscus Coast Municipality and R33.1 million for the former Ezingoloni Municipality, totalling R115.4 million as at 30 June 2016. The municipality has indicated that this misstatement will be rectified during the preparation of the 2016/17 AFS. |
| Cash/cash equiv. at the year end: | 103 906 | 95 305 | 466 717 | | |
| Net Increase/(Decrease) in cash held | 21 303 | (23 746) | 379 575 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 450 | 2 847 | 82.5% | 603 | The municipality has attributed the under expenditure on the Financial Management Grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent expenditure for this conditional grant. |
| Expanded Public Works Programme Integrated Grant | 2 660 | 2 496 | 93.8% | 164 | The municipality has attributed the under expenditure on the Expanded Public Works Programme grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent expenditure for this conditional grant. |
| Municipal Infrastructure Grant | 62 556 | 42 216 | 67.5% | 20 340 | The municipality has attributed the under expenditure on the Municipal Infrastructure Grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the 2016/17 AFS in order to reflect 100 percent expenditure for this conditional grant. |

Table 4.1 (r) Trade and other receivables, Trade and other payables and Key ratios - Ray Nkonyeni Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 121 253 | | |
| Debtors as at 30 June 2017 | 185 248 | | The municipality reported R185.2 million for Debtors as at 30 June 2017, which is a R64 million or 52.8 percent increase from the 2015/16 financial year. The municipality attributed the increase in Debtors to long outstanding debts that cannot be easily collected and a culture of non payment within the municipal area resulting from high unemployment rate. |
| <u>By age analysis</u> | | | |
| 0-30 days | 13 236 | 7.1% | |
| 31-60 days | 3 528 | 1.9% | |
| 61-90 days | 9 277 | 5.0% | |
| >90 days | 159 208 | 85.9% | The municipality reported R159.2 million or 85.9 percent for Debtors outstanding for over 90 days of which R125.1 million or 78.6 percent of these Debtors relates to Households; R16.5 million or 10.4 percent relates to Commercial; R14.4 million or 9 percent relates to Other debtors and R3.2 million or 2 percent relates to Organs of State. The municipality has attributed this long outstanding debts to a culture of non payment within the municipal area. |
| Total by age analysis | 185 248 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 4 475 | 2.4% | |
| Commercial | 24 714 | 13.3% | |
| Households | 139 771 | 75.5% | Households owed R139.8 million or 75.5 percent of the total Debtors. The municipality attributed this percentage to a high unemployment rate and the overall socio-economic environment within the municipal area. |
| Other | 16 288 | 8.8% | |
| Total by customer group | 185 248 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 13 334 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 13 334 | 100.0% | |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 49.7% | The municipality has attributed this high percentage of 49.7 percent to the merger of both the former Ezinqoleni and Hibiscus Coast Municipalities resulting to a high benchmark for the Employee related costs. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.9% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 78.3% | The municipality has reported an Own source of revenue to total operating revenue ratio of 78.3 percent. However, this may be materially misstated since the municipality did not submit their MFMA Section 71 Reports for Month 12 and most of their figures appears distorted. |
| Own funded capital expenditure | - | 20.8% | The municipality has reported Own funded capital expenditure ratio of 20.8 percent. The municipality indicated that it plans to be less grant-dependant within the next 5 years. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 9.0% | The municipality has reported a Capital expenditure to Total expenditure ratio of 9 percent and this was attributed to errors and misallocations in the figures reported in the MFMA Section 71 Reports. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 14.5% | The municipality has reported a Net operating surplus margin of 14.5 percent. However, this may be materially misstated since the municipality did not submit their MFMA Section 71 Reports for Month 12 and most of their figures contain errors. |

4.1.6 Analysis per municipality: Ugu District Municipality

Table 4.1 (s) Operating Revenue and Expenditure Performance - Ugu District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 473 667 | 473 667 | 392 377 | 82.8 | The municipality attributed the low unaudited actual revenue for Service charges - water revenue to the various initiatives to save water. As a result most residents opted for alternative water sources, such as rain water. |
| Transfers recognised - operational | 408 662 | 421 978 | 429 729 | 101.8 | The municipality has generated R429.7 million or 101.8 percent for Transfers recognised - operational against an Adjusted Budget of R422 million. Explanations were requested from the municipality on numerous occasions without success. |
| Other sources of Revenue ³ | 32 177 | 36 700 | 43 237 | 117.8 | The over generation of revenue for this line item is mainly attributed to Interest earned - external investments which reported R22.2 million or 135.4 percent of revenue against the Adjusted Budget of R16.4 million and Rental of facilities and equipment which reported R2.3 million or 203.3 percent of revenue against the Adjusted Budget of R1.1 million. |
| Total Operating Revenue | 914 506 | 932 345 | 865 342 | 92.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 332 850 | 338 926 | 332 270 | 98.0 | |
| Remuneration of councillors | 11 874 | 11 054 | 9 349 | 84.6 | The municipality attributed this under performance to the fact that the Adjusted Budget was overstated. In addition, the position of the Mayor was vacant for a period of three months, which also contributed to the poor performance of this line item. |
| Debt impairment | 38 159 | 33 609 | – | – | The municipality has not reported on Debt impairment against an Adjusted Budget amount of R33.6 million, thus understating the Operating Expenditure for 2016/17. The municipality indicated that the Debt impairment for the year will be processed as part of the year end journal entries during the preparation of the Annual Financial Statements. This was despite the municipality being advised by Provincial Treasury to report the expenditure on a monthly basis. |
| Depreciation and asset impairment | 123 604 | 128 645 | 214 910 | 167.1 | The municipality has reported expenditure of R214.9 million or 167.1 percent on Depreciation and asset impairment against an Adjusted Budget of R128.6 million for 2016/17. The municipality indicated that the over performance is due to the historical depreciation of capitalised water schemes. The preliminary figure is likely to further increase once the reconciliation of the asset register is completed. |
| Bulk purchases | 81 468 | 78 859 | 69 672 | 88.4 | The under performance of this line item was attributed to the consumers consuming less water as they have opted for alternative water sources, such as rain water. |
| Contracted services | 29 683 | 36 965 | 37 337 | 101.0 | |
| Other expenditure items ⁴ | 294 624 | 300 163 | 406 685 | 135.5 | The over performance on Other expenditure items is mainly due to over spending on Transfers and grants, which incurred R23.8 million or 136.3 percent against the Adjusted budget of R17.4 million and Other expenditure, which incurred R354.3 million or 134.6 percent against the Adjusted budget of R263.2 million. The municipality has not provided reasons for over spending on these items. |
| Total Operating Expenditure | 912 263 | 928 221 | 1 070 224 | 115.3 | |
| Operating surplus/(deficit) | 2 243 | 4 124 | (204 882) | | The municipality has reported an Operating deficit of R204.9 million in the 2016/17 financial year. The deficit was mainly due to over spending on Depreciation and asset impairment and Other expenditure. It must be noted however, that this figure is subject to increase with the inclusion of Debt impairment and other possible year-end entries. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.1 (t) Capital, Cash and Conditional grant Performance - Ugu District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 310 862 | 299 108 | 293 184 | 98.0 | The municipality reported capital revenue of R293.2 million or 98 percent for Transfers recognised - capital in the MFMA Section 71 Reports for the period ended 30 June 2017. This under performance has been attributed to the fact that an amount of R14.6 million for Water Services Infrastructure Grant (WSIG) was stopped by National Treasury, but the municipality only made an adjustment of R11.8 million during the Adjustments Budget process. Hence, the Adjusted Budget of R299.1 million was overstated by at least R2.8 million. In addition, the municipality has attributed the under generation of this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 58 285 | 50 126 | 36 265 | 72.3 | The municipality reported capital revenue of R36.3 million or 72.3 percent for Internally generated funds in the MFMA Section 71 Reports for the period ended 30 June 2017. The municipality has attributed the under generation of this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. |
| Total Capital Revenue | 369 147 | 349 233 | 329 449 | 94.3 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 46 695 | 41 976 | 34 525 | 82.2 | The municipality reported Capital expenditure of R34.5 million or 82.2 percent for Governance and Administration in the MFMA Section 71 Reports for the period ended 30 June 2017. The municipality attributed the low expenditure to the delays in placing the purchase order for the municipal vehicles. |
| Community and Public Safety | 1 000 | 6 000 | 2 751 | 45.9 | The municipality reported Capital expenditure of R2.8 million or 45.9 percent for Community and Public Safety in the MFMA Section 71 Reports for the period ended 30 June 2017. The municipality attributed the low expenditure to the delays in placing the purchase order for the special purpose vehicle. |
| Eco. & Environmental Services | 590 | 650 | 528 | 81.3 | The municipality has spent R528 000 or 81.3 percent on Eco. & Environmental Services at the end of the 2016/17 financial year. The low expenditure was attributed to delays in supply chain management processes for the municipal entities. |
| Trading Services | 320 862 | 300 608 | 291 644 | 97.0 | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 369 147 | 349 233 | 329 449 | 94.3 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 263 709 | 276 261 | 276 261 | | |
| Cash/cash equiv. at the year end: | 366 909 | 281 797 | 184 584 | | |
| Net Increase/(Decrease) in cash held | 103 200 | 5 536 | (91 677) | | It was noted with concern that the municipality closed off the financial year with a Net Decrease in cash held of R91.7 million. This indicates that the municipality did not receive the anticipated cash inflow that was budgeted for during the 2016/17 financial year. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 460 | 1 460 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 788 | 1 788 | 100.0% | - | |
| Municipal Infrastructure Grant | 233 873 | 233 873 | 100.0% | - | |

Table 4.1 (u) Trade and other receivables, Trade and other payables and Key ratios - Ugu District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 325 628 | | |
| Debtors as at 30 June 2017 | 329 993 | | The Debtors balance has increased by R4.4 million or 1.3 percent from R325.6 million as at 30 June 2016 to R330 million as at 30 June 2017. This is an indication that the municipality is not collecting debtors which will have an adverse effect on the Cash Flow. |
| <u>By age analysis</u> | | | |
| 0-30 days | 36 698 | 11.1% | |
| 31-60 days | 16 101 | 4.9% | |
| 61-90 days | 17 248 | 5.2% | |
| >90 days | 259 946 | 78.8% | The municipality has R259.9 million or 78.8 percent of Debtors that are in the "Over 90 days" category as at 30 June 2017. These Debtors relates mainly to Water and Waste water management of which R213.5 million or 82.1 percent is owed by Households. The municipality indicated that these long outstanding Debtors have not been written-off as the municipality believes that they are still recoverable and have been handed over to the debt collectors. |
| Total by age analysis | 329 993 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 16 765 | 5.1% | |
| Commercial | 52 331 | 15.9% | |
| Households | 260 032 | 78.8% | The Households owed R260 million or 78.8 percent of total Debtors, which is attributed to a culture of non payment within the municipal area. |
| Other | 865 | 0.3% | |
| Total by customer group | 329 993 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 19 012 | 81.2% | |
| 31-60 days | 2 370 | 10.1% | |
| 61-90 days | 1 057 | 4.5% | |
| >90 days | 969 | 4.1% | |
| Total by age analysis | 23 408 | 100.0% | A total amount of R4.4 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2017. This constitutes non compliance with Section 65(e) of the MFMA. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes and late submission of invoices. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 31.9% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 3.5% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 50.3% | This ratio suggest that the municipality is not wholly dependent on grants to fund some of the operating expenditure. |
| Own funded capital expenditure | - | 11.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 23.5% | This ratio is distorted by the understatement of Debt impairment as discussed in Table 4.1(s). |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -23.7% | The negative ratio of the Net operating surplus margin is an indication that the municipality was operating at a deficit during the 2016/17 financial year. |

4.2 uMgungundlovu District

The uMgungundlovu District comprises of seven local municipalities namely; uMshwathi, uMngeni, Mpofana, iMpindle, Msunduzi, Mkhambathini and Richmond. There are four municipalities classified as low capacity namely; uMshwathi, Mpofana, iMpindle and Richmond Local Municipalities while uMngeni and Mkhambathini Local Municipalities and the uMgungundlovu District Municipality are classified as medium capacity. Msunduzi Local Municipality is classified as a high capacity municipality. Msunduzi Local Municipality is a well established commercial hub and the capital of KwaZulu-Natal whilst the remaining municipalities are more rural in nature.

The main trading services rendered by the uMgungundlovu District Municipality are *Water and Sanitation* services. uMngeni and Mpofana Local Municipalities provide *Electricity* and *Refuse removal* services whilst uMshwathi, iMpindle, Richmond and Mkhambathini Local Municipalities only rendered *Refuse removal* services during the 2016/17 financial year.

During the 2016/17 financial year uMshwathi and Mkhambathini Local Municipalities and the uMgungundlovu District Municipality had both a permanent Municipal Manager (MM) and Chief Financial Officer (CFO) in office.

uMngeni Local Municipality had a permanent CFO while the acting MM was appointed on 7 December 2016. Mpofana Local Municipality had a permanent MM and acting CFO during the full 2016/17 financial year. iMpindle Local Municipality had both MM and CFO acting from 1 November 2016 and 11 April 2017 respectively. Msunduzi Local Municipality had a permanent CFO while the MM was acting from 1 June 2016 and Richmond Local Municipality also had a permanent CFO while the acting MM was appointed on 3 April 2017.

uMgungundlovu District Municipality maintained a clean audit for the 2015/16 financial year. uMshwathi, uMngeni, iMpindle, Mkhambathini and Richmond Local Municipalities maintained their unqualified audit opinions in the 2015/16 financial year. Msunduzi Local Municipality regressed from a clean audit opinion to a qualified audit opinion while Mpofana Local Municipality regressed from a qualified audit opinion to a disclaimer in the 2015/16 financial year.

It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. The figures could also change during the preparation and the audit of the 2016/17 Annual Financial Statements.

The tables in this report reflect budget and actual figures for the delegated municipalities, as well as the non-delegated municipality. However, the budget performance of Msunduzi Local Municipality is not analysed as this municipality reports directly to National Treasury.

4.2.1 Overview of uMgungundlovu District Performance

Table 4.2(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|------------------|------------------|------------------|------------------|-------------|
| uMshwathi | 138 447 | 136 869 | 134 693 | 98.4 |
| uMngeni | 368 164 | 382 210 | 370 298 | 96.9 |
| Mpofana | 127 836 | 131 439 | 115 184 | 87.6 |
| iMpindle | 49 925 | 53 383 | 50 060 | 93.8 |
| Msunduzi | 4 473 006 | 4 473 006 | 4 129 777 | 92.3 |
| Mkhambathini | 85 310 | 88 182 | 87 428 | 99.1 |
| Richmond | 89 606 | 90 834 | 91 664 | 100.9 |
| uMgungundlovu DM | 644 093 | 621 598 | 634 531 | 102.1 |
| Total | 5 976 387 | 5 977 521 | 5 613 634 | 93.9 |

Source: NT Igdatabase

Table 4.2(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|------------------|------------------|------------------|------------------|-------------|
| uMshwathi | 136 147 | 136 869 | 121 355 | 88.7 |
| uMngeni | 367 656 | 382 057 | 352 339 | 92.2 |
| Mpofana | 133 926 | 152 178 | 125 228 | 82.3 |
| iMpendle | 59 274 | 63 028 | 58 111 | 92.2 |
| Msunduzi | 4 453 570 | 4 453 570 | 4 139 090 | 92.9 |
| Mkhambathini | 81 504 | 84 292 | 67 908 | 80.6 |
| Richmond | 98 165 | 103 560 | 89 010 | 86.0 |
| uMgungundlovu DM | 612 246 | 677 753 | 645 642 | 95.3 |
| Total | 5 942 489 | 6 053 306 | 5 598 683 | 92.5 |

Source: NT Igdatabase

Table 4.2(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|------------------|------------------|------------------|------------------|-------------|
| uMshwathi | 28 629 | 40 729 | 35 199 | 86.4 |
| uMngeni | 29 148 | 40 079 | 34 894 | 87.1 |
| Mpofana | 18 680 | 25 880 | 16 543 | 63.9 |
| iMpendle | 11 412 | 11 459 | 14 885 | 129.9 |
| Msunduzi | 726 241 | 726 241 | 648 258 | 89.3 |
| Mkhambathini | 19 426 | 18 697 | 15 659 | 83.8 |
| Richmond | 36 320 | 39 643 | 37 736 | 95.2 |
| uMgungundlovu DM | 201 268 | 242 587 | 254 558 | 104.9 |
| Total | 1 071 124 | 1 145 315 | 1 057 732 | 92.4 |

Source: NT Igdatabase

Table 4.2(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|------------------|----------------|-------------|----------------|------------|---------------|------------|------------------|-------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMshwathi | 4 809 | 4.4 | 350 | 0.3 | 1 538 | 1.4 | 102 773 | 93.9 | 109 470 |
| uMngeni | 17 381 | 15.7 | 4 085 | 3.7 | 3 150 | 2.9 | 85 906 | 77.7 | 110 522 |
| Mpofana | - | - | - | - | - | - | - | - | - |
| iMpendle | 268 | 3.4 | 147 | 1.9 | 366 | 4.6 | 7 111 | 90.1 | 7 893 |
| Msunduzi | 324 222 | 16.3 | 160 315 | 8.0 | 71 894 | 3.6 | 1 437 664 | 72.1 | 1 994 095 |
| Mkhambathini | 2 384 | 12.4 | 664 | 3.4 | 589 | 3.1 | 15 650 | 81.1 | 19 286 |
| Richmond | (238) | (1.9) | 344 | 2.7 | 340 | 2.7 | 12 215 | 96.5 | 12 661 |
| uMgungundlovu DM | 26 906 | 6.6 | 10 394 | 2.5 | 7 039 | 1.7 | 366 173 | 89.2 | 410 512 |
| Total | 375 733 | 14.1 | 176 299 | 6.6 | 84 917 | 3.2 | 2 027 491 | 76.1 | 2 664 440 |

Source: NT Igdatabase

Table 4.2(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|------------------|-----------------|------------|----------------|-------------|------------------|-------------|----------------|------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMshwathi | 60 600 | 55.4 | 16 672 | 15.2 | 32 198 | 29.4 | - | - | 109 470 |
| uMngeni | 7 560 | 6.8 | 2 912 | 2.6 | 84 777 | 76.7 | 15 272 | 13.8 | 110 522 |
| Mpofana | - | - | - | - | - | - | - | - | - |
| iMpendle | 5 641 | 71.5 | 2 087 | 26.4 | 165 | 2.1 | - | - | 7 893 |
| Msunduzi | 127 812 | 6.4 | 399 455 | 20.0 | 1 339 330 | 67.2 | 127 498 | 6.4 | 1 994 095 |
| Mkhambathini | 4 271 | 22.1 | 2 604 | 13.5 | 5 652 | 29.3 | 6 759 | 35.0 | 19 286 |
| Richmond | 1 378 | 10.9 | 2 441 | 19.3 | 5 637 | 44.5 | 3 205 | 25.3 | 12 661 |
| uMgungundlovu DM | 8 178 | 2.0 | 16 521 | 4.0 | 335 451 | 81.7 | 50 362 | 12.3 | 410 512 |
| Total | 215 442 | 8.1 | 442 692 | 16.6 | 1 803 212 | 67.7 | 203 095 | 7.6 | 2 664 440 |

Source: NT Igdatabase

Table 4.2(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|------------------|---------------|-------------|--------------|------------|--------------|------------|--------------|-------------|---------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMshwathi | 2 162 | 100.0 | - | - | - | - | - | - | 2 162 |
| uMngeni | - | - | - | - | - | - | - | - | - |
| Mpofana | - | - | - | - | - | - | - | - | - |
| iMpendle | - | - | - | - | - | - | - | - | - |
| Msunduzi | - | - | - | - | - | - | - | - | - |
| Mkhambathini | 3 233 | 100.0 | - | - | - | - | - | - | 3 233 |
| Richmond | - | - | - | - | - | - | - | - | - |
| uMgungundlovu DM | 45 994 | 93.6 | 2 447 | 5.0 | 1 035 | 2.1 | (318) | -0.6 | 49 158 |
| Total | 51 388 | 94.2 | 2 447 | 4.5 | 1 035 | 1.9 | (318) | -0.6 | 54 553 |

Source: NT Igdatabase

4.2.2 Analysis per municipality: uMshwathi Local Municipality

Table 4.2 (g) Operating Revenue and Expenditure Performance - uMshwathi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 29 500 | 30 135 | 29 813 | 98.9 | |
| Service Charges ² | 1 850 | 1 850 | 1 923 | 103.9 | The municipality reported 103.9 percent or R1.9 million of revenue against the Adjusted Budget of R1.9 million. The municipality has indicated that the budgeted Service charges - refuse revenue was understated. |
| Transfers recognised - operational | 92 511 | 92 511 | 92 511 | 100.0 | |
| Other sources of Revenue ³ | 14 586 | 12 373 | 10 446 | 84.4 | The municipality generated 84.4 percent or R10.4 million of revenue against the Adjusted Budget of R12.4 million for Other sources of Revenue. The municipality has indicated that there was a significant decrease in Interest earned - outstanding debtors due to the Acknowledgement of Debt agreements with most of the municipality's debtors. |
| Total Operating Revenue | 138 447 | 136 869 | 134 693 | 98.4 | |
| Operating Expenditure | | | | | |
| Employee related costs | 57 603 | 58 653 | 57 889 | 98.7 | |
| Remuneration of councillors | 8 700 | 8 700 | 8 602 | 98.9 | |
| Debt impairment | - | - | - | - | |
| Depreciation and asset impairment | 10 000 | 10 000 | 10 579 | 105.8 | The municipality has reported expenditure of R10.6 million or 105.8 percent against the Adjusted Budget of R10 million for Depreciation and asset impairment. However, the municipality indicated that this amount may change once the municipality finalises the 2016/17 Annual Financial Statements (AFS). The municipality has also indicated that the budgeted Depreciation and asset impairment was understated. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 31 540 | 29 605 | 22 695 | 76.7 | The municipality has reported expenditure of R22.7 million or 76.7 percent against the Adjusted Budget of R29.6 million for Contracted services. The municipality has indicated that the Repairs and maintenance projects were initiated late into the financial year and were only invoiced in July 2017. Therefore, these transactions will form part of the accruals in the 2016/17 AFS. |
| Other expenditure items ⁴ | 28 304 | 29 911 | 21 590 | 72.2 | The municipality has reported expenditure of R21.6 million or 72.2 percent against the Adjusted Budget of R29.9 million for Other expenditure items. The municipality has indicated that Other expenditure will be adjusted for accruals which will increase expenditure to 95 percent of the Adjusted Budget. |
| Total Operating Expenditure | 136 147 | 136 869 | 121 355 | 88.7 | |
| Operating surplus/(deficit) | 2 300 | - | 13 338 | | The municipality has generated an Operating surplus of R13.3 million, however, the municipality has indicated that its operating expenditure is understated which could result in an Operating deficit once the accruals have been taken into account. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (h) Capital, Cash and Conditional grant Performance - uMshwathi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 26 329 | 26 329 | 30 161 | 114.6 | The municipality attributed the over generation of revenue to an additional allocation of R2.5 million for MIG as per the Adjusted DoRA. Despite Provincial Treasury advising the municipality to adjust the Transfers recognised - capital to reflect the additional MIG allocation of R2.5 million, the municipality did not include the allocation in the Adjustments Budget. A further amount of R1.3 million of the Unaudited actual amount was misallocated to Transfers recognised - capital instead of Internally generated funds resulting in a further over generation of revenue for this line item. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 2 300 | 14 400 | 5 038 | 35.0 | The municipality has indicated that none of the Motor vehicles budgeted for in the Adjusted Budget were purchased. Furthermore, there was a misallocation of R1.3 million of Internally generated funds to Transfers recognised - capital. The municipality's expenditure against Internally generated funds will increase to R6.3 million or 44 percent once the misallocation is rectified during the preparation of the 2016/17 AFS. |
| Total Capital Revenue | 28 629 | 40 729 | 35 199 | 86.4 | |
| Capital Expenditure | | | | | |
| Governance and Administration | – | 3 500 | 2 890 | 82.6 | The municipality has indicated that none of the Motor vehicles budgeted for in the Adjustments Budget were purchased. |
| Community and Public Safety | 5 315 | 10 300 | 10 862 | 105.5 | The municipality has indicated that there were misallocations of expenditure to the Community and Public Safety vote and these will be rectified in the 2016/17 AFS. |
| Eco. & Environmental Services | 23 314 | 26 929 | 16 912 | 62.8 | The municipality has indicated that the capital expenditure of R4.5 million reported in the Trading services vote has been misallocated and should be included in the Economic and Environmental Services vote. Furthermore accruals will be effected during the preparation of the 2016/17 AFS. |
| Trading Services | – | – | 4 535 | – | The municipality has indicated that the capital expenditure of R4.5 million reported in the Trading services vote has been misallocated and should be included in the Economic and Environmental Services vote. This will be rectified in the 2016/17 AFS. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 28 629 | 40 729 | 35 199 | 86.4 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 2 214 | 7 835 | 586 | | The Cash and cash equivalents at year beginning of R586 000 are not equivalent to the closing Cash and cash equivalents in the 2015/16 AFS of R7.8 million resulting in a difference of R7.2 million. |
| Cash/cash equiv. at the year end: | 4 362 | 3 817 | 879 | | The municipality has reported Cash and cash equivalents at year end of R879 000. However, according to the Bank reconciliation and Investment register, Cash and cash equivalents as at 30 June 2017 amount to R6.4 million. Therefore the municipality's Cash and cash equivalents at year end have been understated by R5.5 million. |
| Net Increase/(Decrease) in cash held | 2 148 | (4 018) | 294 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 939 | 106.3% | (114) | The municipality has indicated that the reported expenditure included expenditure for mSCOA implementation which was partially funded from own revenue. |
| Expanded Public Works Programme Integrated Grants | 1 313 | 1 493 | 113.7% | (180) | The municipality has indicated that a portion of the EPWP program is subsidised from the municipality's own revenue. |
| Municipal Infrastructure Grant | 28 829 | 28 829 | 100.0% | – | |

Table 4.2 (i) Trade and other receivables, Trade and other payables and Key ratios - uMshwathi Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 102 102 | | |
| Debtors as at 30 June 2017 | 109 470 | | The Consumer debtors reflect an increasing trend from the audited amount of R102.1 million as at 30 June 2016 to R109.5 million as at 30 June 2017. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment. |
| <u>By age analysis</u> | | | |
| 0-30 days | 4 809 | 4.4% | |
| 31-60 days | 350 | 0.3% | |
| 61-90 days | 1 538 | 1.4% | |
| >90 days | 102 773 | 93.9% | The municipality indicated that there is a large debt owed by the Department of Water and Sanitation. There are on-going negotiations with the assistance of National Treasury and KZN Cogta. Furthermore, there is a culture of non-payment of municipal debt by ratepayers. The municipality has appointed attorneys towards the latter part of the financial year to assist in the debt collection process. |
| Total by age analysis | 109 470 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 60 600 | 55.4% | The municipality has indicated that R35 million or 57.8 percent of the amount outstanding from Organs of state relates to the debt owed by the Department of Water and Sanitation and there are on-going negotiations with the assistance of National Treasury and KZN Cogta to settle the outstanding debt. |
| Commercial | 16 672 | 15.2% | |
| Households | 32 198 | 29.4% | The municipality has indicated that the R32.2 million or 29.4 percent of total outstanding Debtors attributable to Households is due to the culture of non-payment of municipal debt by ratepayers. The municipality appointed attorneys towards the latter part of the financial year to assist in the debt collection process. |
| Other | - | - | |
| Total by customer group | 109 470 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 162 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 2 162 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 54.8% | The municipality has indicated that the percentage ratio will decrease after accounting for accruals and is expected to be 50 percent. Furthermore, the municipality attributed the ratio which is above the norm to the implementation of the Expanded Public Works Programme which is labour intensive. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 18.7% | The municipality has indicated that Contracted services includes Repairs and maintenance expenditure, training and various community projects. The actual consultants costs is approximately 0.5 percent. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 31.3% | The municipality has indicated that the average grant dependency over the past 3 years has been approximately 55 percent to 60 percent. This is mainly because apart from grants, the municipality has only Property rates and Refuse revenue as its other main sources of income. |
| Own funded capital expenditure | - | 14.3% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 22.5% | The municipality has indicated that it aims to maintain a 20 percent to 25 percent Capital Expenditure to Total expenditure ratio. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 9.9% | |

4.2.3 Analysis per municipality: uMngeni Local Municipality

Table 4.2 (j) Operating Revenue and Expenditure Performance - uMngeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 183 167 | 180 647 | 172 757 | 95.6 | The municipality has generated R172.8 million or 95.6 percent of Property rates revenue against the Adjusted Budget of R180.6 million. The municipality has attributed the under generation of revenue to the redetermination of municipal boundaries as it resulted in less than anticipated billable revenue. |
| Service Charges ² | 82 397 | 82 397 | 70 575 | 85.7 | The municipality has generated R70.6 million or 85.7 percent of Service charges revenue against the Adjusted Budget of R82.4 million. The municipality has attributed the under generation of revenue to lower billing of consumed electricity due to electricity theft from illegal connections within the municipal area. |
| Transfers recognised - operational | 61 469 | 61 817 | 61 817 | 100.0 | |
| Other sources of Revenue ³ | 41 131 | 57 349 | 65 148 | 113.6 | The municipality has generated R65.1 million or 113.6 percent of Other sources of Revenue against the Adjusted Budget of R57.3 million. The municipality has attributed the over generation of revenue to the understated budgets for Rental of facilities and equipment which generated R757 000 or 105.7 percent against the Adjusted Budget of R716 000 and Licences and permits which generated R3.5 million or 101.6 percent against the Adjusted Budget of R3.4 million. |
| Total Operating Revenue | 368 164 | 382 210 | 370 298 | 96.9 | |
| Operating Expenditure | | | | | |
| Employee related costs | 102 239 | 98 577 | 85 577 | 86.8 | The municipality has reported expenditure of R85.6 million or 86.8 percent on Employee related costs against the Adjusted Budget of R98.6 million. The municipality has indicated that the under performance is due to unfilled posts that were budgeted for in the 2016/17 Adjusted Budget. |
| Remuneration of councillors | 7 446 | 7 446 | 7 371 | 99.0 | |
| Debt impairment | 22 878 | 31 428 | 32 667 | 103.9 | The municipality has reported expenditure of R32.7 million or 103.9 percent on Debt impairment against the Adjusted Budget of R31.4 million. The municipality has indicated that the calculation for Debt impairment will be finalised during the preparation of the 2016/17 Annual Financial Statements (AFS) and is expected to be less than the Adjusted Budget amount. |
| Depreciation and asset impairment | 28 974 | 28 974 | 28 974 | 100.0 | |
| Bulk purchases | 95 404 | 103 404 | 91 673 | 88.7 | The municipality has reported expenditure of R91.7 million or 88.7 percent on Bulk purchases against the Adjusted Budget of R103.4 million. The municipality has indicated that the budgeted Bulk purchases line item was overstated. |
| Contracted services | 13 929 | 13 929 | 13 589 | 97.6 | |
| Other expenditure items ⁴ | 96 786 | 98 299 | 92 490 | 94.1 | The municipality has reported expenditure of R92.5 million or 94.1 percent on Other expenditure items against the Adjusted Budget of R98.3 million. The municipality has attributed the under expenditure to the implementation of cost cutting measures in the municipality. |
| Total Operating Expenditure | 367 656 | 382 057 | 352 339 | 92.2 | |
| Operating surplus/(deficit) | 507 | 153 | 17 958 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (k) Capital, Cash and Conditional grant Performance - uMngeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 21 866 | 21 866 | 28 192 | 128.9 | The municipality has indicated that the over performance is due to the misallocation of the source of funding for the Mandela capture site project to Transfers recognised - capital instead of Internally generated funds, as the 2015/16 funds were rolled over into the 2016/17 financial year. Furthermore, National Treasury withheld R6 million of the municipality MIG allocation in the 2016/17 Adjusted DoRA. However, the municipality did not adjust its Transfers recognised - capital in the Adjusted Budget despite Provincial Treasury's advice to adjust the budget accordingly. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 7 282 | 18 213 | 6 702 | 36.8 | The municipality has indicated that the under performance is due to the misallocation of the source of funding on the Mandela capture site project to Transfers recognised - capital instead of Internally generated funds. This will increase the expenditure against Internally generated funds to 71.5 percent after the correction. |
| Total Capital Revenue | 29 148 | 40 079 | 34 894 | 87.1 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 607 | 979 | 430 | 43.9 | The municipality has attributed the under expenditure to the implementation of its Cost containment strategy. |
| Community and Public Safety | 2 251 | 2 251 | 1 806 | 80.2 | The municipality has indicated the project budgeted for under this vote had been completed and the budget was overstated. |
| Eco. & Environmental Services | 19 980 | 36 849 | 32 658 | 88.6 | The under performance is as a result of the overstated Adjusted Budget which included an amount of R6 million which was withheld by National Treasury due to the low levels of reported expenditure for MIG during the 2016/17 financial year. |
| Trading Services | 3 000 | – | – | – | |
| Other | 3 310 | – | – | – | |
| Total Capital Expenditure | 29 148 | 40 079 | 34 894 | 87.1 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 24 989 | 39 835 | 40 648 | | The Cash and cash equivalents at year beginning of R40.6 million is not equivalent to the closing Cash and cash equivalents balance as per the 2015/16 audited AFS of R39.8 million resulting in a difference of R800 000. |
| Cash/cash equiv. at the year end: | 25 315 | 14 031 | 11 875 | | |
| Net Increase/(Decrease) in cash held | 325 | (25 804) | (28 774) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 625 | 1 341 | 82.5% | 284 | The municipality has reported expenditure of R1.3 million or 82.5 percent against the grant allocation of R1.6 million. The municipality has indicated that the unspent amount of R284 000 has been committed and an official order was issued to the service providers on 30 June 2017. |
| Expanded Public Works Programme Integrated Grant | 1 317 | 1 317 | 100.0% | – | |
| Municipal Infrastructure Grant | 15 866 | 15 866 | 100.0% | – | |

Table 4.2 (I) Trade and other receivables, Trade and other payables and Key ratios - uMngeni Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 81 746 | | |
| Debtors as at 30 June 2017 | 110 522 | | The Debtors reflect an increasing trend of R28.8 million or 35.2 percent from the audited amount of R81.7 million as at 30 June 2016 to R110.5 million as at 30 June 2017. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment within the municipal area. |
| <u>By age analysis</u> | | | |
| 0-30 days | 17 381 | 15.7% | |
| 31-60 days | 4 085 | 3.7% | |
| 61-90 days | 3 150 | 2.9% | |
| >90 days | 85 906 | 77.7% | The municipality has reported that R85.9 million or 77.7 percent of Debtors have been outstanding for over 90 days. Households owed R64.2 million or 74.8 percent of the Debtors in the over 90 days category, which is attributed to a culture of non payment within the municipal area. The municipality indicated that it has appointed attorneys to assist with the effective implementation of the Credit control and Debt collection policies. |
| Total by age analysis | 110 522 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 7 560 | 6.8% | |
| Commercial | 2 912 | 2.6% | |
| Households | 84 777 | 76.7% | The municipality has indicated that the R84.8 million or 76.7 percent of total outstanding Debtors attributable to Households is due to the culture of non payment of municipal debt by ratepayers. |
| Other | 15 272 | 13.8% | |
| Total by customer group | 110 522 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality did not submit their MFMA Section 71 Report on Creditors. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 26.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 3.9% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 83.3% | |
| Own funded capital expenditure | - | 19.2% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 9.0% | The municipality has attributed the 9 percent ratio Capital Expenditure to Total expenditure to the R6 million allocation of MIG withheld by the National Treasury. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 4.8% | |

4.2.4 Analysis per municipality: Mpfana Local Municipality

Table 4.2 (m) Operating Revenue and Expenditure Performance - Mpfana Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 13 398 | 14 322 | 13 804 | 96.4 | |
| Service Charges ² | 55 068 | 57 135 | 55 482 | 97.1 | |
| Transfers recognised - operational | 39 640 | 39 640 | 32 210 | 81.3 | The municipality has recognised R32.2 million or 81.3 percent of Transfers recognised - operational against the budgeted allocation of R39.6 million. The municipality has indicated that all the grants have been fully spent however, the MFMA Section 71 monthly returns were not correctly populated and the reported amount will be rectified during the preparation of the 2016/17 Annual Financial Statements (AFS). |
| Other sources of Revenue ³ | 19 731 | 20 342 | 13 688 | 67.3 | The municipality has generated R13.7 million or 67.3 percent of revenue against the Adjusted Budget of R20.3 million for Other sources of Revenue. The municipality has attributed the under generation of revenue to budgeted revenue of R4.7 million from SANRAL which has not yet been realised. The municipality further indicated that the capturing of the Traffic fines issued in the 2016/17 financial year on the financial system was delayed. |
| Total Operating Revenue | 127 836 | 131 439 | 115 184 | 87.6 | |
| Operating Expenditure | | | | | |
| Employee related costs | 32 908 | 32 908 | 31 970 | 97.1 | |
| Remuneration of councillors | 2 449 | 3 035 | 2 463 | 81.1 | The municipality has reported expenditure of R2.5 million or 81.1 percent against the Adjusted Budget of R3 million for the Remuneration of councillors. The municipality has not accounted for the Remuneration of councillors in the May or Month 11 and June or Month 12 monthly MFMA Section 71 reports. |
| Debt impairment | 25 947 | 25 947 | - | - | The municipality has budgeted for Debt impairment of R25.9 million. However, no expenditure has been recorded at the end of the financial year. The municipality has indicated that the expenditure for Debt Impairment will be accounted for during the preparation of the 2016/17 AFS. |
| Depreciation and asset impairment | 6 304 | 6 312 | - | - | The municipality has budgeted for Depreciation and asset impairment of R6.3 million. However, no expenditure has been recorded. The municipality has indicated that the expenditure for Depreciation and asset impairment will be accounted for during the preparation of the 2016/17 AFS. |
| Bulk purchases | 55 934 | 66 185 | 61 371 | 92.7 | The municipality has reported expenditure of R61.4 million or 92.7 percent against the Adjusted Budget of R66.2 million for Bulk purchases. The municipality has indicated the budgeted Bulk purchases line item was overstated. |
| Contracted services | 3 400 | 5 980 | 9 290 | 155.4 | The municipality has reported expenditure of R9.2 million or 155.4 percent against the Adjusted Budget of R6 million for Contracted services. The municipality has attributed the over expenditure to misallocations to Contracted services instead of Other expenditure line item. These misallocations will be corrected during the preparation of the 2016/17 AFS. |
| Other expenditure items ⁴ | 6 985 | 11 811 | 20 134 | 170.5 | The municipality has reported expenditure of R20.1 million or 170.5 percent against the Adjusted Budget of R11.8 million for Other expenditure items. The municipality has attributed the over expenditure to misallocations of expenditure to General expenses instead of Capital expenditure. The municipality further indicated that there is a possibility of unauthorised expenditure in Other expenditure. However, this will be determined during the finalisation of the 2016/17 AFS. |
| Total Operating Expenditure | 133 926 | 152 178 | 125 228 | 82.3 | |
| Operating surplus/(deficit) | (6 090) | (20 738) | (10 044) | | The municipality has generated an Operating deficit of R10 million which may be understated as the Remuneration of councillors, Debt impairment and Depreciation and asset impairment has not been accounted for. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (n) Capital, Cash and Conditional grant Performance - Mpfana Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 18 680 | 18 680 | 16 543 | 88.6 | The under performance of this line item is as a result of the over budgeting in this line item with an allocation of R7 million for the Small Town Rehabilitation grant which was not gazetted. Despite this under performance, the municipality recognised 148.2 percent of revenue against the Municipal Infrastructure Grant which has resulted in the overall 88.6 percent revenue generation in this line item. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | 7 200 | - | - | The municipality had budgeted to fund its capital expenditure with Internally generated funds of R7.2 million in the Adjusted Budget. During the Adjustments Budget process the municipality indicated that the adjustment of R7.2 million was made up of the approved rollover of the Small Town Rehabilitation grant of R5.7 million and an additional R1.5 million funded by the municipality. The municipality has indicated that the capital expenditure against the Internally generated funds has been fully utilised, however, the expenditure has been misallocated to General expenses which will be rectified during the preparation of the 2016/17 AFS. |
| Total Capital Revenue | 18 680 | 25 880 | 16 543 | 63.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | - | 1 500 | - | - | The municipality has indicated that it has fully spent the budgeted amount of R1.5 million and has attributed the reflected expenditure to the misallocation of capital expenditure to General expenses. This error will be rectified during the preparation of the 2016/17 AFS. |
| Community and Public Safety | 7 000 | 12 700 | 2 013 | 15.9 | The municipality has attributed the under expenditure to the non-receipt of the R7 million allocation for the Small Town Rehabilitation grant as well as the misallocation of Capital expenditure to General expenses. This error will be rectified during the preparation of the 2016/17 AFS. |
| Eco. & Environmental Services | 11 680 | 11 680 | 14 529 | 124.4 | The municipality has indicated that the over expenditure is as a result of the under estimation of capital projects funded by MIG. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 18 680 | 25 880 | 16 543 | 63.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 6 461 | 6 461 | 5 187 | | The Cash and cash equivalents at year beginning of R5.2 million does not agree to the closing Cash and cash equivalents in the 2015/16 audited AFS of R4.9 million resulting in a difference of R300 000. |
| Cash/cash equiv. at the year end: | 6 667 | 6 667 | (5 464) | | The municipality has reflected Cash and cash equivalents at year end of negative R5.5 million. The municipality has not submitted its Bank reconciliation and statements to verify the Cash and cash equivalent closing balance. |
| Net Increase/(Decrease) in cash held | 206 | 206 | (10 651) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 744 | 95.6% | 81 | The municipality has reported expenditure of R1.7 million against the grant allocation of R1.8 million. The municipality has indicated that the grant has been fully spent and will be correctly reflected in the 2016/17 AFS. |
| Expanded Public Works Programme Integrated | 1 000 | 949 | 94.9% | 51 | The municipality has reported expenditure of R949 000 against the grant allocation of R1 million. The municipality has indicated that the grant has been fully spent and will be correctly reflected in the 2016/17 AFS. |
| Municipal Infrastructure Grant | 11 680 | 17 305 | 148.2% | (5 625) | The municipality has reported expenditure of R17.3 million or 148.2 percent against the grant allocation of R11.7 million. The municipality has indicated that the over expenditure is as a result of the overspending of capital projects funded by MIG. |

Table 4.2 (o) Trade and other receivables, Trade and other payables and Key ratios - Mpfana Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 79 804 | | |
| Debtors as at 30 June 2017 | - | | The municipality indicated that it had challenges with the submission of Month 12 Debtors return and was unable to submit the return before the database was closed. According to the municipality, the Debtors return has been subsequently submitted and it reflects an outstanding balance of R92.5 million as at 30 June 2017. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment. |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | |
| <u>By customer group</u> | | | |
| Organs of state | - | - | |
| Commercial | - | - | |
| Households | - | - | |
| Other | - | - | |
| Total by customer group | - | - | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | The municipality indicated that it had challenges with the submission of Month 12 Creditors return and was unable to submit the return before the database was closed. According to the municipality, the return was subsequently submitted and it reflects an outstanding balance of Rnil as at 30 June 2017. However, this does not appear to be correct and the municipality has indicated that the balance will be corrected during the finalisation of the 2016/17 AFS. |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 27.5% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.4% | The municipality has reported a ratio of 7.4 percent of Contracted services as a percentage of Total operating expenditure which is above the norm of 2 to 5 percent. The municipality has attributed this high percentage to the misallocation of General expenses to the Contracted services line item. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 72.0% | |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 11.7% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -8.7% | The municipality has generated a Net operating surplus margin of negative 8.7 percent as a result of reporting an Operating deficit of R10 million which may be understated as the Remuneration of councillors, Debt impairment and Depreciation and asset impairment has not been accounted for. |

4.2.5 Analysis per municipality: iMpendle Local Municipality

Table 4.2 (p) Operating Revenue and Expenditure Performance - iMpendle Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 4 479 | 5 249 | 5 493 | 104.6 | The municipality has attributed the over generation of this line item to an increase in the number of properties due to the redetermination of municipal boundaries. |
| Service Charges ² | 39 | 39 | 46 | 118.1 | The municipality has attributed the over generation of this line item to an increase in the number of properties due to the redetermination of municipal boundaries. |
| Transfers recognised - operational | 43 355 | 44 796 | 36 219 | 80.9 | The municipality has attributed the under generation of this line item to errors and misstatements in the MFMA Section 71 reports. The municipality indicated that these transactions will be corrected and accurately accounted for in the 2016/17 Annual Financial Statements (AFS). The municipality did not fully spend their conditional grant allocations and will apply for the rollover of these funds to the 2017/18 financial year. |
| Other sources of Revenue ³ | 2 051 | 3 298 | 8 302 | 251.7 | The municipality has attributed the over generation of this line item to errors and misstatements in the MFMA Section 71 reports. The municipality indicated that these transactions will be corrected and accurately accounted for in the 2016/17 AFS. |
| Total Operating Revenue | 49 925 | 53 383 | 50 060 | 93.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 20 634 | 22 009 | 17 380 | 79.0 | The municipality attributed the under expenditure to vacant posts such as Budget Manager and the Municipal Manager posts. These posts have not yet been filled. |
| Remuneration of councillors | 2 307 | 2 307 | 1 813 | 78.6 | The municipality attributed the under expenditure to the amount budgeted for MPAC Chairman which was paid at a normal councillor's rate. Furthermore, there were errors and misallocations in the MFMA Section 71 reports. The municipality indicated that these transactions will be corrected and accurately accounted for in the 2016/17 AFS. |
| Debt impairment | 1 744 | 1 744 | - | - | The municipality did not account for Debt impairment with an Adjusted Budget amount of R1.7 million. The municipality indicated that at the MFMA Section 71 reporting date, the Debt impairment calculation was not finalised and will be incorporated in the 2016/17 AFS. |
| Depreciation and asset impairment | 7 716 | 7 716 | - | - | The municipality did not account for Depreciation and asset impairment with an Adjusted Budget amount of R7.7 million. The municipality indicated that at the MFMA Section 71 reporting date, the Depreciation and asset impairment calculation was not finalised and will be incorporated in the 2016/17 AFS. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 583 | 1 026 | 1 278 | 124.5 | The municipality indicated that the over expenditure was due to the fact that the Adjusted Budget was understated. |
| Other expenditure items ⁴ | 26 290 | 28 225 | 37 641 | 133.4 | The municipality has not provided the reasons for over spending in this line item despite numerous requests sent to the municipality. |
| Total Operating Expenditure | 59 274 | 63 028 | 58 111 | 92.2 | |
| Operating surplus/(deficit) | (9 350) | (9 645) | (8 051) | | The municipality reported an Operating deficit of R8.1 million, which may be understated as the municipality has indicated that the year-end accruals have not been taken into account in some expenditure line items. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (q) Capital, Cash and Conditional grant Performance - iMpendle Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 11 382 | 11 382 | 14 885 | 130.8 | The municipality attributed the over generation of revenue to the fact that it received an additional allocation of R5 million for Municipal Infrastructure Grant (MIG) during the 2016/17 financial year. An Adjustments Budget was prepared and approved in Council on 25 April 2017, however the corresponding Adjustments Budget returns were not submitted to the NT Igdatabase. The municipality indicated that the allocation of R16.4 million for Transfers recognised - capital was fully spent as at 30 June 2017. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 30 | 77 | - | - | The municipality indicated that the Adjusted Budget of R77 000 for Internally generated funds was fully realised as funding for the acquisition of Office equipment. The municipality attributed the under performance of this line item to the errors and misstatements in the MFMA Section 71 reports submitted to the NT Igdatabase which will be corrected during the finalisation of the 2016/17 AFS. |
| Total Capital Revenue | 11 412 | 11 459 | 14 885 | 129.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 30 | 47 | 105 | 223.6 | The municipality has attributed the over spending to errors and misstatements in the MFMA Section 71 reports submitted to the NT Igdatabase which will be corrected during the finalisation of the 2016/17 AFS. |
| Community and Public Safety | - | - | 806 | - | The municipality indicated that the capital expenditure of R806 000 for Road transport was erroneously included under Community and public safety vote instead of Economic and environmental services vote in the MFMA Section 71 reports submitted to the NT Igdatabase. This error will be corrected during the finalisation of the 2016/17 AFS. |
| Eco. & Environmental Services | 11 382 | 11 412 | 13 973 | 122.4 | The municipality attributed the over spending to the fact that an Adjustments Budget return for an additional allocation of R5 million for Municipal Infrastructure Grant (MIG) was not submitted to the NT Igdatabase; therefore the Adjusted Budget figure of R11.4 million is understated by R5 million. Furthermore, the municipality indicated that the total budget of R16.4 million for this vote was fully spent as at 30 June 2017. The municipality indicated that these transactions will be corrected in the 2016/17 AFS. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 11 412 | 11 459 | 14 885 | 129.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 2 726 | 4 099 | 688 | | The opening balance of R688 000 for the 2016/17 financial year does not agree to the 2015/16 audited AFS Cash and cash equivalent balance at year-end of R4.1 million, resulting in an understatement of the opening balance by at least R3.4 million. |
| Cash/cash equiv. at the year end: | 523 | 2 400 | 8 499 | | The municipality reported R8.5 million for Cash and cash equivalents at the year-end. However, the municipality indicated that the bank primary account has a balance of R2.9 million and the Investment register as per the information submitted to the NT Igdatabase reflects a balance of R383 134 as at 30 June 2017. The municipality has attributed the discrepancies in the Cash and cash equivalent at the year end to the errors and misstatements in the MFMA Section 71 reports submitted to the NT Igdatabase which will be corrected during the finalisation of the 2016/17 AFS. |
| Net Increase/(Decrease) in cash held | (2 203) | (1 699) | 7 811 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 443 | 1 443 | 100.0% | - | |
| Municipal Infrastructure Grant | 16 382 | 16 382 | 100.0% | - | |

Table 4.2 (r) Trade and other receivables, Trade and other payables and Key ratios - iMpendle Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 4 940 | | |
| Debtors as at 30 June 2017 | 7 893 | | The municipality reported R7.9 million for Debtors as at 30 June 2017, which is a R3 million or 59.7 percent increase from the 2015/16 financial year. The municipality attributed the increase in Debtors to the culture of non payment within the municipal area as well as the new customers due to the redetermination of municipal boundaries. |
| <u>By age analysis</u> | | | |
| 0-30 days | 268 | 3.4% | |
| 31-60 days | 147 | 1.9% | |
| 61-90 days | 366 | 4.6% | |
| >90 days | 7 111 | 90.1% | The municipality reported R7.1 million or 90.1 percent for Debtors outstanding for over 90 days. The municipality attributed this to Organs of state and Commercial properties that have not paid. The municipality has embarked on the implementation of debt collection strategies which includes engagement with major customers such as Farmers, Departments of Health, Human settlement and Regional Land Affairs. |
| Total by age analysis | 7 893 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 5 641 | 71.5% | The municipality reported R5.6 million or 71.5 percent of its Debtors from Organs of state. The municipality has embarked on the implementation of debt collection strategies which includes engagement with major customers such as Departments of Health, Human Settlement and Regional Land Affairs in an attempt to recover the outstanding amounts. |
| Commercial | 2 087 | 26.4% | The municipality reported R2.1 million or 26.4 percent of its Debtors from Commercial. The municipality attributed this to the culture of non payment within the municipal area and indicated that the Credit control and Debt collection policies were not effective during the 2016/17 financial year. |
| Households | 165 | 2.1% | |
| Other | - | - | |
| Total by customer group | 7 893 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality did not submit their MFMA Section 71 Report on Creditors. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 33.0% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.2% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 27.6% | The low rate of Own sources of revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is based on the tariffs that are not currently cost reflective as the community within the municipality is rural and affordability is still a concern. |
| Own funded capital expenditure | - | - | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 20.4% | The municipality has increased its capital expenditure in order to improve service delivery to the community. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -16.1% | The negative ratio of the Net operating surplus margin is an indication that the municipality was operating at a deficit during the 2016/17 financial year. |

4.2.6 Analysis per municipality: Mkhambathini Local Municipality

Table 4.2 (s) Operating Revenue and Expenditure Performance - Mkhambathini Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 12 663 | 12 663 | 11 972 | 94.5 | The municipality has attributed the under generation of revenue to the fact that the municipality over budgeted for this line item during the Adjustments Budget process. |
| Service Charges ² | 500 | 500 | 466 | 93.3 | The municipality has attributed the under generation of revenue to the fact that the municipality over budgeted for this line item during the Adjustments Budget process. |
| Transfers recognised - operational | 64 525 | 66 111 | 64 060 | 96.9 | The municipality has incorrectly reflected R66.1 million for the Transfers recognised - operational in the Adjusted Budget instead of R64.7 million. The difference of R1.4 million relates to the 2014/15 Rollover for Integrated National Electrification Grant. The municipality prepared an Adjustments Budget, however the corresponding adjusted budget return was not submitted to the NT Igdatabase. Therefore, the municipality effectively generated 98.9 percent for this line item by the end of the 2016/17 financial year. The municipality indicated that the balance of R1.3 million or 1.1 percent relates to the unspent provincial grants. |
| Other sources of Revenue ³ | 7 622 | 8 908 | 10 930 | 122.7 | The over generation of this line item is mainly attributed to Interest earned - external investments which reported R3 million or 121.8 percent against the Adjusted Budget of R2.5 million and Interest earned - outstanding debtors which reported R2.7 million or 225 percent against the Adjusted Budget of R1.2 million. |
| Total Operating Revenue | 85 310 | 88 182 | 87 428 | 99.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 27 056 | 27 056 | 13 046 | 48.2 | The actual expenditure of R13 million or 48.2 percent reported against the Adjusted Budget of R27.1 million is incorrect. The municipality indicated that it has spent R23.5 million or 86.9 percent for Employee related costs as at the end of June 2017. However, the correcting return for Month 12 was not uploaded on the NT Igdatabase. The municipality has attributed the under performance of 13.1 percent to the unfilled vacancies of Section 57 Managers. |
| Remuneration of councillors | 5 088 | 5 088 | 3 998 | 78.6 | The actual expenditure of R4 million or 78.6 percent reported against the Adjusted Budget of R5.1 million is incorrect. The municipality indicated that it has spent R4.8 million or 94.3 percent for Remuneration of councillors as at the end of June 2017. However, the correcting return for Month 12 was not uploaded on the NT Igdatabase. |
| Debt impairment | 700 | 700 | (2 169) | - | The municipality reported expenditure of negative R2.2 million against the Adjusted Budget of R700 000 for Debt impairment. However, the amount of R2.2 million was incorrectly uploaded in the NT Igdatabase as negative R2.2 million. The municipality indicated that the calculations for Debt impairment will be finalised during the preparation of Annual Financial Statements (AFS) in order to ensure accuracy and completeness. As a result, the finalised Debt impairment figures were not available at the time of MFMA Section 71 reporting. |
| Depreciation and asset impairment | 4 800 | 6 000 | 2 400 | 40.0 | The municipality reported expenditure of R2.4 million against the Adjusted Budget of R6 million for Depreciation and asset impairment. The under expenditure was attributed to the fact that the Depreciation and asset impairment calculation is finalised during the preparation of AFS in order to ensure accuracy and completeness. As a result, the finalised Depreciation and asset impairment figures were not available at the time of reporting for MFMA Section 71. |
| Bulk purchases | - | - | - | - | |
| Contracted services | - | - | - | - | |
| Other expenditure items ⁴ | 43 860 | 45 448 | 50 633 | 111.4 | The actual expenditure of R50.6 million or 111.4 percent reported against the Adjusted Budget of R45.4 million is incorrect. The municipality indicated that it has spent R33.5 million or 73.7 percent for Other expenditure items as at the end of June 2017. The under spending in Other expenditure was due to the implementation of the Cost containment measures during the 2016/17 financial year. |
| Total Operating Expenditure | 81 504 | 84 292 | 67 908 | 80.6 | |
| Operating surplus/(deficit) | 3 807 | 3 890 | 19 520 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (t) Capital, Cash and Conditional grant Performance - Mkhambathini Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 15 626 | 13 926 | 12 486 | 89.7 | The municipality has recognised 89.7 percent of the Municipal Infrastructure Grant (MIG) of R13.9 million. The municipality indicated that the capital revenue of R1.4 million was not recognised as the Ngulube crèche was not completed as at 30 June 2017, however the balance of the funds have been committed. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 3 800 | 4 771 | 3 173 | 66.5 | The municipality reported R3.2 million or 66.5 percent of revenue against the Adjusted Budget of R4.8 million for Internally generated funds. The under generation of revenue is attributed to the fact that the Adjusted Budget included a rolled over amount of R1.4 million for Integrated National Electrification Grant that was not approved and subsequently surrendered to the National Revenue Fund. |
| Total Capital Revenue | 19 426 | 18 697 | 15 659 | 83.8 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 620 | 920 | 904 | 98.3 | |
| Community and Public Safety | 240 | 140 | 179 | 128.2 | The municipality reported R179 000 or 128.2 percent of expenditure against the Adjusted Budget of R140 000 for Community and Public Safety. The municipality indicated that the over expenditure was due to the fact that the Adjusted Budget was understated. |
| Eco. & Environmental Services | 17 566 | 17 637 | 14 576 | 82.6 | The municipality spent R14.6 million or 82.6 percent of the Adjusted Budget of R17.6 million. The under performance in capital expenditure was attributed to the fact that the Ngulube crèche was not completed by 30 June 2017 however the balance of the funds have been committed. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 19 426 | 18 697 | 15 659 | 83.8 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 18 135 | 18 135 | 37 260 | | |
| Cash/cash equiv. at the year end: | 25 440 | 22 159 | 52 927 | | |
| Net Increase/(Decrease) in cash held | 7 305 | 4 024 | 15 667 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 826 | 100.1% | (1) | |
| Expanded Public Works Programme Integrated Grant | 1 253 | 1 278 | 102.0% | (25) | The municipality indicated that the difference of R25 000 relates to the 2015/16 approved rollover amount that has been spent and incorrectly reported in the 2016/17 financial year. |
| Municipal Infrastructure Grant | 13 926 | 12 486 | 89.7% | 1 440 | The municipality spent R12.5 million or 89.7 percent of the Adjusted Budget of R13.9 million. The under performance in capital expenditure was attributed to the fact that the key management positions for Technical and Community departments were vacant and capital projects were delayed during the 2016/17 financial year. |

Table 4.2 (u) Trade and other receivables, Trade and other payables and Key ratios - Mkhambathini Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 15 749 | | |
| Debtors as at 30 June 2017 | 19 286 | | The municipality reported R19.3 million for Debtors as at 30 June 2017, which is a R3.5 million or 22.5 percent increase from the audited balance as at 30 June 2016 of R15.7 million. The municipality attributed the increase in Debtors to the culture of non payment within the municipal area and indicated that the Credit control and Debt collection policies were not effective. Furthermore, the municipality indicated that it has added a 10 percent collection charge to all Debtors outstanding as at 30 June 2017. |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 384 | 12.4% | |
| 31-60 days | 664 | 3.4% | |
| 61-90 days | 589 | 3.1% | |
| >90 days | 15 650 | 81.1% | The municipality reported R15.7 million or 81.1 percent for Debtors outstanding for over 90 days. The municipality indicated that a significant amount of outstanding debtors over 90 days is largely influenced by the high unemployment rate, and the overall socio-economic climate within the municipal area. The municipality has embarked on debt collection strategies and this includes data cleansing. |
| Total by age analysis | 19 286 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 4 271 | 22.1% | The municipality reported R4.3 million or 22.1 percent of its Debtors outstanding from Organs of state. However, R4.2 million was misallocated as an amounting owing by Department of Education while the amount is owed by a private institution. The municipality has engaged the private institution and other major debtors in this category such as Department of Public Works and Department of Education to recover the outstanding amounts. |
| Commercial | 2 604 | 13.5% | The municipality indicated that their debt collection strategies were not effective as they experienced challenges with their financial data and have embarked on a data cleansing exercise to fast track the progress to recover the outstanding amounts. |
| Households | 5 652 | 29.3% | The Households owed R5.7 million or 29.3 percent of total Debtors, which is attributed to the overall socio-economic climate within the municipal area. |
| Other | 6 759 | 35.0% | The municipality reported R6.8 million or 35 percent as Other debtors. However this amount is understated by R4.2 million which was classified under Organs of state. The municipality indicated that they will correct this error during the finalisation of the AFS. |
| Total by customer group | 19 286 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 3 233 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 3 233 | 100.0% | |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 25.1% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | - | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 26.7% | The low rate of Own sources of revenue to total operating revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is highly based on Property rates while the Service charges - refuse revenue contributes only 0.5 percent. The municipality is rural and the affordability is still a concern. |
| Own funded capital expenditure | - | 20.3% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 18.7% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 22.3% | |

4.2.7 Analysis per municipality: Richmond Local Municipality

Table 4.2 (v) Operating Revenue and Expenditure Performance - Richmond Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 12 250 | 12 400 | 13 227 | 106.7 | The municipality has attributed the over generation of this line item to Property rates - penalties and collection charges which was under budgeted during the Adjustments Budget process. The municipality further indicated that incorrect journal entries were processed to Property rates and these will be rectified during the preparation of the Annual Financial Statements (AFS). |
| Service Charges ² | 450 | 500 | 487 | 97.5 | The municipality has attributed this under generation of revenue to over budgeting of Service charges during the Adjustments Budget process. |
| Transfers recognised - operational | 70 224 | 69 285 | 68 115 | 98.3 | The municipality indicated that it has attributed the under generation of revenue for this line item to unprocessed journals relating to the provincial allocations from the KwaZulu Natal Department of Cooperative Governance and Traditional Affairs (KZN CoGTA). The municipality has fully spent all grants and will be reflecting 100 percent revenue generated from Transfers recognised - operational in the 2016/17 AFS. |
| Other sources of Revenue ³ | 6 681 | 8 821 | 9 835 | 111.5 | The over generation of this line item is mainly attributed to Rental of facilities and equipment which reported R4.3 million or 145 percent of revenue against the Adjusted Budget of R2.9 million; Interest earned - external investments which reported R4.2 million or 103 percent of revenue against the Adjusted Budget of R4.1 million; Interest earned - outstanding debtors which reported R94 000 or 105 percent of revenue against the Adjusted Budget of R90 000 and Agency services which reported R623 000 or 121 percent of revenue against the Adjusted Budget of R516 000. The over generation of revenue in these line items was not anticipated by the municipality during the preparation of the 2016/17 Adjusted Budget. Notwithstanding the under budgeting noted above, Fines generated R22 000 or 6.3 percent of revenue against the Adjusted Budget of R352 000. However, the municipality indicated that journal entries relating to the application of GRAP for traffic fines impairment will be finalised during the preparation of the AFS. Licences and permits generated R142 000 or 52.2 percent of revenue against the Adjusted Budget of R273 000 as the driver testing ground was not fully operational during the 2016/17 financial year. |
| Total Operating Revenue | 89 606 | 91 007 | 91 664 | 100.7 | |
| Operating Expenditure | | | | | |
| Employee related costs | 40 310 | 39 657 | 36 874 | 93.0 | The municipality attributed this under performance to unfilled vacancies in senior management positions. |
| Remuneration of councillors | 4 642 | 4 544 | 4 307 | 94.8 | The municipality attributed this under performance to the vacant positions of the Speaker and the Deputy Mayor. |
| Debt impairment | 950 | 1 350 | 1 050 | 77.8 | The under expenditure was attributed to the fact that the Debt impairment calculation is finalised during the preparation of the AFS in order to ensure accuracy and completeness. As a result, the finalised Debt impairment figures were not available at the time of the MFMA Section 71 reporting. |
| Depreciation and asset impairment | 8 923 | 11 517 | 7 582 | 65.8 | The municipality indicated that the expenditure of R7.6 million for Depreciation and asset impairment may be understated as the municipality had not finalised the asset verification process at the time of the MFMA Section 71 reporting. The municipality indicated that it will reflect the correct amount in the 2016/17 AFS. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 8 526 | 8 832 | 8 073 | 91.4 | The municipality reported expenditure of R8.1 million or 91.4 percent for Contracted services. The municipality indicated that the reported expenditure is understated due to the fact that year end accruals were not yet processed at the time of the MFMA Section 71 reporting. |
| Other expenditure items ⁴ | 34 815 | 37 660 | 31 124 | 82.6 | The municipality reported expenditure of R31.1 million or 82.6 percent for Other expenditure items. The municipality indicated that the reported expenditure is understated due to the fact that year end accruals were not yet processed at the time of the MFMA Section 71 reporting. |
| Total Operating Expenditure | 98 165 | 103 560 | 89 010 | 86.0 | |
| Operating surplus/(deficit) | (8 560) | (12 553) | 2 654 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (w) Capital, Cash and Conditional grant Performance - Richmond Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 33 056 | 30 657 | 29 052 | 94.8 | The municipality has attributed the under generation of revenue to accruals that were not taken into account at the time of the MFMA Section 71 reporting and these will be rectified during the preparation of the AFS in order to reflect 100 percent revenue recognised for this line item. |
| Public contributions and donations | - | - | 117 | - | The municipality has reported capital revenue of R117 000 for Public contributions and donations however, no budget were reflected for this line item in the 2016/17 Adjustments Budget. The municipality has attributed this under budgeting to late donations that were received from the KwaZulu Natal Department of Arts and Culture (KZN DAC). As a result, the municipality was unable to process an Adjustments Budget for this line item, timeously. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 3 264 | 8 986 | 8 568 | 95.3 | The municipality has attributed the under generation of revenue to accruals that were not taken into account at the time of the MFMA Section 71 reporting and this will be rectified during the preparation of the AFS in order to reflect 100 percent revenue recognised for Internally generated funds. |
| Total Capital Revenue | 36 320 | 39 643 | 37 736 | 95.2 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 429 | 4 348 | 4 429 | 101.9 | The municipality has attributed over expenditure on this line item to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the AFS in order to reflect 100 percent capital expenditure for Governance and Administration. |
| Community and Public Safety | 15 910 | 6 133 | 4 062 | 66.2 | The municipality has attributed this under spending to over accruals not being taken into account at the time of the MFMA Section 71 reporting. These will be rectified during the preparation of the AFS. The municipality further indicated that a rollover amount from previous financial year of R3 million for the Small Town Rehabilitation Grant was still not spent in the 2016/17 financial year thus resulting in an under spending for this line item. |
| Eco. & Environmental Services | 19 981 | 29 162 | 29 246 | 100.3 | |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 36 320 | 39 643 | 37 736 | 95.2 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 57 900 | 47 736 | 47 745 | | |
| Cash/cash equiv. at the year end: | 59 067 | 41 191 | 830 | | The municipality has reported Cash/ cash equivalents at the year end of R831 000 as at 30 June 2017. The municipality indicated that the final Bank Reconciliation for the month ending 30 June 2017 was not finalised at the time of the MFMA Section 71 reporting. Moreover, this amount of R831 000 excluded Investment balances and other cash balances on hand. The correct amount for this line item will be finalised during the preparation of the AFS. |
| Net Increase/(Decrease) in cash held | 1 167 | (6 545) | (46 915) | | The municipality has reported a Net Decrease in cash held of R46.9 million for the period ended 30 June 2017. This was attributed to other Cash/ cash equivalent balances at year end which were not taken into consideration at the time of the MFMA Section 71 reporting. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 277 | 1 294 | 101.3% | (17) | The municipality has attributed the over expenditure on the Expanded Public Works Programme grant to errors and misallocations in the figures reported in the MFMA Section 71 Reports. These will be rectified during the preparation of the AFS in order to reflect 100 percent expenditure for this conditional grant. |
| Municipal Infrastructure Grant | 26 000 | 26 000 | 100.0% | - | |

Table 4.2 (x) Trade and other receivables, Trade and other payables and Key ratios - Richmond Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 11 267 | | |
| Debtors as at 30 June 2017 | 12 661 | | The municipality reported R12.7 million for Debtors as at 30 June 2017, which reflects an increase of R1.4 million or 12.4 percent when compared to the 2015/16 financial year. The municipality indicated that the marginal increase in Debtors was due to the data cleansing exercise conducted on government debt. |
| <u>By age analysis</u> | | | |
| 0-30 days | (238) | | The municipality attributed the negative R238 000 to ratepayers who pay for their Rate Clearance Certificates in advance and this amount will be rectified during the preparation of the AFS. |
| 31-60 days | 344 | 2.7% | |
| 61-90 days | 340 | 2.7% | |
| >90 days | 12 215 | 96.5% | The municipality reported R12.2 million or 96.5 percent for Debtors outstanding for over 90 days. The municipality has indicated that collecting outstanding debtors remains a challenge since it is largely influenced by a high unemployment rate and other related socio-economic issues. |
| Total by age analysis | 12 661 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 1 378 | 10.9% | |
| Commercial | 2 441 | 19.3% | |
| Households | 5 637 | 44.5% | Households owed R5.6 million or 44.5 percent of the total Debtors. The municipality attributed this percentage to an increase in number of the deceased estate debts as well as a lack of economic activities within the community thus having a negative influence on the repayment of municipal debts. |
| Other | 3 205 | 25.3% | |
| Total by customer group | 12 661 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality did not submit their MFMA Section 71 Report on Creditors. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 46.3% | The municipality has attributed this high percentage of 46.3 percent to labour intensive mechanisms that are used to deliver municipal services and the implementation of the Expanded Public Works Programme which is also labour intensive. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 9.1% | The municipality has attributed this high percentage of 9.1 percent to the increase in consultant costs due to the implementation of an mSCOA compliant ERP system for the 2016/17 financial year. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 25.7% | The low rate of Own sources of revenue is an indication that the municipality is highly grant-dependant. The municipality indicated that it has included a Key Performance Area (KPA) in respect to revenue enhancement in all strategic managers performance contracts. This initiative will seek to improve own revenue generation by the municipality in the forthcoming years. |
| Own funded capital expenditure | - | 22.7% | The municipality has attributed this ratio to the municipality being highly grant-dependant resulting in more of its capital expenditure being funded by grants. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 29.8% | The higher percentage of Capital expenditure was attributed to higher spending on infrastructure which reflects in an acceleration of service delivery. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 2.9% | The municipality has reported a Net operating surplus margin of 2.9 percent. However, the municipality has indicated that some of the expenditure items are understated as some accruals have not yet been accounted for. |

4.2.8 Analysis per municipality: uMgungundlovu District Municipality

Table 4.2 (y) Operating Revenue and Expenditure Performance - uMgungundlovu District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 159 650 | 122 461 | 124 371 | 101.6 | The municipality has attributed the over generation of revenue to the effective water meter readings and the implementation of Revenue enhancement strategies. |
| Transfers recognised - operational | 434 490 | 432 840 | 450 415 | 104.1 | The municipality has attributed the over generation of revenue to the portion of the Massification grant that has been used for operational projects and the Mandela Day Marathon Grants that was incorrectly accounted for as Other revenue instead of Transfers recognised - operational in the Adjustments Budget. |
| Other sources of Revenue ³ | 49 952 | 66 297 | 59 745 | 90.1 | The municipality has attributed the under generation of revenue to the cancellation of Investments. As a result, the Interest earned - external investment generated R9.4 million or 85.8 percent of the Adjusted Budget of R11 million. The municipality also indicated that there were fewer new water connections than anticipated during the 2016/17 financial year. |
| Total Operating Revenue | 644 093 | 621 598 | 634 531 | 102.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 191 692 | 200 462 | 193 546 | 96.5 | The municipality attributed the under expenditure to the implementation of the cost cutting measures, which included a decision to only fill critical vacant posts. |
| Remuneration of councillors | 13 189 | 10 756 | 10 312 | 95.9 | The under expenditure is attributed to the fact that the municipality over budgeted for Remuneration of councillors in the Adjustments Budget. |
| Debt impairment | 48 401 | 48 401 | 32 699 | 67.6 | The under expenditure was attributed to the fact that the Debt impairment calculation is finalised during the preparation of the Annual Financial Statements (AFS) in order to ensure accuracy and completeness. As a result, the finalised Debt impairment figures were not available at the time of reporting for MFMA Section 71. |
| Depreciation and asset impairment | 31 800 | 51 800 | 29 884 | 57.7 | The under expenditure was attributed to the fact that the Depreciation and asset impairment calculation is finalised during the preparation of the AFS in order to ensure accuracy and completeness. As a result, the finalised Depreciation and asset impairment figures were not available at the time of MFMA Section 71 reporting. |
| Bulk purchases | 101 328 | 118 062 | 110 635 | 93.7 | The under expenditure was attributed to the fact that the municipality has replaced Hilton and Merrivale AC pipes which subsequently reduced water losses. |
| Contracted services | 122 915 | 127 562 | 151 630 | 118.9 | The over expenditure was attributed to the fact that the municipality has taken a decision to classify operating expenditure as contracted services. |
| Other expenditure items ⁴ | 102 921 | 120 710 | 116 936 | 96.9 | |
| Total Operating Expenditure | 612 246 | 677 753 | 645 642 | 95.3 | |
| Operating surplus/(deficit) | 31 847 | (56 155) | (11 111) | | The municipality reported an Operating deficit of R11.1 million, which may be understated as the municipality has indicated that the year-end accruals have not been taken into account in some expenditure line items. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.2 (z) Capital, Cash and Conditional grant Performance - uMgungundlovu District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 149 865 | 149 865 | 195 207 | 130.3 | The municipality attributed the over generation of revenue to the Borrowing revenue of R32.8 million which was incorrectly reported under Transfers recognised - capital. The municipality also received an additional allocation of R10 million for Municipal Infrastructure Grant (MIG) during the 2016/17 financial year. The municipality did not table an Adjustments Budget for the additional allocation despite Provincial Treasury's advice to table a revised Adjustments Budget to Council. Furthermore, the amount of R2.5 million included in this line item is due to an error in MFMA Section 71 reports. The municipality will correct this, during the finalisation of the 2016/17 AFS. |
| Public contributions and donations | - | - | 518 | - | The municipality has erroneously classified an amount of R518 000 as Public contributions and donations instead of Internally generated funds. |
| Borrowing | 40 053 | 91 672 | 58 810 | 64.2 | The municipality attributed the under generation of this line item to Borrowing of R32.8 million which was incorrectly reported under Transfer recognised - capital. |
| Internally generated funds | 11 350 | 1 050 | 22 | 2.1 | The municipality has erroneously classified an amount of R518 000 as Public contributions and donations instead of Internally generated funds. The under expenditure of R540 000 is attributed to the fact that the municipality over budgeted for this line item during the Adjustments Budget. |
| Total Capital Revenue | 201 268 | 242 587 | 254 558 | 104.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 750 | 1 050 | 541 | 51.5 | The municipality reported R541 000 or 51.5 percent of expenditure against the Adjusted Budget of R1.1 million for Governance and administration. The under expenditure is attributed to the fact that the municipality over budgeted for this vote during the Adjustments Budget. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | - | - | - | - | |
| Trading Services | 189 918 | 230 937 | 254 017 | 110.0 | The municipality reported R254 million or 110 percent of expenditure against the Adjusted Budget of R230.9 million for Trading services. The over expenditure is attributed to the fact that the municipality has misallocated R10.6 million spent on Water trucks as Trading services while it was budgeted as Other as well as the spending of the R10 million additional allocation for MIG received. |
| Other | 10 600 | 10 600 | - | - | The municipality has erroneously reported the capital expenditure of R10.6 million spent on Water trucks under Trading services instead of Other. |
| Total Capital Expenditure | 201 268 | 242 587 | 254 558 | 104.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 162 494 | 178 511 | (94 978) | | The opening balance of negative R95 million for the 2016/17 financial year does not agree to the Cash and cash equivalent at the year end of R178.5 million as per the 2015/16 audited AFS, resulting in the understatement of the opening balance by at least R273.5 million. |
| Cash/cash equiv. at the year end: | 234 577 | 214 223 | (282 394) | | The municipality reported negative R282.4 million for Cash and cash equivalent at year end, which does not agree to the closing balance of R94.8 million which is Cash in bank of R30.3 million as per Bank statements and Investments of R64.5 million as per the municipality's Investment register as at 30 June 2017. The municipality indicated that this was due to the fact it reported inter account transfers as actual payments to Suppliers and employees in the MFMA Section 71 reports, which has resulted in the overstatement of the Suppliers and employees line item in the Cash flow statement. |
| Net Increase/(Decrease) in cash held | 72 083 | 35 712 | (187 416) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 2 094 | 2 094 | 100.0% | - | |
| Municipal Infrastructure Grant | 109 630 | 109 630 | 100.0% | - | |

Table 4.2 (aa) Trade and other receivables, Trade and other payables and Key ratios - uMgungundlovu District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 362 522 | | |
| Debtors as at 30 June 2017 | 410 512 | | The municipality reported R410.5 million for Debtors as at 30 June 2017, which is a R48 million or 13.2 percent increase from the 2015/16 financial year. The municipality attributed the increase in Debtors to the culture of non payment within the municipal area and indicated that the Credit control and Debt collection policies were not effective. |
| <u>By age analysis</u> | | | |
| 0-30 days | 26 906 | 6.6% | |
| 31-60 days | 10 394 | 2.5% | |
| 61-90 days | 7 039 | 1.7% | |
| >90 days | 366 173 | 89.2% | The municipality reported R366.2 million for Debtors outstanding for over 90 days of which 81.7 percent is owed by Households. The municipality indicated that the significant amount of outstanding debtors over 90 days is largely influenced by the high unemployment rate, and the overall socio-economic environment within the municipal area. |
| Total by age analysis | 410 512 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 8 178 | 2.0% | |
| Commercial | 16 521 | 4.0% | |
| Households | 335 451 | 81.7% | The Households owed R335.5 million or 81.7 percent of total Debtors, which is attributed to the overall socio-economic environment within the municipal area. |
| Other | 50 362 | 12.3% | |
| Total by customer group | 410 512 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 45 994 | 93.6% | |
| 31-60 days | 2 447 | 5.0% | |
| 61-90 days | 1 035 | 2.1% | |
| >90 days | (318) | - | |
| Total by age analysis | 49 158 | 100.0% | The municipality has indicated that the R46 million or 93.6 percent is mainly for accruals as at the end of June 2017. The remaining 6.4 percent or R3.2 million relates to retention monies due to delays with the verification of completed projects and disputes with suppliers. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 31.6% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 23.5% | The over expenditure was attributed to the fact that the municipality has taken a decision to convert operational expenditure to be Contracted services for more effective management of expenditure. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 29.0% | The low rate of Own sources of revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is based on the tariffs that are not currently cost reflective as the community within the municipality is rural and the affordability is still a concern. |
| Own funded capital expenditure | - | 0.0% | The municipality has erroneously classified an amount of R518 000 as Public contributions and donations instead of Internally generated funds during the submission of the MFMA Section 71 reports resulting in only R22 000 being reflected as Own funded capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 28.3% | The municipality has increased its capital expenditure in order to improve service delivery. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -1.8% | The negative ratio of the Net operating surplus margin is an indication that the municipality was operating at a deficit during the 2016/17 financial year. |

4.3 uThukela District

The uThukela District is located on the western boundary of the KwaZulu-Natal Province. The district forms part of the border between the KwaZulu-Natal Province and the Free State Province and the Kingdom of Lesotho and is comprised of four municipalities, namely the Alfred Duma, iNkosi Langalibalele, Okhahlamba Local Municipalities and the uThukela District Municipality. The Alfred Duma Local Municipality functions as the district node and the dominant commercial centre in the uThukela District. The municipal area is 11 134 km² and largely comprises of high density rural settlements.

Subsequent to the redetermination of municipal boundaries by the Demarcation Board, the Umtshezi and Imbabazane Local Municipalities were merged to form the iNkosi Langalibalele Local Municipality and the Emnambithi/Ladysmith and Indaka Local Municipalities were merged to form the Alfred Duma Local Municipality in August 2016. The Local Government elections were held in August 2016 which resulted in all municipalities having new political leadership. A new Mayor, Deputy Mayor, Speaker and Council took office in August 2016 in all municipalities within the district.

The uThukela District Municipality is responsible for providing *Water* and *Sanitation services* for the entire district. The Okhahlamba Local Municipality only provides *Refuse* removal services in their area, whilst the Alfred Duma and iNkosi Langalibalele Local Municipalities provide *Electricity* services in addition to *Refuse* removal services.

At the end of the 2016/17 financial year, the positions of the Municipal Manager (MM) and Chief Financial Officer (CFO) were filled at the uThukela District Municipality and Alfred Duma Local Municipality. The Okhahlamba Local Municipality had an acting MM and the CFO and the iNkosi Langalibalele Local Municipality had the CFO position filled and an acting MM as at 30 June 2017.

The Emnambithi/Ladysmith and Okhahlamba Local Municipalities received unqualified audit opinions with no other matters for the 2015/16 financial year. The uThukela District Municipality, the Indaka and Imbabazane Local Municipalities received unqualified audit opinions with other matters and the Umtshezi Local Municipality received a disclaimer audit opinion.

The uThukela District Municipality and the iNkosi Langalibalele Local Municipality within the district are experiencing cash flow challenges. The Net cash position made up of Total cash less Unspent grants for the uThukela District Municipality as per the 2016/17 unaudited Draft AFS as at 18 August 2017 amounts to negative R64.5 million. Unspent conditional grants amounting to R69.7 million as per 2016/17 unaudited Draft AFS as at 18 August 2017 therefore appears to be not cash backed. This is a serious transgression as the unspent Regional bulk infrastructure grant which amounts to R67.1 million as per the unaudited Draft AFS as at 18 August 2017 is a National grant and the municipality will be expected to complete the projects once the Department of Water and Sanitation (DWS) contracts are finalised or return the funds to the DWS. It is not clear how the municipality will build up cash reserves to complete the project or repay the DWS as the municipality has a history of poor cash collections from Debtors. The Net cash position for the iNkosi Langalibalele Local Municipality as at 30 June 2017 per the Section 71 Report reflects an Overdraft of R75.2 million. The total Unspent conditional grants of R14.4 million as per the Grant register therefore does not appear to be sufficiently cash backed.

4.3.1 Overview of uThukela District Performance

Table 4.3(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|----------------------|------------------|------------------|------------------|-------------|
| Okhahlamba | 164 735 | 169 439 | 167 352 | 98.8 |
| iNkosi Langelibalele | 473 210 | 497 870 | 282 005 | 56.6 |
| Alfred Duma | 724 236 | 733 352 | 881 679 | 120.2 |
| uThukela DM | 556 033 | 637 393 | 547 294 | 85.9 |
| Total | 1 918 214 | 2 038 053 | 1 878 329 | 92.2 |

Source: NT Igdatabase

Table 4.3(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|----------------------|------------------|------------------|------------------|-------------|
| Okhahlamba | 174 607 | 188 914 | 145 181 | 76.9 |
| iNkosi Langelibalele | 500 526 | 504 282 | 272 608 | 54.1 |
| Alfred Duma | 735 160 | 766 754 | 611 639 | 79.8 |
| uThukela DM | 548 356 | 591 557 | 648 838 | 109.7 |
| Total | 1 958 650 | 2 051 507 | 1 678 266 | 81.8 |

Source: NT Igdatabase

Table 4.3(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|----------------------|-----------------|-----------------|------------------|-------------|
| Okhahlamba | 38 089 | 83 798 | 65 331 | 78.0 |
| iNkosi Langelibalele | 62 414 | 57 747 | 49 008 | 84.9 |
| Alfred Duma | 210 248 | 248 817 | 127 754 | 51.3 |
| uThukela DM | 265 244 | 329 244 | 243 463 | 73.9 |
| Total | 575 995 | 719 606 | 485 556 | 67.5 |

Source: NT Igdatabase

Table 4.3(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|----------------------|---------------|------------|---------------|------------|---------------|------------|------------------|-------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Okhahlamba | 2 706 | 6.3 | 1 872 | 4.3 | 1 745 | 4.1 | 36 715 | 85.3 | 43 038 |
| iNkosi Langelibalele | 17 079 | 11.0 | 13 091 | 8.4 | 2 121 | 1.4 | 123 472 | 79.3 | 155 764 |
| Alfred Duma | 31 689 | 12.4 | 11 527 | 4.5 | 11 435 | 4.5 | 200 491 | 78.6 | 255 143 |
| uThukela DM | 14 480 | 2.1 | 14 596 | 2.1 | 11 792 | 1.7 | 644 898 | 94.0 | 685 766 |
| Total | 65 955 | 5.8 | 41 086 | 3.6 | 27 093 | 2.4 | 1 005 576 | 88.2 | 1 139 710 |

Source: NT Igdatabase

Table 4.3(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|----------------------|-----------------|-------------|---------------|------------|---------------|------------|----------------|-------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Okhahlamba | 13 222 | 30.7 | 1 356 | 3.2 | 10 281 | 23.9 | 18 179 | 42.2 | 43 038 |
| iNkosi Langelibalele | 52 188 | 33.5 | (155) | -0.1 | 38 913 | 25.0 | 64 818 | 41.6 | 155 764 |
| Alfred Duma | - | - | - | - | - | - | 255 143 | 100.0 | 255 143 |
| uThukela DM | 625 819 | 91.3 | 38 109 | 5.6 | 19 612 | 2.9 | 2 226 | 0.3 | 685 766 |
| Total | 691 229 | 60.6 | 39 310 | 3.4 | 68 806 | 6.0 | 340 365 | 29.9 | 1 139 710 |

Source: NT Igdatabase

Table 4.3(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|----------------------|---------------|-------------|--------------|------------|---------------|-------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Okhahlamba | 461 | 100.0 | - | - | - | - | - | - | 461 |
| iNkosi Langelibalele | 29 726 | 49.4 | 8 198 | 13.6 | 6 140 | 10.2 | 16 095 | 26.8 | 60 159 |
| Alfred Duma | 3 333 | 83.0 | 652 | 16.2 | - | - | 31 | 0.8 | 4 017 |
| uThukela DM | 13 213 | 33.9 | 339 | 0.9 | 9 433 | 24.2 | 15 956 | 41.0 | 38 942 |
| Total | 46 733 | 45.1 | 9 190 | 8.9 | 15 574 | 15.0 | 32 082 | 31.0 | 103 579 |

Source: NT Igdatabase

4.3.2 Analysis per municipality: Okhahlamba Local Municipality

Table 4.3 (g) Operating Revenue and Expenditure Performance - Okhahlamba Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 35 126 | 30 325 | 31 321 | 103.3 | It was noted that the Adjustments Budget amount of R30.3 million does not agree to the Approved Adjustments Budget which reflects R31 million. |
| Service Charges ² | 2 019 | 2 019 | 1 853 | 91.8 | It was noted from the municipality's Section 71 Report that the municipality has been billing R168 000 monthly for Service charges consistently throughout the 2016/17 financial year except for June 2017 where the municipality reported nil. The municipality indicated that the correct revenue amount for June 2017 is R168 000 as opposed to the nil reported therefore the actual revenue reported is understated. |
| Transfers recognised - operational | 120 404 | 130 863 | 129 238 | 98.8 | It was noted that the Adjustments Budget amount of R130.9 million does not agree to the Approved Adjustments Budget which reflects R131.2 million. |
| Other sources of Revenue ³ | 7 186 | 6 231 | 4 939 | 79.3 | The Adjustments Budget amount of R6.2 million for Other sources of Revenue does not agree to the Approved Adjustments Budget which reflects R7.6 million. The following contributed to under generation in Other sources of Revenue: -Total Other own revenue reported by the municipality was negative R248 000 in comparison to an Adjustments Budget amount of R2 million (-12.2 percent of the Adjustments Budget). According to the municipality, there was an error in March 2017 as Other own revenue reflected negative R1.6 million instead of positive R1.6 million. Furthermore, the Approved Adjustments Budget reflects R1.6 million as Other own revenue. -Interest earned - external investments reported by the municipality was R1.5 million in comparison to an Adjustments Budget amount of R2.4 million (60.4 percent of the Adjustments Budget). The municipality indicated that the actual performance has changed after the finalisation of the Investments register to R2.2 million. It was further noted that Licences and permits and Gain on disposal of PPE constituted 447.6 percent and 286.2 percent of the respective Adjustments Budgets. The Approved Adjustments Budget reflects Licences and permits of R2.1 million which is a revenue generation of 94.7 percent. The municipality indicated that the variance on Gains on disposal of PPE was due to incorrect budgeting. |
| Total Operating Revenue | 164 735 | 169 439 | 167 352 | 98.8 | The Adjustments Budget for Total Operating Revenue of R169.4 million does not agree to the 2016/17 Approved Adjustments Budget which reflects R171.7 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 54 355 | 58 272 | 53 132 | 91.2 | The municipality decided to put on hold the filling of some vacant funded positions which were not considered to be critical to the operations of the municipality in order to boost the municipality's cash flow position. Furthermore, it was noted that the Approved Adjustments Budget for Employee related costs is R56 million as per the 2016/17 Adjustments Budget as opposed to R58.3 million reported by the municipality implying that the municipality's actual performance is 94.9 percent as opposed to 91.2 percent reported. |
| Remuneration of councillors | 8 651 | 9 192 | 9 145 | 99.5 | |
| Debt impairment | 6 500 | 6 500 | 296 | 4.6 | Debt impairment expenditure was not reported on a monthly basis by the municipality for the 2016/17 financial year. The municipality indicated that the figure of R296 000 reported relates to actual bad debts written off and the complete Debt impairment calculation will be finalised during the preparation of the 2016/17 Annual Financial Statements (AFS). |
| Depreciation and asset impairment | 21 240 | 22 531 | 8 750 | 38.8 | It was noted that the Depreciation and asset impairment expenditure was recognised and reported only in March 2017 even though the municipality was advised to recognise Depreciation and asset impairment expenditure during the year to avoid unauthorised expenditure should the actual amount exceed the Adjustments Budget. The municipality has indicated that Depreciation and asset impairment will be finalised during the finalisation of 2016/17 AFS. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 3 922 | 2 699 | 2 897 | 107.3 | It was noted that the Approved Adjustments Budget for Contracted services is R4.2 million as opposed to the R2.7 million submitted by the municipality in the budget returns therefore the actual municipality's performance is 69 percent of the Adjustments Budget. The municipality indicated that the under performance is due to an instruction from South African Revenue Service (SARS) that the municipality should withhold payments to the Security service provider until SARS advises otherwise. An accrual will be raised for the withheld payments during the finalisation of the 2016/17 AFS. |
| Other expenditure items ⁴ | 79 938 | 89 720 | 70 960 | 79.1 | It was noted that the Adjustments Budget amount of R89.7 million does not agree to the Approved Adjustments Budget which reflects R85.1 million. The following contributed to under spending on Other expenditure items: Transfers and grants (58.3 percent). Other expenditure (79.6 percent). The municipality exercised cost cutting measures on non-essential expenditure in order to boost the municipality's cash flow position. |
| Total Operating Expenditure | 174 607 | 188 914 | 145 181 | 76.9 | The Adjustments Budget for Total Operating Expenditure of R188.9 million does not agree to the 2016/17 Approved Adjustments Budget which reflects R183.5 million. |
| Operating surplus/(deficit) | (9 873) | (19 475) | 22 171 | | The Adjustments Budget for Operating surplus/(deficit) as per the 2016/17 Approved Adjustments Budget reflects a deficit of R11.8 million as opposed to a deficit of R19.5 million reported by the municipality in the Adjustments Budget returns. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.3 (h) Capital, Cash and Conditional grant Performance - Okhahlamba Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 27 014 | 49 922 | 35 829 | 71.8 | The Adjustments Budget amount for Transfers recognised - capital as per the 2016/17 Approved Adjustments Budget is R44.5 million as opposed to R49.9 million submitted by the municipality in the Adjustments Budget returns. The municipality indicated that the bulk of unspent capital grants are the grants which were received towards the end of the financial year and due to time constraints the grants could not be spent. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 11 075 | 33 876 | 29 502 | 87.1 | The Adjustments Budget amount for Internally generated funds as per the 2016/17 Approved Adjustments Budget is R31.3 million as opposed to R33.9 million submitted by the municipality in the Adjustments Budget returns. The municipality decided to shift some of the capital projects funded from Internally generated funds to the 2017/18 MTREF in order to improve the municipality's cash flow position. |
| Total Capital Revenue | 38 089 | 83 798 | 65 331 | 78.0 | The Adjustments Budget amount for Total Capital Revenue as per the 2016/17 Approved Adjustments Budget is R75.8 million as opposed to R83.8 million submitted by the municipality in the Adjustments Budget returns. |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 100 | 750 | 3 520 | 469.3 | It was noted that the Adjustments Budget for Governance and Administration is R3.8 million as per the 2016/17 Approved Adjustments Budget therefore the municipality's performance is 92.3 percent as opposed to 469.3 percent reported by the municipality. The municipality did not provide reasons for under expenditure. |
| Community and Public Safety | 1 075 | 3 926 | 1 995 | 50.8 | It was noted that the Adjustments Budget for Governance and Administration is R2 million as per the 2016/17 Approved Adjustments Budget therefore the municipality's performance is 99.3 percent as opposed to 50.8 percent reported by the municipality. |
| Eco. & Environmental Services | 35 914 | 79 122 | 59 816 | 75.6 | It was noted that the Adjustments Budget for Economic and Environmental Service is R70 million as per the 2016/17 Approved Adjustments Budget therefore the municipality's performance is 85.5 percent as opposed to 75.6 percent reported by the municipality. The municipality indicated that a significant portion of under performance is due to capital grants which were received late which could not be spent by the end of the financial year due to time constraints. The municipality also indicated that all unspent conditional grants have been committed to projects currently underway. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 38 089 | 83 798 | 65 331 | 78.0 | The Adjustments Budget amount for Total Capital Expenditure as per the 2016/17 Approved Adjustments Budget is R75.8 million as opposed to R83.8 million submitted by the municipality in the Adjustments Budget returns. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 42 895 | 41 425 | 41 425 | | It was noted that the Adjustments Budget amount of R41.425 million does not agree to the Approved Adjustments Budget which reflects R41.431 million. It was also noted that the actual Cash and cash equivalents of R41.425 million does not agree to the 2015/16 AFS which reflects R41.431 million. |
| Cash/cash equiv. at the year end: | 31 416 | 46 381 | 31 012 | | It was noted that the Adjustments Budget amount of R46.4 million does not agree to the Approved Adjustments Budget which reflects R5 million. Cash and cash equivalents as at 30 June 2017 amounts to R31.4 million as per the Bank reconciliation and the Investment register therefore the unaudited actual Cash at year end of R31 million appears to be inaccurate. The net cash position at 30 June 2017 as per the Bank reconciliation, Investments register and Grant register amounts to R18.3 million. Unspent conditional grants of R13.1 million as per the Grant register as at 30 June 2017 therefore appears to be cash backed. |
| Net Increase/(Decrease) in cash held | (11 479) | 4 956 | (10 413) | | The Adjustments Budget amount for Net Increase/(Decrease) in cash held as per the 2016/17 Approved Adjustments Budget reflects a net decrease of R36.4 million as opposed to a net increase of R5 million reported by the municipality in the Adjustments Budget returns. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 827 | 100.1% | (2) | According to the municipality's Grant register as at 30 June 2017, the expenditure on Financial Management Grant is R1.825 million as opposed to the R1.827 million reported in grant returns submitted by the municipality. |
| Expanded Public Works Programme Integrated Grant | 2 934 | 3 070 | 104.6% | (136) | According to the municipality's Grant register as at 30 June 2017, the expenditure on Expanded Public Works Programme is R2.9 million as opposed to the R3 million reported in grant returns submitted by the municipality. |
| Municipal Infrastructure Grant | 27 014 | 27 014 | 100.0% | - | |

Table 4.3 (i) Trade and other receivables, Trade and other payables and Key ratios - Okhahlamba Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 41 128 | | |
| Debtors as at 30 June 2017 | 43 038 | | The municipality's debtors balance increased from R41.1 million in 2015/16 financial year to R43 million in 2016/17 which implies that the municipality collected less cash from debtors as compared to the billing. |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 706 | 6.3% | |
| 31-60 days | 1 872 | 4.3% | |
| 61-90 days | 1 745 | 4.1% | |
| >90 days | 36 715 | 85.3% | At least 85.3 percent of municipality's debtors balance is outstanding for longer than 90 days which casts doubt on the recoverability of the balance. The municipality uses the services of the Sheriff of the Court in trying to collect long outstanding debts and also continues to issue notices through registered mails. |
| Total by age analysis | 43 038 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 13 222 | 30.7% | |
| Commercial | 1 356 | 3.2% | |
| Households | 10 281 | 23.9% | |
| Other | 18 179 | 42.2% | Other category primarily relates to the hospitality sector customers. The municipality is continuing to engage with the customers however, very few have made payment arrangements. |
| Total by customer group | 43 038 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 461 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 461 | 100.0% | Creditors of R461 000 appears to be understated in relation to historic Trade and other payables. The 2015/16 AFS reflects Trade and other payables of R20.9 million. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 42.9% | It was noted that the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the ratio is distorted as Total operating expenditure is understated. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.0% | The ratio is within the norm however, the ratio is distorted as Total operating expenditure has not been fully reported at the end of the financial year. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 22.8% | The ratio is distorted as Total operating revenue has not been fully reported at the end of the financial year. |
| Own funded capital expenditure | - | 45.2% | The ratio of 45.2 percent indicates that the municipality is dependant on grants to fund capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 31.0% | The ratio is distorted as Total operating expenditure has not been fully reported at the end of the financial year with Depreciation and asset impairment and Debt impairment still to be finalised during the preparation of the 2016/17 AFS. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 13.2% | The ratio appears to be distorted due to a number of concerns raised in the operating income and the operating expenditure sections relating to incomplete reporting. |

4.3.3 Analysis per municipality: iNkosi Langalibalele Local Municipality

Table 4.3 (j) Operating Revenue and Expenditure Performance - iNkosi Langalibalele Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 83 847 | 90 674 | 52 858 | 58.3 | The performance reported by the municipality appears to be incomplete and distorted as the actual results for December 2016 and April 2017 reflected nil values and May 2017 and June 2017 revenue figures are aggregated and reported under Other own revenue. The municipality indicated that there were financial reporting challenges experienced when the eVenus system was being replaced by the Munsoft system during April 2017. The municipality will correct the misallocation during the finalisation of the 2016/17 Annual Financial Statements (AFS). |
| Service Charges ² | 222 492 | 237 517 | 144 705 | 60.9 | The performance reported by the municipality appears to be incomplete and distorted as the actual results for December 2016 and April 2017 reflected nil values and May 2017 and June 2017 revenue figures are aggregated and reported under Other own revenue. The municipality indicated that there were financial reporting challenges experienced when the eVenus system was being replaced by the Munsoft system during April 2017. The municipality will correct the misallocation during the finalisation of the 2016/17 AFS. |
| Transfers recognised - operational | 153 886 | 155 552 | 14 137 | 9.1 | Transfers recognised - operational revenue appears to be significantly understated at only 9.1 percent of the Adjustments Budget figure of R155.6 million. It was noted that the municipality reported nil revenue from Transfers recognised - operational for 9 months in the 2016/17 financial year which does not appear to be reasonable. |
| Other sources of Revenue ³ | 12 985 | 14 127 | 70 305 | 497.7 | The amount populated for Other own revenue in the Section 71 reports for April, May and June 2017 is R63.4 million which does not appear to be reasonable as it is 1 997.8 percent of the 2016/17 Adjustments Budget. The municipality indicated that for May 2017 and June 2017, revenue figures were incorrectly aggregated and reported under Other own revenue. The municipality will correct the misallocation during the finalisation of the 2016/17 AFS. It was further noted that the Adjustments Budget amount as per the 2016/17 Approved Adjustments Budget is R14.121 million as opposed to R14.127 million reported by the municipality in the Adjustments Budget returns. |
| Total Operating Revenue | 473 210 | 497 870 | 282 005 | 56.6 | The Adjustments Budget for Total Operating Revenue of R497.87 million does not agree to the 2016/17 Approved Adjustments Budget which reflects R497.86 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 122 004 | 122 005 | 23 365 | 19.2 | The municipality reported nil expenditure on Employee related costs for a total of 9 months during the 2016/17 financial year which does not appear to be reasonable as salaries and wages were confirmed to be paid by the municipality during these months. The municipality indicated that the Payroll system experienced challenges interfacing with and conveying information onto the municipality's financial system hence Employee related costs reporting is incomplete. The municipality will correct the error during the finalisation of the 2016/17 AFS. |
| Remuneration of councillors | 13 308 | 15 115 | 1 730 | 11.4 | The municipality reported nil expenditure on Remuneration of councillors for a total of 10 months during the 2016/17 financial year which does not appear to be reasonable as Remuneration of councillors were confirmed to be paid by the municipality during these months. The municipality indicated that the Payroll system experienced challenges interfacing with and conveying information onto the municipality's financial system hence Remuneration of councillors reporting is incomplete. The municipality will correct the error during the finalisation of the 2016/17 AFS. |
| Debt impairment | 10 304 | - | - | - | The municipality indicated that Debt impairment will only be finalised during the preparation of the 2016/17 AFS. The municipality is encouraged to record Debt impairment expense on a monthly basis to avoid the possibility of understatement and unauthorised expenditure at the end of the financial year. It was also noted that the Adjustments Budget amount is R10.3 million as opposed to nil reported by the municipality in the Adjustments Budget returns. |
| Depreciation and asset impairment | 65 197 | 65 197 | - | - | Although the municipality was encouraged to capture the Depreciation and asset impairment amount during the year to avoid unauthorised expenditure should the amount exceed the Adjustments Budget, the municipality has indicated that this will be finalised during the compilation of the 2016/17 AFS. |
| Bulk purchases | 176 205 | 170 735 | 81 818 | 47.9 | Bulk purchases appears to be understated as nil expenditure was reported for December 2016, April 2017, May 2017 and June 2017. The municipality indicated that all expenditure line items for May 2017 and June 2017 were incorrectly reported under Other expenditure which will be corrected during the finalisation of the 2016/17 AFS. |
| Contracted services | 16 552 | 20 694 | 23 297 | 112.6 | The over spending on Contracted services occurred under Security services and the municipality indicated that after a risk analysis performed by the municipality, every councillor was provided with a body guard which increased expenditure to an amount in excess of the Adjustments Budget of R23.3 million. |
| Other expenditure items ⁴ | 96 956 | 110 536 | 142 399 | 128.8 | The over spending on Other expenditure items can be attributable to some of the expenditure items which were incorrectly reported under Other expenditure. The municipality will correct the misallocation during the compilation of the 2016/17 AFS. |
| Total Operating Expenditure | 500 526 | 504 282 | 272 608 | 54.1 | The Adjustments Budget for Total Operating Expenditure of R504.3 million does not agree to the 2016/17 Approved Adjustments Budget which reflects R514.6 million. |
| Operating surplus/(deficit) | (27 316) | (6 412) | 9 397 | | The Adjustments Budget for Operating surplus/(deficit) as per the 2016/17 Approved Adjustments Budget reflects a deficit of R16.7 million as opposed to a deficit of R6.4 million reported by the municipality in the Adjustments Budget returns. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.3 (k) Capital, Cash and Conditional grant Performance - iNkosi Langalibalele Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 51 547 | 50 547 | 40 529 | 80.2 | The municipality indicated that due to the challenges experienced during the financial year on reporting, the figures reported on Transfers recognised - capital do not appear to be accurate. The Grants register as at 30 June 2017 is being finalised and accurate information will be reported during the compilation of the 2016/17 AFS. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 10 867 | 7 200 | 8 479 | 117.8 | The municipality did not provide any reasons for the over performance on Internally generated funds. |
| Total Capital Revenue | 62 414 | 57 747 | 49 008 | 84.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 4 869 | 6 202 | 924 | 14.9 | |
| Community and Public Safety | 3 090 | 2 090 | 11 706 | 560.1 | |
| Eco. & Environmental Services | 38 725 | 38 725 | 30 078 | 77.7 | |
| Trading Services | 15 730 | 10 730 | 6 300 | 58.7 | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 62 414 | 57 747 | 49 008 | 84.9 | According to the municipality, there was a misallocation in the reporting of capital expenditure between the municipality's departments; namely Governance and Administration, Community and Public Safety, Eco. & Environmental Services and Trading Services. The municipality indicated that the misallocation will be corrected during the finalisation of the 2016/17 AFS. The municipality indicated that during the preparation of the Section 71 Report, not all capital expenditure was reported and that the performance of 84.9 percent might not be accurate which will be corrected during the |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 30 188 | 18 859 | 15 700 | | The actual Cash and cash equivalents at the beginning of the 2016/17 financial year as per the 2015/16 audited AFS is R21.2 million (Umtshezi: R11.9 million and Imbabazane: R9.3 million) as opposed to R15.7 million reported by the municipality in the Section 71 Report. The municipality indicated that the error will be corrected during the finalisation of the 2016/17 AFS. |
| Cash/cash equiv. at the year end: | 40 690 | 44 023 | (75 229) | | The municipality experienced several challenges in financial reporting during the 2016/17 financial year which resulted in incomplete and distorted reporting. The net cash position at 30 June 2017 per the Section 71 Report reflects an Overdraft of R75.2 million which might not be correct due to a number of concerns raised in the operating performance and capital performance sections relating to incomplete and distorted reporting. The total Unspent conditional grants of R14.4 million as per the Grant register do not appear to be sufficiently cash backed as Cash reported at 30 June 2017 reflects an Overdraft of R75.2 million. The municipality did not submit additional IYM information (Bank reconciliation and Trial balance) as requested for the month of June 2017. The cash position and cash coverage at the end of the financial year could therefore not be calculated. The Adjustments Budget amount for Cash/cash equivalents at the year end as per the 2016/17 Approved Adjustments Budget is R45.1 million as opposed to R44 million reported by the municipality in the Adjustments Budget returns. |
| Net Increase/(Decrease) in cash held | 10 502 | 25 164 | (90 928) | | The Adjustments Budget amount for Net Increase/(Decrease) in cash held as per the 2016/17 Approved Adjustments Budget reflects a net increase of R26.2 million as opposed to a net increase of R25.2 million reported by the municipality in the Adjustments Budget returns. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 450 | 1 847 | 53.5% | 1 603 | The municipality indicated that at the time of preparation of the Section 71 Report, not all capital expenditure was accounted for which will be corrected during the finalisation of the 2016/17 AFS. |
| Expanded Public Works Programme Integrated Grant | 2 328 | 1 630 | 70.0% | 698 | The municipality indicated that at the time of preparation of the Section 71 Report, not all capital expenditure was accounted for which will be corrected during the finalisation of the 2016/17 AFS. |
| Municipal Infrastructure Grant | 38 547 | 35 684 | 92.6% | 2 863 | The municipality indicated that at the time of preparation of the Section 71 Report not all capital expenditure was accounted for which will be corrected during the finalisation of the 2016/17 AFS. |

Table 4.3 (l) Trade and other receivables, Trade and other payables and Key ratios - iNkosi Langalibalele Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|----------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 163 408 | | |
| Debtors as at 30 June 2017 | 155 764 | | The Debtors' balance as at 30 June 2017 reported by the municipality appears to be understated as the municipality did not include Other debtors when populating the Section 71 Report. The municipality is advised to design and implement effective credit control and collection procedures in order to improve the cash flow of the municipality as 79.3 percent of the municipality's debtors have been outstanding for longer than 90 days. |
| <u>By age analysis</u> | | | |
| 0-30 days | 17 079 | 11.0% | |
| 31-60 days | 13 091 | 8.4% | |
| 61-90 days | 2 121 | 1.4% | |
| >90 days | 123 472 | 79.3% | A significant portion (79.3 percent) of the debtors' balance at 30 June 2017 is outstanding for longer than 90 days which raises doubt on the recoverability of these debtors. The municipality indicated that notices were issued to suspend services to those customers who can afford to pay for services which has been communicated with the community in a bid to improve debt collection. |
| Total by age analysis | 155 764 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 52 188 | 33.5% | |
| Commercial | (155) | - | The categorising of Debtors' balance by customer group does not appear to be reasonable as Commercial group reflects a negative balance. The municipality indicated that they are investigating and errors identified will be corrected during the finalisation of the 2016/17 AFS. |
| Households | 38 913 | 25.0% | |
| Other | 64 818 | 41.6% | |
| Total by customer group | 155 764 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 29 726 | 49.4% | |
| 31-60 days | 8 198 | 13.6% | |
| 61-90 days | 6 140 | 10.2% | |
| >90 days | 16 095 | 26.8% | |
| Total by age analysis | 60 159 | 100.0% | Creditors are owed a total of R60.2 million of which, 50.6 percent has been outstanding for more than 30 days in contravention of Section 65(2)(e) of the MFMA. Section 65(2)(e) of the MFMA requires the municipality to pay creditors within 30 days of receiving either the invoice or the statement from the supplier. The creditors total submitted as at 30 June 2017 of R60.2 million appears to be understated in comparison with a Trade and other payables total of R72.7 million as per the Imbabazane (R8.1 million) and Umsheshezi (R64.6 million) 2015/16 audited AFS and suggests that the municipality excluded a number of Trade and other payables categories when they submitted their Trade and other payables return for June 2017. The municipality indicated that the cash flow problems experienced by the municipality is the main cause for the non-compliance with MFMA Section 65(2)(e) hence a special committee has been established to assist the municipality to improve its cash flow position. |
| Key Ratios | | | |
| | | Norm/Range | % Actual |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | | 9.2% |
| | | | The municipality did not capture Employee related costs for a period of 9 months and Remuneration of councillors for 10 months in the 2016/17 financial year. Remuneration is therefore understated and the ratio is distorted. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | | 8.5% |
| | | | It was noted that the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the ratio is distorted as Total operating expenditure is understated. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | | 95.0% |
| | | | The ratio of 95 percent is distorted as all revenue line items for May and June 2017 were reported under Other revenue thereby increasing the municipality's Own sources of revenue figure. |
| Own funded capital expenditure | - | | 17.3% |
| | | | The ratio of 17.3 percent indicates that the municipality is highly dependant on grants to fund capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | | 15.2% |
| | | | Total expenditure is understated as Debt impairment and Depreciation and asset impairment have not been captured therefore the ratio is distorted . |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | | 3.3% |
| | | | The ratio appears to be distorted due to a number of concerns raised in the operating income and the operating expenditure sections relating to incomplete reporting therefore the positive ratio of 3.3 percent is not a true reflection of the municipality's efficiency. |

4.3.4 Analysis per municipality: Alfred Duma Local Municipality

Table 4.6 (m) Operating Revenue and Expenditure Performance - Alfred Duma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 150 749 | 157 100 | 300 546 | 191.3 | The municipality reported revenue of R300.5 million on Property Rates which is 91.3 percent above the Adjustments Budget of R157.1 million. It was noted that R150.4 million or 50 percent of the Revenue from Property Rates was reported as billed in the month of February 2017 which is not reasonable considering the billing for the other months in the 2016/17 financial year. The municipality indicated that the reported amount is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the item will be correctly presented in the 2016/17 Annual Financial Statements (AFS). |
| Service Charges ² | 319 560 | 325 137 | 328 986 | 101.2 | |
| Transfers recognised - operational | 208 460 | 208 194 | 210 103 | 100.9 | The reported Revenue recognised from Operational transfers is 100.9 percent of the Adjusted Budget, however, it was noted that the Adjusted Budget amount of R208.2 million does not agree to the Approved Adjustments Budget which reflects R207.9 million. |
| Other sources of Revenue ³ | 45 468 | 42 920 | 42 044 | 98.0 | |
| Total Operating Revenue | 724 236 | 733 352 | 881 679 | 120.2 | |
| Operating Expenditure | | | | | |
| Employee related costs | 212 423 | 210 665 | 214 640 | 101.9 | |
| Remuneration of councillors | 24 049 | 22 628 | 20 478 | 90.5 | The reported Remuneration of councillors expenditure for the financial year ended 30 June 2017 of R20.5 million is 90.5 percent of the 2016/17 Adjustments Budget amount of R22.6 million and 85.2 percent of the Original Budget amount of R24 million. This indicates that the municipality over budgeted for this item, however, the municipality indicated that the reported expenditure is incorrect and will be correctly disclosed in the 2016/17 AFS. |
| Debt impairment | 24 610 | 35 497 | 34 018 | 95.8 | |
| Depreciation and asset impairment | 81 477 | 78 080 | 51 432 | 65.9 | The municipality reported a significantly low expenditure for Depreciation and asset impairment of R51.4 million which is 34.1 percent below the Adjustments Budget of R78.1 million. This was a result of reporting incomplete information throughout the 2016/17 financial year. Further adjustments are to be made to Depreciation and asset impairment during the finalisation of the 2016/17 AFS. |
| Bulk purchases | 199 037 | 203 126 | 152 499 | 75.1 | The Bulk purchases expenditure reported is R152.5 million which is 24.9 percent below the Adjustments Budget of R203.1 million and 23.4 percent below the Original Budget of R199 million therefore the 2016/17 Adjustments Budget increase does not seem to have been justified. The municipality indicated that the reported amount is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the item will be correctly presented in the 2016/17 AFS. |
| Contracted services | 12 384 | 8 305 | 6 328 | 76.2 | The Contracted services expenditure reported is R6.3 million which is 23.8 percent below the Adjustments Budget of R8.3 million and 48.9 percent below the Original Budget of R12.4 million therefore the municipality seems to have over budgeted for Contracted services in the 2016/17 financial year. The municipality indicated that the reported amount is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the item will be correctly presented in the 2016/17 AFS. |
| Other expenditure items ⁴ | 181 180 | 208 453 | 132 244 | 63.4 | The municipality reported a significant under performance of R132.2 million on Other expenditure items which is 36.5 percent of the Approved Adjustments Budget of R208.2 million and 27 percent below the Original Budget of R181.2 million therefore the 2016/17 Adjustments Budget increase does not seem to have been justified. The municipality indicated that the reported amount is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the item will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Adjusted Budget amount of R208.5 million does not agree to the Approved Adjustments Budget which reflects R208.2 million. |
| Total Operating Expenditure | 735 160 | 766 754 | 611 639 | 79.8 | |
| Operating surplus/(deficit) | (10 924) | (33 402) | 270 040 | | The municipality reported an Operating surplus of R270 million. This figure is not credible due to the reported property rates revenue for February 2017 that was significantly higher than the rest of the months in the 2016/17 financial year and the incomplete reporting of other revenue and expenditure line items. The municipality indicated that the reported amount is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the Operating surplus/(deficit) will be correctly presented in the 2016/17 AFS. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (n) Capital, Cash and Conditional grant Performance - Alfred Duma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 113 509 | 136 896 | 67 830 | 49.5 | The municipality reported a significant under performance on revenue from Capital transfers recognised of R67.8 million which is 49.5 percent of the Adjustments Budget of R136.9 million. The actual expenditure reported is also 59.8 percent of the Original Budget of R113.5 million. This significant under performance might affect service delivery as capital projects will be delayed. However, the municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Adjusted Budget amount of R136.9 million does not agree to the Approved Adjustments Budget which reflects R125.4 million and the Original Budget amount of R113.5 million does not agree to the Approved Original Budget which reflects R120.4 million. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 96 739 | 111 921 | 59 924 | 53.5 | The municipality reported a significant under performance on Capital revenue from projects that were funded by Internally generated funds of R59.9 million which is 53.5 percent of the Adjustments Budget of R111.9 million and 61.9 percent of the Original Budget of R96.7 million. This significant under performance might affect service delivery as capital projects will be delayed. However, the municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Original Budget amount of R96.7 million does not agree to the Approved Original Budget which reflects R90.5 million. |
| Total Capital Revenue | 210 248 | 248 817 | 127 754 | 51.3 | |
| Capital Expenditure | | | | | |
| Governance and Administration | - | 8 024 | 4 782 | 59.6 | The under spending on Governance and administration was due to under performance on Corporate services. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Original Budget that has no budget amount does not agree to the Approved Original Budget which reflects R2.3 million. |
| Community and Public Safety | 22 950 | 36 745 | 15 341 | 41.7 | The under spending on Community and Public Safety was because of under performance on Community and Social Services. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Adjusted Budget amount of R36.7 million does not agree to the Approved Adjustments Budget which reflects R34 million and the Original Budget amount of R23 million does not agree to the Approved Original Budget which reflects R38.1 million. |
| Eco. & Environmental Services | 162 413 | 174 459 | 97 088 | 55.7 | The under spending on Economic and Environmental Services was due to under performance on Road transport and Planning and Development. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Adjusted Budget amount of R174.5 million does not agree to the Approved Adjustments Budget which reflects R168.2 million and the Original Budget amount of R162.4 million does not agree to the Approved Original Budget which reflects R135.9 million. |
| Trading Services | 24 885 | 29 589 | 10 544 | 35.6 | The significant under performance of R10.5 million reported on Trading Services was due to under performance on Electricity. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2016/17 AFS. Furthermore, it was noted that the Adjusted Budget amount of R29.6 million does not agree to the Approved Adjustments Budget which reflects R27.1 million and the Original Budget amount of R24.9 million does not agree to the Approved Original Budget which reflects R34.6 million. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 210 248 | 248 817 | 127 754 | 51.3 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 210 365 | 241 081 | 241 081 | | The actual opening Cash and cash equivalents amounts to R276.4 million as per the 2015/16 AFS for the Emnambithi/Ladysmith and Indaka municipalities when compared to the Approved Adjusted Budget of R241.1 million and is therefore understated by R35.3 million. Furthermore, it was noted that the Original Budget amount of R210.4 million does not agree to the Approved Original Budget which reflects R105.6 million. |
| Cash/cash equiv. at the year end: | 180 018 | 126 773 | 326 630 | | The unaudited actual cash of R326.6 million at year end as per Section 71 Report appears to be overstated when compared to R286.5 million as per the Bank reconciliation and Investments register as at 30 June 2017. The Net cash position and the cash coverage as at 30 June 2017 can not be confirmed as the municipality didn't submit the Grants register and the Trial Balance (TB) as at 30 June 2017. Furthermore, it was noted that Adjusted Budget of R126.8 million is understated by R53 million as compared to the Approved Adjustments Budget of R179.8 million and the Original Budget amount of R180 million does not agree to the Approved Original Budget which reflects R77.4 million. |
| Net Increase/(Decrease) in cash held | (30 346) | (114 308) | 85 549 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 450 | 3 447 | 99.9% | 3 | |
| Expanded Public Works Programme Integrated Grant | 4 906 | 5 632 | 114.8% | (726) | The municipality reported an over expenditure on the EPWP Grant which is 14.8 percent above the Total EPWP Grant funding that was available for the 2016/17 financial year of R4.9 million. The municipality has not provided the reasons for the potential unauthorised expenditure. |
| Municipal Infrastructure Grant | 70 353 | 70 353 | 100.0% | 0 | |

Table 4.6 (o) Trade and other receivables, Trade and other payables and Key ratios - Alfred Duma Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 253 997 | | |
| Debtors as at 30 June 2017 | 255 143 | | Debtors as at 30 June 2017 have increased by R1.1 million as compared to 30 June 2016. |
| <u>By age analysis</u> | | | |
| 0-30 days | 31 689 | 12.4% | |
| 31-60 days | 11 527 | 4.5% | |
| 61-90 days | 11 435 | 4.5% | |
| >90 days | 200 491 | 78.6% | The majority of the debtors balance is outstanding for more than 90 days as at 30 June 2017. The Municipality indicated that efforts are being made in order to improve the collection rates as evidenced by the credit control meeting that is held every two weeks to monitor debt collection. |
| Total by age analysis | 255 143 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | - | - | |
| Commercial | - | - | |
| Households | - | - | |
| Other | 255 143 | 100.0% | The majority of the debtors balance that is outstanding as at 30 June 2017 is attributable to other customer group. The municipality indicated that the reason for the incorrect disclosure is that the new system is unable to provide the Customer group and municipality is engaging with the service provider to make sure that from 2017/18 financial year, debtors are classified per Customer group. |
| Total by customer group | 255 143 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 3 333 | 83.0% | |
| 31-60 days | 652 | 16.2% | Late payment of creditors has resulted in non-compliance with section 65(2)(e) of the Municipal Finance Management Act (MFMA). The municipality indicated that queries on invoices which needed to be addressed before payments were made were the reason for failure to pay invoices within 30 days of receipt. |
| 61-90 days | - | - | |
| >90 days | 31 | 0.8% | Late payment of creditors has resulted in non-compliance with section 65(2)(e) of the MFMA. The municipality indicated that queries on invoices which needed to be addressed before payments were made were the reason for failure to pay invoices within 30 days of receipt. |
| Total by age analysis | 4 017 | 100.0% | The Creditors balance as at 30 June 2017 amounting to R4 million as per the Section 71 Report appears to be significantly understated as compared to the 2015/16 Audited AFS for the Emnambithi/Ladysmith and Indaka Municipalities which amounts to R191.6 million. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 38.4% | This ratio measures the extent of Remuneration to Total operating expenditure. The ratio of 38.4 percent is within the norm however, the 2016/17 AFS is still being finalised therefore the current ratio is not a true reflection of the municipality's performance. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 1.0% | This ratio measures the extent to which the municipality's resources are committed towards Contracted services to perform municipal related functions. The municipality reported significant under performance on Contracted services therefore the ratio of 1 percent is below the norm. The municipality subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that this item will be correctly presented in the 2016/17 AFS. The ratio is therefore distorted. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 76.2% | This ratio assesses the extent of Own source of revenue to Total operating revenue, including Agency revenue hence self sufficiency. The ratio of 76.2 percent indicates that the municipality finances the majority of its operating activities through Own sources of revenue, therefore the municipality seems to be self sufficient. However, it must be noted that the municipality reported significant under spending on grant funding and overstated Property rates which might have distorted this ratio. |
| Own funded capital expenditure | - | 46.9% | This ratio measures the extent to which Total capital expenditure of the municipality is funded through Internally generated funds. The ratio of 46.9 percent indicates that the municipality is able to fund a significant portion of the capital expenditure through the municipality's own funding therefore the municipality is not completely reliant on grant funding. However, it must be noted that the municipality reported significant under spending on grant funding which might have distorted this ratio. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 17.3% | This ratio indicates the prioritisation of expenditure towards current operations versus future capacity in terms of municipal services. The ratio of 17.3 percent is within the norm, however, the 2016/17 AFS is still being finalised therefore the current ratio is not a true reflection of the municipality's performance. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 30.6% | This ratio assesses the extent to which the municipality generates Operating surpluses. The 30.6 percent Net operating surplus margin is due to the municipality reporting an Operating surplus of R270 million. This figure is not credible due to Property rates revenue for February 2017 that was significantly higher than the rest of the months in the financial year. The municipality subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that this will be correctly presented in the 2016/17 AFS. The current ratio is therefore not a true reflection of the municipality's performance. |

4.3.5 Analysis per municipality: uThukela District Municipality

Table 4.8 (p) Operating Revenue and Expenditure Performance - uThukela District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | - | - | - | - | |
| Service Charges ² | 176 928 | 248 652 | 157 835 | 63.5 | The municipality reported low revenue from Service charges of R157.8 million which is 63.5 percent of the Adjustments Budget of R248.7 million. The municipality attributed the under performance and the failure to meet the anticipated targets of Service charges - water revenue to the introduction of the flat rate in certain wards. |
| Transfers recognised - operational | 338 198 | 339 353 | 337 577 | 99.5 | |
| Other sources of Revenue ³ | 40 906 | 49 388 | 51 882 | 105.1 | The municipality reported the generation of R51.9 million from Other sources of revenue which is 5.1 percent above the Adjustments Budget of R49.4 million due to over generation of Interest earned - outstanding debtors and over generation from sources such as Re-connections and the Sale of tender documents. |
| Total Operating Revenue | 556 033 | 637 393 | 547 294 | 85.9 | |
| Operating Expenditure | | | | | |
| Employee related costs | 195 150 | 224 481 | 224 644 | 100.1 | The municipality reported actual expenditure on Employee related costs amounting to R224.6 million which is 100.1 percent against the Adjustments Budget of R224.5 million. |
| Remuneration of councillors | 6 552 | 6 552 | 5 867 | 89.5 | The Remuneration of councillors expenditure for the financial year ended 30 June 2017 is R5.9 million which is 10.5 percent less than the Adjustments Budget and the Original Budget of R6.6 million. The municipality indicated that the councillors have been duly paid as per the gazette which implies that the municipality over provided for Remuneration of councillors in the 2016/17 Budget. |
| Debt impairment | 36 460 | 71 800 | 103 650 | 144.4 | The municipality did not report expenditure against Debt impairment on a monthly basis. The amount of R103.7 million which is 44.4 percent higher than the Adjustments Budget was only recognised and reported in the month of May 2017. The municipality is encouraged to account for Debt impairment on a monthly basis in order to avoid the possibility of understatements or unauthorised expenditure at the end of the financial year. |
| Depreciation and asset impairment | 57 676 | 57 676 | 33 474 | 58.0 | The municipality reported Depreciation and asset impairment of R33.5 million which is 42 percent less than the Adjustments and the Original Budget of R57.7 million. Depreciation and asset impairment was reported only for March 2017 at R33.5 million and zero for all other months in the financial year. The reported amount does not seem to be complete for the whole financial year and the municipality is expected to make corrections to the amount in the 2016/17 Annual Financial Statements (AFS). The municipality is encouraged to account for Depreciation and asset impairment on a monthly basis in order to avoid the possibility of understatements or unauthorised expenditure at the end of the financial year. |
| Bulk purchases | 5 901 | 5 901 | 4 581 | 77.6 | The Bulk purchases expenditure reported is R4.6 million which is 22.4 percent below the Adjustments and the Original Budget of R5.9 million. The municipality indicated that the Section 71 Report is understated due to late receipt of invoices from the Department of Water and Sanitation (DWS). |
| Contracted services | 37 412 | 53 295 | 54 469 | 102.2 | The municipality reported actual expenditure on Contracted services amounting to R54.5 million which is 102.2 percent against the Adjustments Budget of R53.3 million. However, it was noted that the Adjusted Budget amount of R53.3 million does not agree to the Approved Adjustments Budget which reflects R46.8 million. The expenditure utilisation is therefore 116.4 percent against the Approved Adjustments Budget and the municipality did not provide the reason for the potential unauthorised expenditure. |
| Other expenditure items ⁴ | 209 207 | 171 853 | 222 152 | 129.3 | The spending on Other expenditure items of R222.2 million is 29.3 percent higher than the Adjustments Budget of R171.9 million and 6.2 percent higher than the Original Budget of R209.2 million. The municipality admitted to failure to control General expenditure as being the reason for the over expenditure on this item and made a commitment to apply cost containment measures as per MFMA Circular No. 82 more diligently in the 2017/18 financial year. Furthermore, it was noted that the Adjusted Budget amount of R171.9 million does not agree to the Approved Adjustments Budget which reflects R178.4 million. |
| Total Operating Expenditure | 548 356 | 591 557 | 648 838 | 109.7 | |
| Operating surplus/(deficit) | 7 676 | 45 835 | (101 544) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.8 (g) Capital, Cash and Conditional grant Performance - uThukela District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 262 691 | 326 854 | 240 223 | 73.5 | The municipality reported under performance on Capital revenue recognised from Capital transfers of R240.2 million which is 26.5 percent less than the Adjustments Budget of R326.9 million and 8.6 percent less than the Original Budget of R262.7 million. The under performance might affect service delivery as capital projects will be delayed. The municipality indicated that the Regional bulk infrastructure grant remained unspent at year end due to delays of projects on the part of the DWA. Furthermore, it was noted that the Adjusted Budget amount of R326.9 million does not agree to the Approved Adjustments Budget which reflects R326.7 million. |
| Public contributions and donations | – | 460 | – | – | The municipality reported non performance on Capital revenue recognised from Public contributions and donations. However, It was noted that the Adjusted Budget amount of R460 000 does not agree to the Approved Adjustments Budget which reflects nil. |
| Borrowing | – | – | – | – | |
| Internally generated funds | 2 553 | 1 930 | 3 240 | 167.9 | The municipality reported a significant over performance of R3.2 million that is 67.9 percent higher than the Adjustments Budget of R1.9 million on Capital Revenue from projects that are funded from Internally generated funds. The over performance might negatively affect the municipality's planned reserves. The municipality has not provided the reasons for over performance on this item. Furthermore, it was noted that the Adjusted Budget amount of R1.9 million does not agree to the Approved Adjustments Budget which reflects R2.6 million. |
| Total Capital Revenue | 265 244 | 329 244 | 243 463 | 73.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 830 | 1 830 | 2 599 | 142.0 | The over spending on Governance and Administration was mainly because of over performance on Executive and council and Corporate services. The municipality has not provided the reasons for over performance on this item. |
| Community and Public Safety | 560 | 460 | – | – | The municipality did not spend the budget that was appropriated for Community and Public Safety. The municipality has not provided the reasons for non performance on this item. Furthermore, it was noted that the Adjusted Budget amount of R460 000 does not agree to the Approved Adjustments Budget which reflects R560 000. |
| Eco. & Environmental Services | 2 378 | 100 | 599 | 599.2 | The significant over spending of R559 000 is 499.2 percent above the Adjustments Budget of R100 000. Low spending was anticipated by the municipality as the Adjustments Budget was reduced by R2.3 million from the Original Budget of R2.4 million, however, the municipality seems to have over adjusted the Original Budget as the municipality ended up over spending. The municipality has not provided the reasons for over performance on this item. Furthermore, it was noted that the Adjusted Budget amount of R100 000 does not agree to the Approved Adjustments Budget which reflects nil. |
| Trading Services | 260 476 | 326 854 | 240 264 | 73.5 | The under performance of R240.3 million on Trading Services is 26.5 percent less than the Adjustments Budget of R326.9 million was due to under performance on Water. The municipality indicated that the Regional bulk infrastructure grant remained unspent at year end due to delays in the implementation of projects whilst the DWA finalised contracts linked to the grant. Furthermore, it was noted that the Adjusted Budget amount of R326.9 million does not agree to the Approved Adjustments Budget which reflects R326.5 million. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 265 244 | 329 244 | 243 463 | 73.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 63 735 | 36 715 | 36 715 | | |
| Cash/cash equiv. at the year end: | 59 179 | 21 830 | (13 729) | | The unaudited cash balance of negative R13.7 million at year end as per the Section 71 Report appears to be misstated when compared to R5.2 million as per the 2016/17 unaudited Draft AFS as at 18 August 2017. Furthermore, the balance as per the Bank reconciliation and the Investments register of R4.4 million does not agree with the Total cash balance as per the unaudited Draft AFS as at 18 August 2017 of R5.2 million. The Net cash position made up of Total cash less Unspent grants as per the 2016/17 unaudited Draft AFS as at 18 August 2017 amounts to negative R64.5 million. Unspent conditional grants amounting to R69.7 million as per 2016/17 unaudited Draft AFS as at 18 August 2017 therefore appears to be not cash backed. This is a serious transgression as the unspent Regional bulk infrastructure grant which amounts to R67.1 million as per the unaudited Draft AFS as at 18 August 2017 is a National grant and the municipality will be expected to complete the projects once the DWA contracts are finalised or return the funds to the DWA. It is not clear how the municipality will build up cash reserves to complete the project or repay the DWA as the municipality has a history of poor cash collections from Debtors. |
| Net Increase/(Decrease) in cash held | (4 556) | (14 885) | (50 445) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 460 | 1 460 | 100.0% | (0) | |
| Expanded Public Works Programme | 3 169 | 3 169 | 100.0% | (0) | |
| Municipal Infrastructure Grant | 178 506 | 186 436 | 104.4% | (7 930) | The municipality has over spent the Municipal Infrastructure Grant by R7.9 million which is 4.4 percent above the total funding that was available for the 2016/17 financial year of R 178.5 million. The municipality has not provided reasons for the potential unauthorised expenditure. |

Table 4.8 (r) Trade and other receivables, Trade and other payables and Key ratios - uThukela District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 584 653 | | |
| Debtors as at 30 June 2017 | 685 766 | | Debtors as at 30 June 2017 have increased by R101.1 million as compared to 30 June 2016. The increase in Debtors is due to the poor collection rate. The municipality should increase efforts to improve the collection rate which will alleviate the cash flow strain that the municipality is facing. |
| <u>By age analysis</u> | | | |
| 0-30 days | 14 480 | 2.1% | |
| 31-60 days | 14 596 | 2.1% | |
| 61-90 days | 11 792 | 1.7% | |
| >90 days | 644 898 | 94.0% | A significant portion of total outstanding debtors of R685.8 million is outstanding for longer than 90 days which implies that the municipality is struggling to recover debtors older than 90 days. |
| Total by age analysis | 685 766 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 625 819 | 91.3% | The portion of total outstanding debtors that relates to Household is 91.3 percent and the portion that relates to Organs of state is 2.9 percent of the total outstanding debtors of R685.8 million according to the Debtors age analysis as at 30 June 2017. The municipality indicated that the reported amount of R685.8 million and the categorisation thereon is incorrect and subsequently submitted corrected returns after the database had released the figures for publishing and also indicated that the item will be correctly presented in the 2016/17 AFS. |
| Commercial | 38 109 | 5.6% | |
| Households | 19 612 | 2.9% | |
| Other | 2 226 | 0.3% | |
| Total by customer group | 685 766 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 13 213 | 33.9% | |
| 31-60 days | 339 | 0.9% | |
| 61-90 days | 9 433 | 24.2% | |
| >90 days | 15 956 | 41.0% | |
| Total by age analysis | 38 942 | 100.0% | Late payment of creditors has resulted in non-compliance with section 65(2)(e) of the Municipal finance Management act (MFMA). The municipality has not provided the reasons for paying creditors after 30 days of receipt of the invoices. The municipality has indicated that the 41 percent debt that is due for over 90 days is a historic debt owed to DWS which is being settled at a monthly rate of R1 million per month as per the settlement terms. Furthermore, the Creditors balance as at 30 June 2017 amounting to R38.9 million as per the Section 71 Report appears to be significantly understated as compared to the 2015/16 Audited AFS which amounts to R195.6 million. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 35.5% | This ratio measures the extent of Remuneration to Total operating expenditure. The ratio of 35.5 percent is within the norm. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 8.4% | This ratio measures the extent to which the municipality's resources are committed towards Contracted services to perform municipal related functions. The ratio of 8.4 percent is above the norm. This result may be an indication that many functions in the municipality are outsourced. The municipality has indicated that this was due to the amount spent for VIP security and water tankers. According to the municipality, expenditure on Contracted services are being reduced. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 38.3% | This ratio assesses the extent of Own source of revenue to Total operating revenue, including Agency revenue, hence self sufficiency. The ratio of 38.3 percent indicates that although the municipality can finance some of its operating activities through Own sources of revenue, the municipality is still highly reliant on grant funding. |
| Own funded capital expenditure | - | 1.3% | This ratio measures the extent to which Total capital expenditure of the municipality is funded through Internally generated funds. The ratio of 1.3 percent shows that the municipality is heavily reliant on grant funding for capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 27.3% | This ratio indicates the prioritisation of expenditure towards current operations versus future capacity in terms of municipal services. The ratio of 27.3 percent reflects higher spending on infrastructure and acceleration in service delivery. The higher spending on infrastructure could also increase financial sustainability risks if the infrastructure does not include revenue generating infrastructure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -18.6% | This ratio assesses the extent to which the municipality generates Operating surpluses. The negative 18.6 percent ratio is a result of the municipality reporting an unaudited deficit of R101.5 million for the 2016/17 financial year. The municipality needs to implement measures to address the failure to recover the operational costs for the services that the municipality delivers in order to ensure sustainable service delivery. |

4.4 uMzinyathi District

The uMzinyathi District is located 360 kilometres South East of Johannesburg and 290 kilometres North of Durban and is comprised of the eNdameni, Nquthu, uMsinga, and uMvoti Local Municipalities. The uMzinyathi District Municipal area is 8 079 km² in size with the uMvoti Local Municipality occupying the largest area at 2 509 km², followed by the uMsinga Local Municipality at 2 500 km², the eNdameni Local Municipality at 1 612 km² and the Nquthu Local Municipality at 1 451 km².

The uMzinyathi District Municipality is the water services authority (WSA) for all the local municipalities in the district. The main trading services for the eNdameni, Nquthu and uMvoti Local Municipalities' are *Electricity and Refuse removal* whilst the uMsinga Local Municipality only provides *Refuse removal*.

Following the August 2016 Local Government Elections there was no formal Council sittings of the uMzinyathi District Municipality and the Nquthu Local Municipality due to the impasse at the Nquthu Local Municipality. The KwaZulu-Natal Provincial Executive Committee intervened as a result of the impasse and the municipalities were placed under Administration on 12 October 2016 in terms of Section 139(1)(b) of the Constitution. The Nquthu Local Municipality intervention was amended to a Section 139(1)(c) intervention on 8 February 2017 and became effective on 24 February 2017. Following the by-elections at the Nquthu Local Municipality on 24 May 2017, the intervention at Nquthu Local Municipality was lifted on 30 May 2017 whilst the intervention at the uMzinyathi District Municipality remained in place at 30 June 2017.

The Nquthu and uMsinga Local Municipalities had full time Municipal Managers for the 2016/17 financial year while the uMvoti Local Municipality had an Acting Municipal Manager for this period. The eNdameni Local Municipality had Acting Municipal Managers from the beginning of the 2016/17 financial year as the appointed Municipal Manager was placed on suspension. The suspended Municipal Manager was reinstated at the end of March 2017 and was still in office at 30 June 2017. The uMzinyathi District Municipality's Municipal Manager was suspended on 09 February 2017 and an Acting Municipal Manager was appointed for the duration the 2016/17 financial year.

The Nquthu and uMsinga Local Municipalities had full time Chief Financial Officer's for the 2016/17 financial year whilst the uMvoti and eNdameni Local Municipalities had acting Chief Financial Officers for this period. The uMzinyathi District Municipality had an Acting Chief Financial Officer for the period 01 July 2016 to October 2016. A Chief Financial Officer was appointed on 01 November 2016 and subsequently suspended on 29 May 2017. An Acting Chief Financial Officer was appointed for the duration of the 2016/17 financial year.

The eNdameni, Nquthu, uMsinga and uMvoti Local Municipalities audit opinions remained unchanged and they received unqualified audit opinions with other matters for the 2015/16 financial year whilst the uMzinyathi District Municipality's audit opinion regressed from an unqualified audit opinion with other matters in 2014/15 to a qualified audit opinion in 2015/16.

4.4.1 Overview of uMzinyathi District Performance

Table 4.4(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|---------------|------------------|------------------|------------------|-------------|
| eNdameni | 253 838 | 262 135 | 248 812 | 94.9 |
| Nquthu | 172 806 | 172 806 | 165 633 | 95.8 |
| uMsinga | 173 539 | 180 539 | 12 411 | 6.9 |
| uMvoti | 258 603 | 257 864 | 256 597 | 99.5 |
| uMzinyathi DM | 338 601 | 338 872 | 337 400 | 99.6 |
| Total | 1 197 387 | 1 212 216 | 1 020 853 | 84.2 |

Source: NT Igdatabase

Table 4.4(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|---------------|------------------|------------------|------------------|-------------|
| eNdumeni | 255 735 | 263 584 | 245 773 | 93.2 |
| Nquthu | 158 462 | 158 462 | 102 262 | 64.5 |
| uMsinga | 183 619 | 217 127 | 67 523 | 31.1 |
| uMvoti | 230 801 | 239 646 | 255 985 | 106.8 |
| uMzinyathi DM | 394 348 | 402 519 | 435 845 | 108.3 |
| Total | 1 222 965 | 1 281 338 | 1 107 388 | 86.4 |

Source: NT Igdatabase

Table 4.4(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|---------------|-----------------|-----------------|------------------|-------------|
| eNdumeni | 24 441 | 37 163 | 31 289 | 84.2 |
| Nquthu | 88 785 | 88 785 | 73 679 | 83.0 |
| uMsinga | 43 800 | 37 800 | 21 578 | 57.1 |
| uMvoti | 45 077 | 43 887 | 31 937 | 72.8 |
| uMzinyathi DM | 375 493 | 386 675 | 337 683 | 87.3 |
| Total | 577 596 | 594 311 | 496 166 | 83.5 |

Source: NT Igdatabase

Table 4.4(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|---------------|---------------|------------|---------------|------------|---------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eNdumeni | 7 847 | 10.2 | 1 879 | 2.4 | 1 371 | 1.8 | 65 825 | 85.6 | 76 923 |
| Nquthu | 1 585 | 4.4 | 537 | 1.5 | 1 300 | 3.6 | 32 261 | 90.4 | 35 683 |
| uMsinga | 954 | 5.5 | 672 | 3.9 | 514 | 3.0 | 15 191 | 87.7 | 17 331 |
| uMvoti | 9 254 | 16.4 | 3 038 | 5.4 | 3 384 | 6.0 | 40 776 | 72.2 | 56 453 |
| uMzinyathi DM | 6 720 | 3.5 | 3 966 | 2.1 | 3 985 | 2.1 | 176 940 | 92.3 | 191 611 |
| Total | 26 360 | 7.0 | 10 092 | 2.7 | 10 555 | 2.8 | 330 993 | 87.6 | 378 000 |

Source: NT Igdatabase

Table 4.4(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|---------------|-----------------|-------------|---------------|-------------|----------------|-------------|--------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eNdumeni | 2 679 | 3.5 | 8 426 | 11.0 | 64 258 | 83.5 | 1 560 | 2.0 | 76 923 |
| Nquthu | 8 089 | 22.7 | 10 290 | 28.8 | 16 572 | 46.4 | 732 | 2.1 | 35 683 |
| uMsinga | 17 010 | 98.1 | 319 | 1.8 | 3 | 0.0 | - | - | 17 331 |
| uMvoti | 4 253 | 7.5 | 14 298 | 25.3 | 32 173 | 57.0 | 5 729 | 10.1 | 56 453 |
| uMzinyathi DM | 17 222 | 9.0 | 11 841 | 6.2 | 162 547 | 84.8 | - | - | 191 611 |
| Total | 49 254 | 13.0 | 45 173 | 12.0 | 275 552 | 72.9 | 8 021 | 2.1 | 378 000 |

Source: NT Igdatabase

Table 4.4(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|---------------|---------------|-------------|--------------|------------|--------------|------------|--------------|-------------|---------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eNdumeni | 29 716 | 100.0 | - | - | - | - | - | - | 29 716 |
| Nquthu | 1 185 | 100.0 | - | - | - | - | - | - | 1 185 |
| uMsinga | 554 | 100.0 | - | - | - | - | - | - | 554 |
| uMvoti | 6 573 | 100.3 | (4) | -0.1 | - | - | (14) | -0.2 | 6 554 |
| uMzinyathi DM | 9 243 | 51.0 | 12 | 0.1 | 364 | 2.0 | 8 498 | 46.9 | 18 117 |
| Total | 47 270 | 84.2 | 7 | 0.0 | 364 | 0.6 | 8 483 | 15.1 | 56 125 |

Source: NT Igdatabase

4.4.2 Analysis per municipality: eNdumeni Local Municipality

Table 4.4 (g) Operating Revenue and Expenditure Performance - eNdumeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 67 033 | 71 954 | 66 341 | 92.2 | The municipality has generated R66.3 million (92.2 percent) on Property Rates against an Adjusted Budget of R72 million. The municipality attributed the variance to the fact that more consumers paid early thus getting early settlement discounts/rebates. |
| Service Charges ² | 131 870 | 132 520 | 127 449 | 96.2 | |
| Transfers recognised - operational | 43 214 | 45 214 | 36 562 | 80.9 | The municipality has generated R36.6 million (80.9 percent) on Transfers recognised - operational against an Adjusted Budget of R45.2 million. The municipality attributed the variance to the system error faced by the municipality throughout the year. There were misclassifications of operational grants. This was highlighted in the IYM during 2016/17. |
| Other sources of Revenue ³ | 11 721 | 12 448 | 18 460 | 148.3 | The municipality has generated R18.5 million (148.3 percent) on Other sources of Revenue against an Adjusted Budget of R12.4 million. The municipality attributed the variance to the system error faced by the municipality throughout the year. There were misclassifications of Other sources of Revenue. This was highlighted in the IYM during 2016/17. |
| Total Operating Revenue | 253 838 | 262 135 | 248 812 | 94.9 | The municipality generated Total Operating Revenue of R248.8 million (94.9 percent) against an Adjusted Budget of R262.1 million, a difference of R13.3 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 98 562 | 99 323 | 92 761 | 93.4 | The municipality has incurred R92.8 million (93.4 percent) on Employee related costs against an Adjusted Budget of R99.3 million. The municipality attributed the variance to post retirement benefits that have not yet been journalised. |
| Remuneration of councillors | 4 023 | 4 023 | 3 999 | 99.4 | |
| Debt impairment | 6 062 | 6 062 | - | - | The municipality has not reported any expenditure on Debt impairment with an Adjusted Budget of R6.1 million. The municipality attributed the variance to not reporting on Debt impairment throughout the year. This was highlighted in the IYM during 2016/17. However the municipality has stated that Debt impairment has been determined and will be journalised and reflected in the 2016/17 Annual Financial Statements. |
| Depreciation and asset impairment | 9 253 | 9 253 | - | - | The municipality has not reported any expenditure on Depreciation and asset impairment with an Adjusted Budget of R9.3 million. The municipality attributed the variance to not reporting on Depreciation and asset impairment throughout the year. This was highlighted in the IYM during 2016/17. However the municipality has stated that Depreciation and asset impairment has been determined and will be journalised and reflected in the 2016/17 Annual Financial Statements. |
| Bulk purchases | 76 486 | 77 186 | 71 042 | 92.0 | The municipality has incurred R71 million (92 percent) on Bulk purchases against an Adjusted Budget of R77.2 million. The municipality attributed the variance to the June 2017 invoice being received and was paid in July 2017. |
| Contracted services | 18 295 | 20 568 | 12 295 | 59.8 | The municipality has incurred R12.3 million (59.8 percent) on Contracted services against an Adjusted Budget of R20.6 million. The municipality attributed the variance to Repairs and maintenance being budgeted under Contracted services and expended under Other expenditure. |
| Other expenditure items ⁴ | 43 053 | 47 169 | 65 675 | 139.2 | The municipality has incurred R65.7 million (139.2 percent) on Other expenditure items against an Adjusted Budget of R47.2 million. The municipality has incurred over expenditure of R18.5 million as at 30 June 2017. The municipality attributed the variance to mSCOA challenges which resulted in certain year end journals being corrected in August 2017 and the incorrect classification of Repairs and maintenance. |
| Total Operating Expenditure | 255 735 | 263 584 | 245 773 | 93.2 | The municipality has incurred R245.8 million (93.2 percent) Total Operating Expenditure against an Adjusted Budget of R263.6 million. |
| Operating surplus/(deficit) | (1 897) | (1 449) | 3 039 | | The municipality reflected an Unaudited Actual Operating Surplus of R3 million against an Adjusted Budget of negative R1.4 million, a difference of R4.5 million. This figure changes to a negative R12.3 million when Debt impairment of R6.1 million and Depreciation and asset impairment of R9.3 million is taken into account. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.4 (h) Capital, Cash and Conditional grant Performance - eNdameni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 16 038 | 24 551 | 23 009 | 93.7 | The municipality has recognised R23 million (93.7 percent) on Transfers recognised - capital against an Adjusted Budget of R24.6 million, a difference of R1.6 million. The municipality attributed the variance to mSCOA challenges as all Capital grants were fully expended. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 8 403 | 12 612 | 8 281 | 65.7 | The municipality has recognised R8.3 million (65.7 percent) for Internally generated funds against an Adjusted Budget of R12.6 million, a difference of R4.3 million. The municipality attributed the variance to certain assets not being purchased or not delivered on time. |
| Total Capital Revenue | 24 441 | 37 163 | 31 289 | 84.2 | The municipality generated Total Capital Revenue of R31.3 million (84.2 percent) against an Adjusted Budget of R37.2 million. |
| Capital Expenditure | | | | | |
| Governance and Administration | 517 | 1 735 | 1 537 | 88.5 | The municipality has incurred expenditure of R1.5 million (88.5 percent) on Governance and Administration against an Adjusted Budget of R1.7 million, a difference of R198 000. The municipality attributed the variance to items that were budgeted for and ordered however they were not delivered at financial year end. As a result this resulted in underspending. Departments also had delayed in spending their capital budgets. |
| Community and Public Safety | 6 801 | 9 014 | 1 666 | 18.5 | The municipality has incurred expenditure of R1.7 million (18.5 percent) on Community and Public Safety against an Adjusted Budget of R9.0 million, a difference of R7.3 million. The municipality attributed the variance to items that were budgeted for and ordered, however they were not delivered at financial year end. This resulted in underspending. Departments also had delayed in spending their capital budgets. |
| Eco. & Environmental Services | 7 543 | 12 584 | 15 055 | 119.6 | The municipality has incurred expenditure of R15.1 million (119.6 percent) on Eco. & Environmental Services against an Adjusted Budget of R12.6 million, a difference of R2.5 million. The over expenditure was as a result in the main of over expenditure of R3.4 million on Road Transport with an Adjusted Budget of R11.6 million. |
| Trading Services | 9 580 | 13 829 | 13 031 | 94.2 | The municipality has incurred expenditure of R13 million (94.2 percent) on Trading Services against an Adjusted Budget of R13.8 million, a difference of R798 000. No reasons were provided by the municipality. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 24 441 | 37 163 | 31 289 | 84.2 | The municipality incurred Total Capital Expenditure of R31.3 million (84.2 percent) against an Adjusted Budget of R37.2 million. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 42 379 | 42 379 | – | | The municipality has not reported Cash/cash equivalents at the year begin. The audited actual as per the 2015/16 Audited Outcome is R68.3 million. |
| Cash/cash equiv. at the year end: | 42 636 | 42 636 | (17 765) | | The municipality has not reported Cash/cash equivalents at the year begin, thus understating the Cash/cash equivalents at the year end of negative R17.8 million. |
| Net Increase/(Decrease) in cash held | 257 | 257 | (17 765) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 625 | 1 625 | 100.0% | – | |
| Expanded Public Works Programme Integrated Grant | 1 127 | 1 113 | 98.8% | 14 | |
| Municipal Infrastructure Grant | 13 217 | 13 217 | 100.0% | – | |

Table 4.4 (i) Trade and other receivables, Trade and other payables and Key ratios - eNdumeni Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 28 318 | | |
| Debtors as at 30 June 2017 | 76 923 | | The total outstanding Debtors has increased from R28.3 million in 2015/16 to R76.9 million in 2016/17, an increase of R48.6 million (171.6 percent). This indicates that the municipality is not collecting debts due. |
| <u>By age analysis</u> | | | |
| 0-30 days | 7 847 | 10.2% | |
| 31-60 days | 1 879 | 2.4% | |
| 61-90 days | 1 371 | 1.8% | |
| >90 days | 65 825 | 85.6% | The municipality has total outstanding Debtors of R76.9 million of which R65.8 million (85.6 percent) are in the Over 90 days category. |
| Total by age analysis | 76 923 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 2 679 | 3.5% | |
| Commercial | 8 426 | 11.0% | |
| Households | 64 258 | 83.5% | The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R64.3 million (83.5 percent) of debts due. The municipality must improve their debt collection strategy to increase collections from Households. |
| Other | 1 560 | 2.0% | |
| Total by customer group | 76 923 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 29 716 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 29 716 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 39.4% | This ratio is within the norm. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 5.0% | This ratio is within the norm. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 85.3% | This ratio indicates that the municipality is not grant dependent. |
| Own funded capital expenditure | - | 26.5% | This ratio indicates that the municipality is funding 26.5 percent capital expenditure from own funds. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 11.3% | This ratio is within the norm. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 1.2% | The Net operating surplus is 1.2 percent. This is however subject to change once the municipality accounts for Debt impairment and Depreciation and asset impairment. |

4.4.3 Analysis per municipality: Nquthu Local Municipality

Table 4.4 (j) Operating Revenue and Expenditure Performance - Nquthu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 23 344 | 23 344 | 22 100 | 94.7 | |
| Service Charges ² | 21 456 | 21 456 | 12 686 | 59.1 | The municipality has reported to have recognised R12.7 million (59.1 percent) against the Adjusted Budget of R21.5 million in respect of Service charges. No reasons have been provided by the municipality for the variance. The variance could be attributed to incorrect budgeting on the part of the municipality. As noted in the Adjusted Budget Feedback letter dated 30 March 2017, the Adjusted Budget for Service charges appeared to be overstated. |
| Transfers recognised - operational | 114 939 | 114 939 | 116 625 | 101.5 | |
| Other sources of Revenue ³ | 13 067 | 13 067 | 14 223 | 108.8 | The municipality has reported to have recognised R14.2 million (108.8 percent) against the Adjusted Budget amount of R13.1 million for Other sources of Revenue. It is noted that R11.1 million was generated against the Adjusted Budget of R10.7 million for Interest earned - external investments, whilst R784 000 was generated against the Adjusted Budget of R412 000 for Interest earned - outstanding debtors. No reasons have been provided by the municipality for the variance. Incorrect budgeting, may have resulted in the significant variance against Other sources of revenue reported at the end of the financial year. As noted in the Adjusted Budget Feedback letter dated 30 March 2017, the Adjusted Budget appeared to be understated. |
| Total Operating Revenue | 172 806 | 172 806 | 165 633 | 95.8 | The municipality has in total reported to have recognised R165.6 million (95.8 percent) of the Adjusted Budget amount of R172.8 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 52 999 | 52 999 | 35 895 | 67.7 | The municipality has reported R35.9 million (67.7 percent) against an Adjusted Budget amount of R53 million for Employee related costs. Reasons for the under expenditure were not provided by the municipality. This points to incorrect budgeting on the part of the municipality. As noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 30 March 2017, the Adjusted Budget for Employee related costs appeared to be overstated. |
| Remuneration of councillors | 10 688 | 10 688 | 6 574 | 61.5 | The municipality has reported R6.6 million (61.5 percent) against an Adjusted Budget amount of R10.7 million. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting and/or reporting on the part of the municipality. |
| Debt impairment | 1 000 | 1 000 | - | - | The municipality has reported nil expenditure on Debt impairment thus understating operating expenditure for 2016/17. During the Mid-year engagement on 22 February 2017 the municipality indicated that the expenditure for Debt impairment will be incurred in June 2017. However, there is a possibility of over expenditure should the Adjusted Budget of R1 million be understated. |
| Depreciation and asset impairment | 9 200 | 9 200 | - | - | The municipality has reported nil expenditure against Depreciation and asset impairment for the 2016/17 financial year. As noted in various IYM feedbacks in 2016/17, the municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis. Reasons for the nil expenditure were not provided by the municipality. This is an indication of incorrect reporting on the part of the municipality. |
| Bulk purchases | 21 105 | 21 105 | 17 196 | 81.5 | The municipality has reported to have incurred R17.2 million expenditure against the Adjusted Budget of R21.1 million for Bulk purchases for the 2016/17 financial year. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect budgeting and/or reporting on the part of the municipality. Expenditure was not reported in Month 08 of the 2016/17 financial year and as a result the expenditure could be understated. |
| Contracted services | 9 437 | 9 437 | 6 407 | 67.9 | The municipality has reported to have incurred R6.4 million expenditure against the Adjusted Budget of R9.4 million for Contracted services for the 2016/17 financial year. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect budgeting on the part of the municipality. The municipality was advised by Provincial Treasury in the Adjusted Budget Feedback letter dated 30 March 2017, that the Adjusted Budget of R9.4 million did not appear reasonable in comparison to the mid-year performance of R3.5 million. |
| Other expenditure items ⁴ | 54 033 | 54 033 | 36 189 | 67.0 | The municipality has reported an amount of R36.2 million (67.0 percent) against an Adjusted Budget amount of R54 million for Other expenditure items. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality, notably for Other expenditure which has an Adjusted Budget of R49.7 million and expenditure of R31.2 million. The municipality was advised accordingly of the incorrect budgeting by Provincial Treasury in the assessment of their 2016/17 Adjusted Budget dated 30 March 2017. |
| Total Operating Expenditure | 158 462 | 158 462 | 102 262 | 64.5 | The municipality has in total reported to have expended R102.3 million (64.5 percent) of the Adjusted Budget amount of R158.5 million. Total operating expenditure appears understated as a result of all expenditure items discussed above. |
| Operating surplus/(deficit) | 14 344 | 14 344 | 63 371 | | The municipality has budgeted for an Operating surplus of R14.3 million and in comparison, irrespective of the concerns reflected above, the Unaudited Actual shows that the municipality recorded an Unaudited Surplus of R63.4 million, a difference of R49.1 million. It must be noted however, that this figure is subject to change with the inclusion of Debt impairment, Depreciation and asset impairment and other possible year-end entries. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.4 (k) Capital, Cash and Conditional grant Performance - Nquthu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 56 389 | 56 389 | 48 440 | 85.9 | The municipality has reported Transfers recognised - capital of R48.4 million (85.9 percent) against an Adjusted Budget of R56.4 million. Reasons for the under performance have not been provided by the municipality. This may be as a result of incorrect reporting on the part of the municipality. In addition, under expenditure on capital grants may lead to the funds being returned to the National Revenue Fund, should the roll over application be unsuccessful. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 32 396 | 32 396 | 25 239 | 77.9 | The municipality has reported Internally generated funds of R25.2 million (77.9 percent) against an Adjusted Budget of R32.4 million. Reasons for the variance were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. Furthermore, slow capital revenue recognition may indicate slow service delivery. |
| Total Capital Revenue | 88 785 | 88 785 | 73 679 | 83.0 | The municipality has reported Total Capital Revenue of R73.7 million (83 percent) against an Adjusted Budget of R88.8 million. |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 128 | 1 128 | 453 | 40.1 | The municipality reported to have spent R453 000 (40.1 percent) on Governance and Administration for the 2016/17 financial year. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Community and Public Safety | 32 978 | 32 978 | 15 290 | 46.4 | The municipality reported to have spent R15.3 million (46.4 percent) on Community and Public Safety for the 2016/17 financial year. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Eco. & Environmental Services | 51 979 | 51 979 | 29 793 | 57.3 | The municipality reported to have spent R29.8 million (57.3 percent) on Eco. & Environmental Services for the 2016/17 financial year. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Trading Services | 2 700 | 2 700 | 28 143 | 1 042.3 | The municipality reported to have spent R28.1 million (1042.3 percent) on Trading Services for the 2016/17 financial year. Reasons for the over expenditure were not provided by the municipality. This could be an indication of incorrect budgeting and/or reporting on the part of the municipality. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 88 785 | 88 785 | 73 679 | 83.0 | The municipality has reported Total Capital Expenditure of R73.7 million (83 percent) against an Adjusted Budget of R88.8 million. This could be an indication of incorrect budgeting and/or reporting on the part of the municipality. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 264 359 | 264 359 | 118 985 | | |
| Cash/cash equiv. at the year end: | 292 728 | 292 728 | 132 371 | | |
| Net Increase/(Decrease) in cash held | 28 369 | 28 369 | 13 386 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 399 | 76.6% | 426 | The municipality has reported to have spent R1.4 million (76.6 percent) of the Total Available amount of R1.8 million for the Financial Management Grant. Reasons for under expenditure were not provided by the municipality. Under expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. |
| Expanded Public Works Programme Integrated Grant | 1 337 | 517 | 38.7% | 820 | The municipality has reported to have spent R517 000 (38.7 percent) of the Total Available amount of R1.3 million for the Expanded Public Works Programme Integrated Grant. Reasons for under expenditure were not provided by the municipality. Under expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. |
| Municipal Infrastructure Grant | 29 778 | 36 512 | 122.6% | (6 734) | The municipality has reported to have spent R36.5 million (122.6 percent) of the Total Available amount of R29.8 million for the Municipal Infrastructure Grant. Reasons for over expenditure were not provided by the municipality. This could be incorrect reporting on the part of the municipality. |

Table 4.4 (I) Trade and other receivables, Trade and other payables and Key ratios - Nquthu Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 26 570 | | |
| Debtors as at 30 June 2017 | 35 683 | | Debtors increased substantially (R9.2 million) in the 2016/17 financial year. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 585 | 4.4% | |
| 31-60 days | 537 | 1.5% | |
| 61-90 days | 1 300 | 3.6% | |
| >90 days | 32 261 | 90.4% | The municipality has total outstanding debt of R35.7 million of which R32.3 million (90.4 percent) is in the over 90 days category. This indicates that the municipality is struggling to collect from its Debtors and this impacts negatively on cash flows. |
| Total by age analysis | 35 683 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 8 089 | 22.7% | |
| Commercial | 10 290 | 28.8% | |
| Households | 16 572 | 46.4% | It is noted that the bulk (46.4 percent) of the total of the outstanding Debtors is in the Households Customer Group. |
| Other | 732 | 2.1% | |
| Total by customer group | 35 683 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 185 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 1 185 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 41.5% | This ratio is above the norm. However, this is subject to change due to the fact that operating expenditure is understated by Debt impairment and Depreciation and asset impairment |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.3% | This ratio is above the norm. However, this is subject to change due to the fact that Total operating expenditure is understated. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 29.6% | This ratio indicates that the municipality is grant dependant |
| Own funded capital expenditure | - | 34.3% | This ratio indicates that the municipality is grant dependant |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 41.9% | This Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. This ratio is distorted because Operating expenditure has not been fully reported at the end of the financial year. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 38.3% | This ratio is questionable due to the concerns raised on the analysis of the Operating Revenue and Expenditure Performance. |

4.4.4 Analysis per municipality: uMsinga Local Municipality

Table 4.3 (m) Operating Revenue and Expenditure Performance - uMsinga Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 10 466 | 10 466 | 12 411 | 118.6 | The municipality has recognised R12.4 million (118.6 percent) for Property Rates against an Adjusted Budget of R10.5 million. No reasons have been provided by the municipality and this could be an indication of either incorrect reporting and/or budgeting on the part of the municipality. |
| Service Charges ² | 177 | 177 | - | - | The municipality has not reported any revenue recognised from Service charges against an Adjusted Budget of R177 000. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Service charges monthly during the IYM engagements. |
| Transfers recognised - operational | 160 715 | 167 715 | - | - | The municipality has not reported any revenue recognised from Transfers recognised - operational against an Adjusted Budget of R167.7 million. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Transfers recognised - operational during the IYM engagements. |
| Other sources of Revenue ³ | 2 180 | 2 180 | - | - | The municipality has not reported any revenue recognised from Other sources Revenue against an Adjusted Budget of R2.2 million. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Other sources of revenue monthly during the IYM engagements. |
| Total Operating Revenue | 173 539 | 180 539 | 12 411 | 6.9 | The Total Operating Revenue recognised is R12.4 million (6.9 percent) against an Adjusted Budget of R180.5 million. The under generation of Total Operating Revenue is mainly as a result of non reporting on most revenue items. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Operating Expenditure | | | | | |
| Employee related costs | 35 268 | 35 268 | 25 253 | 71.6 | The municipality has incurred R25.3 million (71.6 percent) on Employee Related costs against an Adjusted Budget of R35.3 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Remuneration of councillors | 11 165 | 7 709 | 6 807 | 88.3 | The municipality has incurred R6.8 million (88.3 percent) on Remuneration of councillors against an Adjusted Budget of R7.7 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Debt impairment | 1 500 | 1 500 | - | - | The municipality has reported nil expenditure on Debt impairment against an Adjusted Budget of R1.5 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for debt impairment monthly during the IYM engagements. |
| Depreciation and asset impairment | 23 600 | 25 100 | - | - | The municipality has reported nil expenditure on Depreciation and asset impairment against an Adjusted Budget of R25.1 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for depreciation and asset impairment monthly during the IYM engagements. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 5 074 | 5 074 | - | - | The municipality has reported nil expenditure on Contracted services against an Adjusted Budget of R5.1 million thus understating operating expenditure for 2016/17. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Contracted services during the IYM engagements. |
| Other expenditure items ⁴ | 107 011 | 142 475 | 35 464 | 24.9 | The municipality has incurred R35.5 million (24.9 percent) on Other expenditure items against an Adjusted Budget of R142.4 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Total Operating Expenditure | 183 619 | 217 127 | 67 523 | 31.1 | Due to the under expenditure noted in the various expenditure items above, the municipality has underspent on the Total Operating Expenditure Adjusted Budget by R149.6 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Operating surplus/(deficit) | (10 080) | (36 588) | (55 112) | | The Unaudited Operating deficit is R55.1 million. However, this is subject to change due to comments noted above. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.3 (m) Operating Revenue and Expenditure Performance - uMzinga Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 10 466 | 10 466 | 12 411 | 118.6 | The municipality has recognised R12.4 million (118.6 percent) for Property Rates against an Adjusted Budget of R10.5 million. No reasons have been provided by the municipality and this could be an indication of either incorrect reporting and/or budgeting on the part of the municipality. |
| Service Charges ² | 177 | 177 | - | - | The municipality has not reported any revenue recognised from Service charges against an Adjusted Budget of R177 000. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Service charges monthly during the IYM engagements. |
| Transfers recognised - operational | 160 715 | 167 715 | - | - | The municipality has not reported any revenue recognised from Transfers recognised - operational against an Adjusted Budget of R167.7 million. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Transfers recognised - operational during the IYM engagements. |
| Other sources of Revenue ³ | 2 180 | 2 180 | - | - | The municipality has not reported any revenue recognised from Other sources Revenue against an Adjusted Budget of R2.2 million. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Other sources of revenue monthly during the IYM engagements. |
| Total Operating Revenue | 173 539 | 180 539 | 12 411 | 6.9 | The Total Operating Revenue recognised is R12.4 million (6.9 percent) against an Adjusted Budget of R180.5 million. The under generation of Total Operating Revenue is mainly as a result of non reporting on most revenue items. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Operating Expenditure | | | | | |
| Employee related costs | 35 268 | 35 268 | 25 253 | 71.6 | The municipality has incurred R25.3 million (71.6 percent) on Employee Related costs against an Adjusted Budget of R35.3 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Remuneration of councillors | 11 165 | 7 709 | 6 807 | 88.3 | The municipality has incurred R6.8 million (88.3 percent) on Remuneration of councillors against an Adjusted Budget of R7.7 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Debt impairment | 1 500 | 1 500 | - | - | The municipality has reported nil expenditure on Debt impairment against an Adjusted Budget of R1.5 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for Debt impairment monthly during the IYM engagements. |
| Depreciation and asset impairment | 23 600 | 25 100 | - | - | The municipality has reported nil expenditure on Depreciation and asset impairment against an Adjusted Budget of R25.1 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for Depreciation and asset impairment monthly during the IYM engagements. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 5 074 | 5 074 | - | - | The municipality has reported nil expenditure on Contracted services against an Adjusted Budget of R5.1 million thus understating operating expenditure for 2016/17. The municipality indicated that this line item will be accounted for during the compilation of the 2016/17 Annual Financial Statements. At the stage where the Section 71 reports were due for submission, the amount had not been finalised. The municipality was advised numerous times to account for Contracted services during the IYM engagements. |
| Other expenditure items ⁴ | 107 011 | 142 475 | 35 464 | 24.9 | The municipality has incurred R35.5 million (24.9 percent) on Other expenditure items against an Adjusted Budget of R142.4 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Total Operating Expenditure | 183 619 | 217 127 | 67 523 | 31.1 | Due to the under expenditure noted in the various expenditure items above, the municipality has underspent on the Total Operating Expenditure Adjusted Budget by R149.6 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Operating surplus/(deficit) | (10 080) | (36 588) | (55 112) | | The Unaudited Operating deficit is R55.1 million. However, this is subject to change due to comments noted above. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.3 (n) Capital, Cash and Conditional grant Performance - uMzinga Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 35 800 | 37 800 | 21 578 | 57.1 | The municipality has reported Transfers recognised - capital of R21.6 million (57.1 percent) against an Adjusted Budget of R37.8 million. This could result in the Unspent conditional grants being returned to National Treasury should the roll over application not be processed and/or unsuccessful. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 8 000 | – | – | – | |
| Total Capital Revenue | 43 800 | 37 800 | 21 578 | 57.1 | The Total Capital Revenue recognised is R21.6 million (57.1 percent) against an Adjusted Budget of R37.8 million. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Capital Expenditure | | | | | |
| Governance and Administration | 8 000 | – | – | – | |
| Community and Public Safety | – | – | – | – | |
| Eco. & Environmental Services | 35 800 | 35 800 | 21 578 | 60.3 | The municipality has reported to have spent R21.6 million (60.3 percent) on Economic & Environmental Services against an Adjusted Budget of R35.8 million. The low spending could impact negatively on service delivery. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Trading Services | – | 2 000 | – | – | Nil expenditure was reported on Trading Services against an Adjusted Budget of R2 million during 2016/17. This could impact negatively on service delivery and lead to community dissatisfaction. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 43 800 | 37 800 | 21 578 | 57.1 | The municipality has reported significantly low Capital Expenditure of 57.1 percent. R16.2 million of the Capital Expenditure Adjusted Budget remains unspent. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 84 198 | 84 198 | 76 032 | | The municipality has reported Cash/cash equiv at the year begin for the audited 2015/16 financial year of R76.0 million. This figure is different from the figure reflected in the audited 2015/16 Annual Financial Statements of R41 million, a difference of R35 million. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Cash/cash equiv. at the year end: | 53 134 | 53 134 | 197 437 | | Cash/cash equiv. at the year end appears to be questionable due to the fact that Cash and cash equivalent at the year begin was overstated by R35 million. |
| Net Increase/(Decrease) in cash held | (31 064) | (31 064) | 121 405 | | Net Increase/(Decrease) in cash held appears to be questionable due to the fact that Cash and cash equivalent at the year begin was overstated by R35.0 million. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 825 | 45.2% | 1 000 | The municipality has reported to have spent R825 000 (45.2 percent) on the Financial Management Grant (FMG) with a Total available for 2016/17 financial year of R1.8 million. This could result in the Unspent conditional grants being returned to National Treasury should the roll over application not be processed and/or unsuccessful. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for the Financial Management grant during the IYM engagements. |
| Expanded Public Works Programme Integrated Grant | 2 095 | 6 725 | 321.0% | (4 630) | The municipality has reported to have spent R6.7 million (321 percent) on the Expanded Public Works Programme Grant (EPWP) with a Total available for 2016/17 of R2.1 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Municipal Infrastructure Grant | 39 300 | 39 300 | 100.0% | – | |

Table 4.3 (o) Trade and other receivables, Trade and other payables and Key ratios - uMzinga Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 17 331 | | |
| Debtors as at 30 June 2017 | 17 331 | | The municipality submitted the same figures for the 2015/16 and 2016/17 Financial years. The municipality was alerted to this during the IYM engagements. Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| <u>By age analysis</u> | | | |
| 0-30 days | 954 | 5.5% | |
| 31-60 days | 672 | 3.9% | |
| 61-90 days | 514 | 3.0% | |
| >90 days | 15 191 | 87.7% | The majority of the municipality's Debtors (87.7 percent) are in the "Over 90 days" category which indicates that the municipality is struggling to collect long over due debts and this impacts negatively on Cash flows. The municipality needs to urgently implement its debt collection and credit control policy. |
| Total by age analysis | 17 331 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 17 010 | 98.1% | The majority of municipal debt (98.1 percent) is in the Organs of state category. |
| Commercial | 319 | 1.8% | |
| Households | 3 | 0.0% | |
| Other | - | - | |
| Total by customer group | 17 331 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 554 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 554 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 47.5% | Reported remuneration as a percentage of Total operating expenditure is 47.5 percent which is above the norm as per MFMA Circular No. 71. This indicates that the municipality is spending almost half of its Total operating expenditure on Remuneration. However, this is subject to change due to the fact that operating expenditure is grossly understated. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 0.0% | Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 100.0% | Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 24.2% | Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -444.0% | Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported figures. |

4.4.5 Analysis per municipality: uMvoti Local Municipality

Table 4.4 (p) Operating Revenue and Expenditure Performance - uMvoti Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 35 507 | 35 506 | 39 263 | 110.6 | The municipality has generated R39.3 million (110.6 percent) for Property Rates against an Adjusted Budget of R35.5 million. No reasons have been provided by the municipality and this could be an indication of incorrect budgeting on the part of the municipality. |
| Service Charges ² | 80 122 | 80 122 | 73 136 | 91.3 | The municipality has generated R73.1 million (91.3 percent) for Service Charges against an Adjusted Budget of R80.1 million. No reasons have been provided by the municipality and this could be an indication of incorrect budgeting on the part of the municipality. |
| Transfers recognised - operational | 131 543 | 131 543 | 132 213 | 100.5 | |
| Other sources of Revenue ³ | 11 431 | 10 692 | 11 985 | 112.1 | The municipality has generated R12 million (112.1 percent) for Other sources of Revenue against an Adjusted Budget of R10.7 million. The over generation was mainly caused by over generation in Interest earned - external investment and outstanding debtors. No reasons have been provided by the municipality and this could be an indication of incorrect budgeting on the part of the municipality. |
| Total Operating Revenue | 258 603 | 257 864 | 256 597 | 99.5 | The municipality has generated R256.6 million (99.5 percent) for Total Operating Revenue against an Adjusted Budget of R257.9 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 99 299 | 89 253 | 101 176 | 113.4 | The municipality has incurred R101.2 million (113.4 percent) for Employee related costs against an Adjusted Budget of R89.2 million. There is over expenditure of R12 million incurred by the municipality. No reasons have been provided by the municipality and this could be an indication of incorrect budgeting on the part of the municipality. |
| Remuneration of councillors | 9 031 | 9 031 | 9 061 | 100.3 | |
| Debt impairment | 2 100 | 2 100 | - | - | The municipality did not report any expenditure for Debt impairment against an Adjusted Budget of R2.1 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for Debt impairment monthly during the IYM engagements. |
| Depreciation and asset impairment | 24 375 | 25 659 | 24 003 | 93.5 | The municipality has incurred R24 million (93.5 percent) for Depreciation and asset impairment against an Adjusted Budget of R25.6 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised numerous times to account for Depreciation and asset impairment monthly during the IYM engagements. |
| Bulk purchases | 50 585 | 50 585 | 44 650 | 88.3 | The municipality has incurred R44.7 million (88.3 percent) for Bulk purchases against an Adjusted Budget of R50.6 million. No reasons have been provided by the municipality and this could be an indication of either incorrect reporting and/or budgeting on the part of the municipality. The municipality reported to have incurred R2.9 million for Bulk purchases in quarter 2 which is very low when compared to expenditure incurred in other quarters. |
| Contracted services | 7 922 | 15 396 | 15 312 | 99.5 | |
| Other expenditure items ⁴ | 37 489 | 47 622 | 61 784 | 129.7 | The municipality has incurred R61.8 million (129.7 percent) for Other expenditure items with an Adjusted Budget of R47.6 million. The result is over expenditure of R14.2 million. The municipality incurred R12.9 million against a nil Adjusted Budget for Transfers and grants and incurred R48.8 million (104.7 percent) against an Adjusted Budget of R46.6 million for Other expenditure. No reasons have been provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Total Operating Expenditure | 230 801 | 239 646 | 255 985 | 106.8 | The municipality has incurred R256 million (106.8 percent) for Total Operating Expenditure against an Adjusted Budget of R239.6 million. Total Operating Expenditure might be understated due to the municipality not reporting expenditure for Debt impairment. There is at least an over expenditure of R16.4 million incurred by the municipality. |
| Operating surplus/(deficit) | 27 802 | 18 218 | 612 | | The Unaudited Operating surplus is R612 000. This figure might change once the 2016/17 Annual Financial Statements have been finalised. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.4 (q) Capital, Cash and Conditional grant Performance - uMvoti Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 26 311 | 27 960 | 17 488 | 62.5 | The municipality has reported Transfers recognised - capital of R17.5 million (62.5 percent) against an Adjusted Budget of R28 million, a difference of R10.5 million. During the IYM Engagement on 01 August 2017 the municipality indicated that transfers recognised - capital was R28 million and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 18 766 | 15 928 | 14 449 | 90.7 | The municipality has reported Internally generated funds of R14.4 million (90.7 percent) against an Adjusted Budget of R15.9 million, a difference of R1.5 million. During the IYM Engagement on 01 August 2017 the municipality indicated that Internally generated funds was R15.9 million and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Total Capital Revenue | 45 077 | 43 887 | 31 937 | 72.8 | Total Capital Revenue is R31.9 million against an Adjusted Budget of R43.9 million, a difference of R11.9 million. During the IYM Engagement on 01 August 2017 the municipality indicated that total capital revenue generated was R31.9 million and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Capital Expenditure | | | | | |
| Governance and Administration | 5 570 | 5 952 | 4 248 | 71.4 | The municipality has under expended by R1.8 million on Governance and Administration for 2016/17. This could impact negatively on service delivery. During the IYM Engagement on 01 August 2017 the municipality indicated that Capital expenditure for Governance and administration was fully expended and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Community and Public Safety | 2 719 | 3 499 | 1 395 | 39.9 | The municipality has under expended by R2.1 million on Community and Public Safety for 2016/17. This could impact negatively on service delivery. During the IYM Engagement on 01 August 2017 the municipality indicated that Capital expenditure for Community and public safety was fully expended and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Eco. & Environmental Services | 25 313 | 30 362 | 23 185 | 76.4 | The municipality has under expended by R7.2 million on their Eco & Environmental Services for 2016/17. This could impact negatively on service delivery. During the IYM Engagement on 01 August 2017 the municipality indicated that Capital expenditure for Eco & environmental services was fully expended and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Trading Services | 11 475 | 4 075 | 3 108 | 76.3 | The municipality has under expended by R1.0 million on their Trading Services for 2016/17. This could impact negatively on service delivery and lead to community dissatisfaction. During the IYM Engagement on 01 August 2017 the municipality indicated that Capital expenditure for Trading services was fully expended and that this figure will change once the 2016/17 Annual Financial Statements have been finalised. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 45 077 | 43 887 | 31 937 | 72.8 | The municipality has reported significantly low Capital Expenditure of 72.8 percent. R12 million of the Capital Expenditure Adjusted Budget remains unspent. During the IYM Engagement on 01 August 2017 the municipality indicated that the capital budget was fully expended and that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | (4 835) | (4 835) | – | | The municipality has not reported Cash/cash equiv at the year begin for the 2015/16 financial year. The audited 2015/16 Annual Financial Statements reflects R42.7 million. |
| Cash/cash equiv. at the year end: | 1 706 | 1 706 | (120 868) | | Cash/cash equiv. at the year end appears to be questionable due to the fact that Cash and cash equivalent at the year begin was understated by R42.7 million. |
| Net Increase/(Decrease) in cash held | 6 541 | 6 541 | (120 868) | | Net Increase/(Decrease) in cash held appears to be questionable due to the fact that Cash and cash equivalent at the year begin was understated by R42.7 million. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 725 | 1 725 | 100.0% | – | |
| Expanded Public Works Programme Integrated Grant | 2 373 | 2 350 | 99.0% | 23 | |
| Municipal Infrastructure Grant | 20 000 | 21 340 | 106.7% | (1 340) | The municipality has reported to have spent R21.3 million (106.7 percent) on the Municipal Infrastructure Grant (MIG) with a Total available for 2016/17 financial year of R20.0 million. No reasons have been provided by the municipality. The municipality over expended by R1.3 million and this could be an indication of incorrect reporting on the part of the municipality. |

Table 4.4 (r) Trade and other receivables, Trade and other payables and Key ratios - uMvoti Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|---------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 44 533 | | |
| Debtors as at 30 June 2017 | 56 453 | | The Debtors balance has increased by R12 million (26.7 percent) from R44.5 million as at 30 June 2016 to R56.4 million as at 30 June 2017. This is an indication of poor collection from Debtors which will have an adverse effect on the municipalities Cash flow. |
| <u>By age analysis</u> | | | |
| 0-30 days | 9 254 | 16.4% | |
| 31-60 days | 3 038 | 5.4% | |
| 61-90 days | 3 384 | 6.0% | |
| >90 days | 40 776 | 72.2% | The majority of the municipality's Debtors (72.2 percent) are in the "Over 90 days" category which indicates that the municipality is struggling to collect long over due debts and this impacts negatively on Cash flows. The municipality needs to urgently implement its debt collection and credit control policy. |
| Total by age analysis | 56 453 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 4 253 | 7.5% | |
| Commercial | 14 298 | 25.3% | |
| Households | 32 173 | 57.0% | The majority of municipal debt (57 percent) is in the Households category. |
| Other | 5 729 | 10.1% | |
| Total by customer group | 56 453 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 6 573 | 100.3% | |
| 31-60 days | (4) | - | - Explanations were requested from the municipality for negative creditors balance on numerous occasions without success. |
| 61-90 days | - | - | |
| >90 days | (14) | - | - Explanations were requested from the municipality for negative creditors balance on numerous occasions without success. |
| Total by age analysis | 6 554 | 100.0% | |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 43.1% | Reported remuneration as a percentage of Total operating expenditure is 43.1 percent which is above the norm as per MFMA Circular No. 71. This indicates that the municipality is spending almost half of its Total operating expenditure on Remuneration. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.0% | This indicates that many functions are being outsourced to consultants and/or contractors. This can expose the municipality to other risks, such as an inability to build capacity and ongoing reliance on contractors. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 48.5% | This ratio indicates that the municipality is not wholly grant dependant |
| Own funded capital expenditure | - | 45.2% | This ratio indicates that the municipality is not wholly grant dependant |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 11.1% | This ratio is within the norm. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 0.2% | This is within the norm, however it will be subject to change as operating expenditure is understated. |

4.4.6 Analysis per municipality: uMzinyathi District Municipality

Table 4.4 (s) Operating Revenue and Expenditure Performance - uMzinyathi District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 51 140 | 45 909 | 41 892 | 91.2 | The municipality generated revenue of R41.9 million (91.2 percent) for Service charges against an Adjusted Budget of R45.9 million and no reasons were provided by the municipality. The under generation of revenue could be attributable to the low generation for Service charges - water revenue in Month 05 of R79 000 and the reported negative generation for Service charges - sanitation revenue of R436 000 in Month 11. This was highlighted in the IYM process during the 2016/17 financial year. |
| Transfers recognised - operational | 268 573 | 271 759 | 271 304 | 99.8 | |
| Other sources of Revenue ³ | 18 889 | 21 204 | 24 204 | 114.1 | The municipality generated revenue of R24.2 million (114.1 percent) on Other sources of Revenue against an Adjusted Budget of R21.2 million and no reasons were provided by the municipality. The over generation of revenue could be attributable to the reported over generation on Interest earned - external investments of R11.9 million (148.3 percent) against an Adjusted Budget of R8 million and the reported over generation on Other revenue of R223 000 (141.9 percent) against an Adjusted Budget of R157 000. This was highlighted in the IYM process during the 2016/17 financial year. |
| Total Operating Revenue | 338 601 | 338 872 | 337 400 | 99.6 | The municipality generated Total Operating Revenue of R337.4 million (99.6 percent) against an Adjusted Budget of R338.9 million, a difference of R1.5 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 123 908 | 116 089 | 110 747 | 95.4 | |
| Remuneration of councillors | 4 474 | 3 504 | 3 243 | 92.5 | The municipality incurred expenditure of R3.2 million (92.5 percent) on Remuneration of councillors against an Adjusted Budget of R3.5 million. No reasons were provided by the municipality. This could be attributed to the delayed inauguration of the municipal council. |
| Debt impairment | 35 115 | 20 000 | 22 908 | 114.5 | The municipality incurred expenditure of R22.9 million (114.5 percent) on Debt impairment against an Adjusted Budget of R20 million and no reasons were provided by the municipality. The municipality only reported expenditure on Debt impairment in Month 09 of R22.9 million. The municipality was advised during the Adjustments Budget process that the Debt impairment budget might possibly be understated. |
| Depreciation and asset impairment | 58 044 | 57 978 | 53 279 | 91.9 | The municipality incurred expenditure of R53.3 million (91.9 percent) on Depreciation and asset impairment against an Adjusted Budget of R58 million and no reasons were provided by the municipality. The under expenditure could be attributable to the non reporting by the municipality in the first 5 months of the financial year, the reported low expenditure in Month 07 and Month 10 and the reported negative expenditure on Depreciation and asset impairment in Month 09 of R1.5 million. The municipality was advised as part of the 2016/17 IYM process to account for Depreciation and asset impairment monthly. |
| Bulk purchases | 18 000 | 13 127 | 13 082 | 99.7 | |
| Contracted services | 60 306 | 131 335 | 148 567 | 113.1 | The municipality incurred expenditure of R148.6 million (113.1 percent) on Contracted services against an Adjusted Budget of R131.3 million and no reasons were provided by the municipality. The over expenditure could be attributable to the reported high expenditure on Contracted services of R27.7 million in Month 05, of R21.1 million in Month 08 and R20.1 million in Month 12. This was highlighted in the IYM process during the 2016/17 financial year. This is despite the municipality adjusting the budget upwards from R60.3 million to R131.3 million in the 2016/17 Adjusted Budget. |
| Other expenditure items ⁴ | 94 501 | 60 486 | 84 019 | 138.9 | The municipality incurred expenditure of R84 million (138.9 percent) on Other expenditure against an Adjusted Budget of R60.5 million and no reasons were provided by the municipality. The municipality adjusted the budget downwards from R94.5 million to R60.5 million in 2016/17 financial year. The over expenditure could be attributable to the reported over expenditure on Finance charges of R655 000 (109 percent) against an Adjusted Budget of R601 000 and the reported over expenditure on Other expenditure of R83.4 million (139.2 percent) against an Adjusted Budget of R59.9 million. |
| Total Operating Expenditure | 394 348 | 402 519 | 435 845 | 108.3 | The municipality has incurred R435.8 million (108.3 percent) Total Operating Expenditure against an Adjusted Budget of R402.5 million. This resulted in over expenditure by the municipality of R33.3 million. |
| Operating surplus/(deficit) | (55 747) | (63 647) | (98 445) | | The municipality reflected an Unaudited Actual Operating Deficit of R98.4 million against an Adjusted Budget deficit of R63.6 million, a difference of R34.8 million. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.4 (t) Capital, Cash and Conditional grant Performance - uMzinyathi District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 373 735 | 373 735 | 337 181 | 90.2 | The municipality recognised Transfers recognised - capital of R337.2 million (90.2 percent) against an Adjusted Budget of R373.7 million. This could result in the Unspent conditional grants of R36.6 million being returned to the National and Provincial Revenue Funds should the rollover applications be unsuccessful. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 1 758 | 12 940 | 502 | 3.9 | The municipality recognised Internally generated funds of R502 000 (3.9 percent) against an Adjusted Budget of R12.9 million and no reasons were provided by the municipality. This could be an indication that projects to be funded from Internally generated funds were abandoned due to cost containment measures. |
| Total Capital Revenue | 375 493 | 386 675 | 337 683 | 87.3 | The municipality generated Total Capital Revenue of R337.7 million (87.3 percent) against an Adjusted Budget of R386.7 million. |
| Capital Expenditure | | | | | |
| Governance and Administration | 645 | 2 890 | 502 | 17.4 | The municipality has incurred expenditure of R502 000 (17.4 percent) for Governance and Administration against an Adjusted Budget of R2.9 million, a difference of R2.4 million and no reasons were provided by the municipality. The main contributor to the low expenditure is the non reporting on expenditure on Executive and Council against an Adjusted Budget of R2.6 million. |
| Community and Public Safety | 34 551 | 33 888 | 16 505 | 48.7 | The municipality has incurred expenditure of R16.5 million (48.7 percent) for Community and Public Safety against an Adjusted Budget of R33.9 million, a difference of R17.4 million and no reasons were provided by the municipality. |
| Eco. & Environmental Services | 310 | – | – | – | |
| Trading Services | 339 987 | 349 897 | 320 676 | 91.6 | The municipality has incurred expenditure of R320.7 million (91.6 percent) for Trading Services against an Adjusted Budget of R349.9 million, a difference of R29.2 million and no reasons were provided by the municipality. The main contributor is the reported low expenditure on Waste Water Management of R250 million against an Adjusted Budget of R303.7 million. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 375 493 | 386 675 | 337 683 | 87.3 | The municipality incurred Total Capital Expenditure of R337.7 million (87.3 percent) against an Adjusted Budget of R386.7 million. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 28 507 | 60 935 | 60 935 | | |
| Cash/cash equiv. at the year end: | 23 554 | 19 054 | 68 956 | | The municipality reported cash/cash equivalent of year end of R69 million, a difference of R49.9 million when compared to the Adjusted Budget of R19.1 million. |
| Net Increase/(Decrease) in cash held | (4 953) | (41 882) | 8 021 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | – | |
| Expanded Public Works Programme Integrated Grant | 2 350 | 2 372 | 100.9% | (22) | |
| Municipal Infrastructure Grant | 181 064 | 194 032 | 107.2% | (12 968) | The municipality incurred expenditure of R194 million (107.2 percent) on the Municipal Infrastructure Grant (MIG) against a Total available for 2016/17 financial year of R181.1 million, a difference of R13 million and no reasons were provided by the municipality. |

Table 4.4 (u) Trade and other receivables, Trade and other payables and Key ratios - uMzinyathi District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 294 309 | | |
| Debtors as at 30 June 2017 | 191 611 | | The total outstanding Debtors has decreased from R294.3 million in 2015/16 to R191.6 million in 2016/17, a decrease of R102.7 million. This could be an indication that the municipality is collecting debts due as there is no indication of debts being written off. |
| <u>By age analysis</u> | | | |
| 0-30 days | 6 720 | 3.5% | |
| 31-60 days | 3 966 | 2.1% | |
| 61-90 days | 3 985 | 2.1% | |
| >90 days | 176 940 | 92.3% | The municipality has total outstanding Debtors of R191.6 million of which R176.9 million (92.3 percent) is in the Over 90 days category. |
| Total by age analysis | 191 611 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 17 222 | 9.0% | |
| Commercial | 11 841 | 6.2% | |
| Households | 162 547 | 84.8% | The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R162.5 million (84.8 percent) of debts due. |
| Other | - | - | |
| Total by customer group | 191 611 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 9 243 | 51.0% | |
| 31-60 days | 12 | 0.1% | The municipality has reported to owe Creditors R12 000 for more than 30 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure. |
| 61-90 days | 364 | 2.0% | The municipality has reported to owe Creditors R364 000 for more than 60 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure. |
| >90 days | 8 498 | 46.9% | The municipality has reported to owe Creditors R8.5 million for more than 90 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure. |
| Total by age analysis | 18 117 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 26.2% | This ratio is within the norm. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 34.1% | This ratio indicates that many functions are being outsourced to consultants or that Contracted services are not being effectively utilised. This can expose the municipality to other risks, such as its inability to build capacity and ongoing reliance on contractors. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 19.6% | This ratio indicates that the municipality is grant dependant. |
| Own funded capital expenditure | - | 0.1% | This ratio indicates that the municipality is funding 0.1 percent capital expenditure from own funds. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 43.7% | This ratio indicates higher spending on infrastructure and acceleration in service delivery. However, it could also hold financial sustainability risks if the infrastructure does not include both economic and social type of infrastructure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -29.2% | The Net operating surplus is negative 29.2 percent. This implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery. |

4.5 Amajuba District

The Amajuba District is comprised of three local municipalities, namely Newcastle, eMadlangeni and Dannhauser and is 6 910 km² in size. The eMadlangeni Local Municipality occupies the largest area at 3 539 km², followed by the Newcastle Local Municipality at approximately 1 854.6 km² and the Dannhauser Local Municipality at 1 516 km².

The Amajuba District Municipality is the Water Service Authority (WSA) for the Dannhauser and eMadlangeni Local Municipalities whilst the Newcastle Local Municipality performs its own water reticulation. Newcastle Local Municipality's main trading services are *Water, Electricity and Refuse removal*, eMadlangeni Local Municipality's main trading services are *Electricity and Refuse removal* whilst Dannhauser Local Municipality only renders a *Refuse removal* service.

Following the collapse of poor performance at the eMadlangeni Local Municipality, the Kwazulu-Natal Provincial Executive Committee intervened and the municipality was placed under Administration on 19 January 2017 in terms of Section 139(1)(b) of the Constitution which remained in place at 30 June 2017.

The Newcastle and Dannhauser Local Municipalities had full time Municipal Managers for the 2016/17 financial year. The eMadlangeni Local Municipality has a full time Municipal Manager who is currently on suspension and an Acting Municipal Manager was appointed effective from 01 December 2016 for the duration of the 2016/17 financial year. The Amajuba District Municipality had a full time Municipal Manager for the period 01 July 2016 to 31 October 2016 (being the resignation date of the Municipal Manager). An Acting Municipal Manager was appointed for the period 01 November 2016 to 30 May 2017, where after a full time Municipal Manager was appointed effective 01 June 2017.

Dannhauser Local Municipality had a full time Chief Financial Officer for the entire 2016/17 financial year whilst the Newcastle and eMadlangeni Local Municipalities had Acting Chief Financial Officers for the entire 2016/17 financial year. The Amajuba District Municipality had an Acting Chief Financial Officer for the period 01 July 2016 to 31 May 2017, where after a full time Chief Financial was appointed effective 01 June 2017.

Unqualified audit opinions were maintained by the eMadlangeni and Dannhauser Local Municipalities for the 2015/16 financial year, whilst the Amajuba District Municipality, similar to the 2014/15 financial year received a qualified audit opinion for 2015/16. The Newcastle Local Municipality improved from qualified audit opinion in the 2014/15 financial year to an unqualified audit opinion for the 2015/16 financial year.

4.5.1 Overview of Amajuba District Performance

Table 4.5(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|--------------|------------------|------------------|------------------|--------------|
| Newcastle | 1 709 674 | 1 676 393 | 1 813 696 | 108.2 |
| eMadlangeni | 75 035 | 70 608 | 75 048 | 106.3 |
| Dannhauser | 126 863 | 110 734 | 102 088 | 92.2 |
| Amajuba DM | 161 781 | 167 281 | 222 606 | 133.1 |
| Total | 2 073 354 | 2 025 016 | 2 213 438 | 109.3 |

Source: NT Igdatabase

Table 4.5(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|------------------|------------------|------------------|--------------|
| New castle | 1 955 731 | 1 958 821 | 2 111 001 | 107.8 |
| eMadlangeni | 73 335 | 76 077 | 67 594 | 88.8 |
| Dannhauser | 99 245 | 111 975 | 73 641 | 65.8 |
| Amajuba DM | 172 169 | 182 214 | 168 484 | 92.5 |
| Total | 2 300 480 | 2 329 087 | 2 420 719 | 103.9 |

Source: NT Igdatabase

Table 4.5(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|-----------------|-----------------|------------------|-------------|
| New castle | 275 667 | 263 990 | 208 244 | 78.9 |
| eMadlangeni | 25 222 | 27 396 | 19 675 | 71.8 |
| Dannhauser | 51 353 | 50 683 | 32 024 | 63.2 |
| Amajuba DM | 91 041 | 91 041 | 66 911 | 73.5 |
| Total | 443 282 | 433 111 | 326 854 | 75.5 |

Source: NT Igdatabase

Table 4.5(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|---------------|------------|---------------|------------|---------------|------------|----------------|-------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| New castle | 82 557 | 8.3 | 23 333 | 2.4 | 21 059 | 2.1 | 862 427 | 87.2 | 989 375 |
| eMadlangeni | 1 784 | 5.7 | 932 | 3.0 | 873 | 2.8 | 27 607 | 88.5 | 31 196 |
| Dannhauser | 1 476 | 3.2 | 811 | 1.7 | 617 | 1.3 | 43 582 | 93.8 | 46 486 |
| Amajuba DM | 3 717 | 8.0 | 1 627 | 3.5 | 1 718 | 3.7 | 39 690 | 84.9 | 46 752 |
| Total | 89 534 | 8.0 | 26 703 | 2.4 | 24 266 | 2.2 | 973 306 | 87.4 | 1 113 809 |

Source: NT Igdatabase

Table 4.5(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|--------------|-----------------|------------|----------------|-------------|----------------|-------------|---------------|------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| New castle | 30 973 | 3.1 | 101 383 | 10.2 | 848 481 | 85.8 | 8 539 | 0.9 | 989 375 |
| eMadlangeni | 5 670 | 18.2 | 4 949 | 15.9 | 9 503 | 30.5 | 11 074 | 35.5 | 31 196 |
| Dannhauser | 7 772 | 16.7 | 6 865 | 14.8 | 26 958 | 58.0 | 4 890 | 10.5 | 46 486 |
| Amajuba DM | 4 714 | 10.1 | 1 600 | 3.4 | 40 438 | 86.5 | - | - | 46 752 |
| Total | 49 129 | 4.4 | 114 797 | 10.3 | 925 380 | 83.1 | 24 503 | 2.2 | 1 113 809 |

Source: NT Igdatabase

Table 4.5(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|----------------|-------------|---------------|-------------|--------------|------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| New castle | 115 962 | 89.7 | 9 135 | 7.1 | 2 067 | 1.6 | 2 083 | 1.6 | 129 247 |
| eMadlangeni | 6 110 | 97.9 | 14 | 0.2 | 0 | 0.0 | 120 | 1.9 | 6 243 |
| Dannhauser | 1 122 | 91.8 | 100 | 8.2 | - | - | - | - | 1 222 |
| Amajuba DM | 10 863 | 17.9 | 13 014 | 21.4 | 2 215 | 3.6 | 34 753 | 57.1 | 60 846 |
| Total | 134 057 | 67.9 | 22 263 | 11.3 | 4 282 | 2.2 | 36 956 | 18.7 | 197 557 |

Source: NT Igdatabase

4.5.2 Analysis per municipality: Newcastle Local Municipality

Table 4.5 (g) Operating Revenue and Expenditure Performance - Newcastle Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|------------------|------------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 256 072 | 262 901 | 263 545 | 100.2 | |
| Service Charges ² | 1 083 994 | 1 037 588 | 1 018 075 | 98.1 | |
| Transfers recognised - operational | 325 438 | 331 488 | 493 550 | 148.9 | The municipality has generated R493.6 million (148.9 percent) on Transfers recognised - operational against an Adjusted Budget of R331.5 million. During the IYM engagement held on 10 August 2017, the municipality stated that it incorrectly included Capital grants of R181.8 million in Transfers recognised - operational. |
| Other sources of Revenue ³ | 44 170 | 44 416 | 38 526 | 86.7 | The municipality has generated R38.5 million (86.7 percent) on Other sources of Revenue against an Adjusted Budget of R44.4 million. The under generation of revenue could be attributable to the under generation of Interest earned - outstanding debtors (87.9 percent), Fines (69.3 percent) and Other own revenue (79.5 percent). |
| Total Operating Revenue | 1 709 674 | 1 676 393 | 1 813 696 | 108.2 | The municipality generated Total Operating Revenue of R1.8 billion (108.2 percent) against an Adjusted Budget of R1.7 billion, a difference of R137.3 million. It should be noted that the Total Operating Revenue of R1.8 billion is overstated by Transfers recognised - capital of R181.8 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 476 620 | 470 815 | 484 725 | 103.0 | The municipality has incurred R484.7 million (103 percent) on Employee related costs against an Adjusted Budget of R470.8 million. During the IYM engagement held on 10 August 2017, the municipality stated that the over expenditure was mainly due to overtime and workman's compensation. |
| Remuneration of councillors | 21 023 | 21 055 | 18 875 | 89.6 | The municipality has incurred R18.9 million (89.6 percent) on Remuneration of councillors against an Adjusted Budget of R21.1 million. During the IYM engagement held on 10 August 2017, the municipality stated that it had applied for some councillors to be full time. However, the request was not approved by CoGTA. |
| Debt impairment | 61 007 | 88 256 | 98 836 | 112.0 | The municipality has incurred R98.8 million (112 percent) on Debt impairment against an Adjusted Budget of R88.3 million, an over expenditure of R10.5 million. During the IYM engagement held on 10 August 2017, the municipality stated that there was an escalation in municipal debtors 2016/17. |
| Depreciation and asset impairment | 330 121 | 369 587 | 451 419 | 122.1 | The municipality has incurred R451.4 million (122.1 percent) on Depreciation and asset impairment against an Adjusted Budget of R369.6 million, an over expenditure of R81.8 million. During the IYM engagement held on 10 August 2017, the municipality stated that the expenditure reported was correct. |
| Bulk purchases | 577 973 | 553 162 | 560 009 | 101.2 | The municipality has incurred R560 million (101.2 percent) on Bulk purchases against an Adjusted Budget of R553.2 million, an over expenditure of R6.8 million. Distortions were noted in the reported expenditure as the municipality reported expenditure of R98.3 million in Month 03, R65.8 million in Month 07 and R77.4 million in Month 11. The municipality stated that the over-expenditure was due to seasonal consumption. |
| Contracted services | 52 490 | 38 832 | 50 341 | 129.6 | The municipality has incurred R50.3 million (129.6 percent) on Contracted services against an Adjusted Budget of R38.8 million, an over expenditure of R11.5 million. Distortions were noted in the reported expenditure as the municipality reported expenditure of R98.3 million in Month 02 and R12.1 million in Month 12. The municipality stated that the over expenditure was due to security contracted services where contracts were still in place when the budget was reduced. |
| Other expenditure items ⁴ | 436 497 | 417 114 | 446 796 | 107.1 | The municipality has incurred R446.8 million (107.1 percent) on Other expenditure items against an Adjusted Budget of R417.1 million, an over expenditure of R29.7 million. Distortions were noted in the reported expenditure as the municipality reported expenditure of R60.6 million in Month 12 with regards to Other expenditure. The municipality attributed the over expenditure to the calculation of the landfill site which is calculated annually and is difficult to project. The other contributor to the over expenditure is the interest expense relating to Eskom invoices which were not paid on time thus resulting in accumulative interest. |
| Total Operating Expenditure | 1 955 731 | 1 958 821 | 2 111 001 | 107.8 | The municipality has incurred R2.1 billion (107.8 percent) Total Operating Expenditure against an Adjusted Budget of R2 billion. This resulted in over expenditure of R152.2 million in 2016/17. |
| Operating surplus/(deficit) | (246 057) | (282 428) | (297 304) | | The municipality reflected an Unaudited Actual Operating Deficit of R297.3 million against an Adjusted Budget of negative R282.4 million, a difference of R14.9 million. Based on the fact that Transfers recognised - operational is overstated by at least R181.8 million, the Operating deficit should at least be R479.1 million. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.5 (h) Capital, Cash and Conditional grant Performance - Newcastle Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 201 110 | 224 753 | 177 541 | 79.0 | The municipality has recognised R177.5 million (79 percent) on Transfers recognised - capital against an Adjusted Budget of R224.8 million, a difference of R47.2 million. This could result in the unspent R47.2 million being returned to the National and Provincial Revenue Funds should the rollover applications be unsuccessful. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | 41 515 | - | - | - | |
| Internally generated funds | 33 042 | 39 237 | 30 703 | 78.2 | The municipality has recognised R30.7 million (78.2 percent) for Internally generated funds against an Adjusted Budget of R39.2 million, a difference of R8.5 million. During the IYM engagement held on 10 August 2017, the municipality stated that some projects to be funded from Internally generated funds were abandoned due to Cost containment measures. |
| Total Capital Revenue | 275 667 | 263 990 | 208 244 | 78.9 | The municipality generated Total Capital Revenue of 208.2 million (78.9 percent) against an Adjusted Budget of R264.million. |
| Capital Expenditure | | | | | |
| Governance and Administration | 21 371 | 3 626 | 770 | 21.2 | The municipality has incurred expenditure of R770 000 (21.2 percent) on Governance and Administration against an Adjusted Budget of R3.6 million, a difference of R2.9 million. The main contributor is the low expenditure on Corporate Services of R32 000 (1.1 percent) against an Adjusted Budget of R2.8 million. The municipality has stated that due to financial constrains there has been slow spending on Internally funded capital projects. |
| Community and Public Safety | 25 213 | 14 142 | 9 171 | 64.8 | The municipality has incurred expenditure of R9.2 million (64.8 percent) on Community and Public Safety against an Adjusted Budget of R14.1 million, a difference of R5 million. The municipality has stated that due to financial constrains there has been slow spending on Internally funded capital projects. |
| Eco. & Environmental Services | 109 904 | 145 997 | 115 315 | 79.0 | The municipality has incurred expenditure of R115.3 million (79 percent) on Eco. & Environmental Services against an Adjusted Budget of R146 million, a difference of R30.7 million. The municipality has stated that due to financial constrains there has been slow spending on Internally funded capital projects. |
| Trading Services | 119 179 | 100 224 | 82 988 | 82.8 | The municipality has incurred expenditure of R83.0 million (82.8 percent) on Trading Services against an Adjusted Budget of R100.2 million, a difference of R17.2 million. This might result in poor service delivery. The municipality has stated that due to financial constrains there has been slow spending on Internally funded capital projects. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 275 667 | 263 990 | 208 244 | 78.9 | The municipality incurred Total Capital Expenditure of R208.2 million (78.9 percent) against an Adjusted Budget of R264 million. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 39 182 | 44 573 | 39 182 | | The municipality has stated that an error is noted in the Cash/cash equivalents at the year begin, the figure for cash and cash equivalents at the beginning of the year should be R44.6 million. |
| Cash/cash equiv. at the year end: | 40 554 | 29 156 | (12 867) | | The municipality has reported a deficit of R12.9 million for the year ended 30 June 2017, a difference of R42 million is noted when compared to the Adjusted Budget figure of R29.2 million. |
| Net Increase/(Decrease) in cash held | 1 372 | (15 417) | (52 049) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 625 | 1 625 | 100.0% | (0) | |
| Expanded Public Works Programme Integrated Grant | 3 173 | 3 173 | 100.0% | (0) | |
| Municipal Infrastructure Grant | 109 214 | 99 544 | 91.1% | 9 670 | The municipality has incurred expenditure of R99.5 million (91.1 percent) on the Municipal Infrastructure Grant against the Total Available for 2016/17 of R109.2 million. This results in under expenditure of R9.7 million. The municipality stated that according to the records of the municipality, MIG has been fully spent after taking into consideration all the accruals at the end of the year. |

Table 4.5 (i) Trade and other receivables, Trade and other payables and Key ratios - Newcastle Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 991 414 | | |
| Debtors as at 30 June 2017 | 989 375 | | The total outstanding Debtors has decreased from R991.4 million in 2015/16 to R989.4 million in 2016/17, an decrease of R2 million. This could be an indication that the municipality is collecting some debts that are due as there is no indication of debts being written off. |
| <u>By age analysis</u> | | | |
| 0-30 days | 82 557 | 8.3% | |
| 31-60 days | 23 333 | 2.4% | |
| 61-90 days | 21 059 | 2.1% | |
| >90 days | 862 427 | 87.2% | The municipality has total outstanding Debtors of R989.4 million of which R862.4 million (87.2 percent) are in the Over 90 days category. |
| Total by age analysis | 989 375 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 30 973 | 3.1% | |
| Commercial | 101 383 | 10.2% | |
| Households | 848 481 | 85.8% | The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R848.5 million (85.8 percent) of debts due. The municipality must improve their debt collection strategy to increase collections from Households. |
| Other | 8 539 | 0.9% | |
| Total by customer group | 989 375 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 115 962 | 89.7% | |
| 31-60 days | 9 135 | 7.1% | The municipality has reported to owe Creditors R9.1 million for more than 30 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in fruitless and wasteful expenditure. |
| 61-90 days | 2 067 | 1.6% | The municipality has reported to owe Creditors R2.1 million for more than 60 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure. |
| >90 days | 2 083 | 1.6% | The municipality has reported to owe Creditors R2.1 million for more than 90 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure. |
| Total by age analysis | 129 247 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 23.9% | This ratio is within the norm. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.4% | This ratio is within the norm. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 72.8% | This ratio indicates that the municipality is not grant dependent. |
| Own funded capital expenditure | - | 14.7% | This ratio indicates that the municipality is funding 14.7 percent capital expenditure from own funds. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 9.0% | This ratio indicates that the municipality is not spending sufficiently on Capital Expenditure which could result in poor Infrastructure and Service delivery. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -16.4% | The Net operating surplus margin is negative 16.4 percent. This implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery. |

4.5.3 Analysis per municipality: eMadlangeni Local Municipality

Table 4.5 (j) Operating Revenue and Expenditure Performance - eMadlangeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 17 830 | 17 830 | 15 617 | 87.6 | The municipality has recognised R15.6 million (87.6 percent) for Property rates against an Adjusted Budget of R17.8 million. The municipality has indicated that this is due to customers that are on the indigent list that are receiving 100 percent rebates on rates and pensioners which are receiving 50 percent rebates. The municipality should therefore have budgeted for Property rates net of rebates. |
| Service Charges ² | 16 338 | 16 338 | 13 764 | 84.2 | The municipality has recognised R13.8 million (84.2 percent) for Service Charges against an Adjusted Budget of R16.3 million. The municipality has indicated that this is due to the municipal collection rate being lower than expected and indigent customers getting 50 units of electricity free every month. This is an indication of poor budgeting as the municipality should have budgeted for Service charges net of rebates. |
| Transfers recognised - operational | 28 376 | 26 913 | 41 640 | 154.7 | The municipality has recognised R41.6 million (154.7 percent) for Transfers recognised - operational against an Adjusted Budget of R26.9 million. The municipality has indicated that this is due to the incorrect returns submitted to the Igdatabase and that the correct figure is R27.4 million (a difference of R14.2 million) which is 101.9 percent when compared to the Adjusted Budget of R26.9 million. |
| Other sources of Revenue ³ | 12 491 | 9 527 | 4 026 | 42.3 | The municipality has recognised R4 million (42.3 percent) for Other sources of Revenue against an Adjusted Budget of R9.5 million. The municipality has indicated that this is due to the small number of visitors to the municipal game park during holidays and this has caused a huge decline in municipal revenue. |
| Total Operating Revenue | 75 035 | 70 608 | 75 048 | 106.3 | The Total Operating Revenue recognised is R75 million (106.3 percent) against an Adjusted Budget of R70.6 million. The over generation of Total Operating Revenue is mainly as a result of the high generation of the Unaudited Transfers recognised - operational reported which is incorrect and overstated by R14.2 million. Therefore, Total Operating Unaudited Actual Revenue should be R60.8 million (86.1 percent). |
| Operating Expenditure | | | | | |
| Employee related costs | 26 659 | 26 390 | 24 687 | 93.5 | The municipality has incurred R24.7 million (93.5 percent) on Employee related costs against an Adjusted Budget of R26.4 million. The municipality stated that the variance was caused by the posts that were budgeted to be filled but were not filled in 2016/17. |
| Remuneration of councillors | 3 013 | 3 286 | 3 017 | 91.8 | The municipality has spent R3 million (91.8 percent) on Remuneration of councillors against an Adjusted Budget of R3.3 million. The municipality stated that the variance was caused by the two councillors who passed on during 2016/17. |
| Debt impairment | 2 416 | 1 516 | 13 | 0.9 | The municipality has incurred R13 000 (0.9 percent) on Debt impairment against an Adjusted Budget of R1.5 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised to account for Debt impairment on a monthly basis as part of the In year monitoring reporting in 2016/17. |
| Depreciation and asset impairment | 5 808 | 4 514 | 460 | 10.2 | The municipality has incurred R460 000 (10.2 percent) on Depreciation and asset impairment against an Adjusted Budget of R4.5 million. The municipality indicated that this figure will change once the 2016/17 Annual Financial Statements have been finalised and is thus understated. The municipality was advised to account for Depreciation and asset impairment on a monthly basis as part of the In year monitoring reporting in 2016/17. |
| Bulk purchases | 12 199 | 12 199 | 11 452 | 93.9 | The municipality has spent R11.4 million (93.9 percent) on Bulk purchases against an Adjusted Budget of R12.2 million. The municipality indicated that the municipal estimate was slightly overestimated. |
| Contracted services | 1 100 | 2 928 | 3 140 | 107.2 | The municipality has spent R3.1 million (107.2 percent) on Contracted services against an Adjusted Budget of R2.9 million. The municipality stated that it exceeded its budget on contracted services such as the financial system which needed to be mSCOA compliant. |
| Other expenditure items ⁴ | 22 140 | 25 244 | 24 824 | 98.3 | |
| Total Operating Expenditure | 73 335 | 76 077 | 67 594 | 88.8 | The Total Operating Expenditure is R67.6 million (88.8 percent) against an Adjusted Budget of R76.1 million. However, it is subject to change due to Debt impairment and Depreciation and asset impairment being understated. |
| Operating surplus/(deficit) | 1 700 | (5 469) | 7 454 | | The Unaudited Operating surplus is R7.4 million. However, this is subject to change due to comments noted above and will in all probability be a deficit. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.5 (k) Capital, Cash and Conditional grant Performance - eMahlangueni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 24 322 | 16 172 | 19 675 | 121.7 | The municipality has reported Transfers recognised - capital of R19.7 million (121.7 percent) against an Adjusted Budget of R16.2 million. The municipality has indicated that this is due to incorrect returns submitted to the Igdatabase and the correct figure is R26.4 million, a difference of R6.7 million. This indicates poor budgeting and/or reporting on the part of the municipality. |
| Public contributions and donations | 900 | 11 225 | - | - | The municipality has not recognised any revenue received from Public contributions and donations against an Adjusted Budget of R11.2 million and no reasons were provided by the municipality for such. |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | - | - | - | |
| Total Capital Revenue | 25 222 | 27 396 | 19 675 | 71.8 | Total Operating Unaudited Capital Revenue should be R26.4 million (96.3 percent) as per the comments above. |
| Capital Expenditure | | | | | |
| Governance and Administration | 16 522 | 18 726 | 19 067 | 101.8 | The municipality has expended R19.1 million or 101.8 percent against an Adjusted Budget of R18.7 million for 2016/17. The result is over expenditure against this vote of R400 000. |
| Community and Public Safety | 100 | 50 | 5 | 10.5 | The municipality has expended R5 000 or 10.5 percent against an Adjusted Budget of R50 000 for 2016/17. No reasons were provided by the municipality for the low expenditure on this vote. |
| Eco. & Environmental Services | 500 | 520 | 602 | 115.8 | The municipality has expended R602 000 or 115.8 percent against an Adjusted Budget of R520 000 for 2016/17. The result is over expenditure against this vote of R82 000. |
| Trading Services | 8 100 | 8 100 | - | - | No expenditure was reported on Trading Services against an Adjusted Budget of R8.1 million and no reasons were provided by the municipality. This could impact negatively on service delivery and lead to community dissatisfaction. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 25 222 | 27 396 | 19 675 | 71.8 | The municipality has reported low Capital Expenditure of 71.8 percent R7.7 million of the Adjusted Budget remains unspent. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 22 186 | 21 028 | 6 645 | | The municipality has reported Cash/cash equiv at the year begin of R6.6 million which is different from the R21 million as per the 2015/16 Audited Annual Financial Statements, a difference of R14.4 million. |
| Cash/cash equiv. at the year end: | 33 748 | (3 169) | (2 458) | | Cash/cash equiv. at the year end appears to be questionable due to the fact that Cash and cash equivalent at the year begin was understated by R14.4 million. |
| Net Increase/(Decrease) in cash held | 11 562 | (24 197) | (9 103) | | Net Increase/(Decrease) in cash held appears to be questionable due to the fact that Cash and cash equivalent at the year begin was overstated by R14.4 million. |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 284 | 1 284 | 100.0% | - | |
| Municipal Infrastructure Grant | 11 113 | 11 113 | 100.0% | - | |

Table 4.5 (I) Trade and other receivables, Trade and other payables and Key ratios - eMadlangeni Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 27 373 | | |
| Debtors as at 30 June 2017 | 31 196 | | The Debtors balance has increased by R3.9 million (14.2 percent) from R27.4 million as at 30 June 2016 to R31.2 million as at 30 June 2017. This is an indication that the municipality is not collecting debtors which will have an adverse effect on its Cash Flow. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 784 | 5.7% | |
| 31-60 days | 932 | 3.0% | |
| 61-90 days | 873 | 2.8% | |
| >90 days | 27 607 | 88.5% | The majority of the municipality's debtors are in the "Over 90 days" category which indicates that the municipality is struggling to collect long over due debts and this impacts negatively on Cash Flows. The municipality needs to urgently implement its debt collection and credit control policy. |
| Total by age analysis | 31 196 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 5 670 | 18.2% | |
| Commercial | 4 949 | 15.9% | |
| Households | 9 503 | 30.5% | |
| Other | 11 074 | 35.5% | The majority of municipal debt is in the Other category. |
| Total by customer group | 31 196 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 6 110 | 97.9% | |
| 31-60 days | 14 | 0.2% | The municipality has reported outstanding Creditors of R14 000 for more than 30 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). |
| 61-90 days | 0 | 0.0% | |
| >90 days | 120 | 1.9% | The municipality has reported outstanding Creditors of R120 000 for more than 90 days. This is in contravention of Section 65(e) of the Municipal Finance Management Act (MFMA). |
| Total by age analysis | 6 243 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 41.0% | Reported remuneration as a percentage of Total operating expenditure is 41 percent which is above the norm as per MFMA Circular No. 71. This indicates that the municipality is spending almost half of its Total operating expenditure on Remuneration. However, this is subject to change due to the fact that operating expenditure is understated by Depreciation and asset impairment and Debt impairment. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 4.6% | This is within the norm. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 44.5% | This ratio indicates that the municipality is not wholly grant dependant. |
| Own funded capital expenditure | - | 0.0% | This ratio indicates that Capital Expenditure is wholly funded from grants. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 22.5% | This ratio indicates higher spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure does not include both economic and social type infrastructure spend. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 9.9% | This is within the norm, however it will be subject to change as operating revenue is overstated and operating expenditure is understated. |

4.5.4 Analysis per municipality: Dannhauser Local Municipality

Table 4.5 (m) Operating Revenue and Expenditure Performance - Dannhauser Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 17 786 | 16 954 | 19 326 | 114.0 | The municipality has reported to have recognised R19.3 million (114 percent) against the Adjusted Budget of R17 million in respect of Property rates. No reasons have been provided by the municipality for the over generation of 114 percent. This could be an indication of incorrect budgeting on the part of the municipality. |
| Service Charges ² | 1 048 | 1 217 | 84 | 6.9 | The municipality has reported to have recognised R84 000 (6.9 percent) against the Adjusted Budget of R1.2 million in respect of Service charges. No reasons have been provided by the municipality for the variance. The variance could be attributed to incorrect figures reported to the Local Government database, including a negative R335 192 reported in Month 01. The municipality was advised by Provincial Treasury in various IYM feedbacks in 2016/17 to amend the Section 71 reports. |
| Transfers recognised - operational | 79 376 | 79 376 | 76 863 | 96.8 | |
| Other sources of Revenue ³ | 28 653 | 13 187 | 5 815 | 44.1 | The municipality has reported to have recognised R5.8 million (44.1 percent) against the Adjusted Budget amount of R13.2 million for Other sources of Revenue. It is noted that only R652 000 was generated against the Adjusted Budget of R8.4 million for Other own revenue. No reasons have been provided by the municipality for the variance. Incorrect budgeting, which included "Vat recognition" and "surplus funds" in Other sources of revenue, may have resulted in the significant variance against Other sources of revenue reported at the end of the financial year. The municipality was advised accordingly of the incorrect budgeting by Provincial Treasury in our assessment of their 2016/17 Adjusted Budget dated 31 March 2017. |
| Total Operating Revenue | 126 863 | 110 734 | 102 088 | 92.2 | The municipality has in total reported to have recognised R102.1 million (92.2 percent) of the Adjusted Budget amount of R110.7 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 34 075 | 30 039 | 12 309 | 41.0 | The municipality has reported R12.3 million (41 percent) against an Adjusted Budget amount of R30 million for Employee related costs. Reasons for the 59 percent under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The municipality was advised accordingly of the incorrect budgeting by Provincial Treasury in our assessment of their 2016/17 Adjusted Budget dated 31 March 2017. |
| Remuneration of councillors | 7 925 | 7 925 | 2 707 | 34.2 | The municipality has reported R2.7 million (34.2 percent) against an Adjusted Budget amount of R7.9 million. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect reporting on the part of the municipality, as expenditure on Remuneration of councillors was not reported in Quarter 1 and in Quarter 4. The municipality was advised by Provincial Treasury in various IYM feedbacks in 2016/17 to amend the Section 71 reports. The operating performance therefore does not reflect the true performance of the municipality. |
| Debt impairment | - | - | - | - | The municipality should have budgeted for and reported against Debt impairment for the 2016/17 financial year. Reasons for the nil budget and expenditure were not provided by the municipality. As noted in the Adjusted Budget Feedback letter dated 31 March 2017, the Adjusted Budget of nil was understated by at least R762 000. Therefore, the 2016/17 Adjusted Budget and the total operating expenditure reported at the end of the 2016/17 financial year is understated. |
| Depreciation and asset impairment | 7 500 | - | - | - | The municipality has reported nil expenditure against Depreciation and asset impairment for the 2016/17 financial year. As noted in various IYM feedbacks in 2016/17, the municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis, as well as to amend the Adjusted Budget returns and populate the omitted figure of R7.5 million. The Audited actual for 2015/16 was R25.9 million. As noted in the Adjusted Budget Feedback letter dated 31 March 2017, the Adjusted Budget of R7.5 million appeared to be understated by at least R18.4 million. This points to incorrect budgeting and reporting on the part of the municipality. Therefore, the 2016/17 Adjusted Budget and the total operating expenditure reported at the end of the 2016/17 financial year is understated. |
| Bulk purchases | - | - | 676 | - | The municipality has reported to have incurred R676 000 expenditure against the Bulk purchases budget of nil for the 2016/17 financial year. No reasons have been provided by the municipality for the variance. This could result in over expenditure as this item was not budgeted for in 2016/17. In addition, the municipality does not render water or electricity services, therefore this may be incorrectly reported by the municipality. |
| Contracted services | 8 147 | - | 29 834 | - | As noted in the Adjusted Budget Feedback letter dated 31 March 2017, the municipality did not populate the Adjusted Budget figure of R8.1 million for Contracted services. The municipality has reported to have incurred R29.8 million expenditure against Contracted services for the 2016/17 financial year. Reasons for the variance were not provided by the municipality. This could be an indication of incorrect budgeting and reporting on the part of the municipality. |
| Other expenditure items ⁴ | 41 597 | 74 012 | 28 115 | 38.0 | The municipality has reported an amount of R28.1 million (38 percent) against an Adjusted Budget amount of R74 million for Other expenditure items. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality, notably for Other expenditure which has an Adjusted Budget of R49.7 million and expenditure of R31.2 million. |
| Total Operating Expenditure | 99 245 | 111 975 | 73 641 | 65.8 | The municipality has in total reported to have expended R73.6 million (65.8 percent) of the Adjusted Budget amount of R112 million. The Adjusted Budget and Total operating expenditure appear to be grossly understated as a result of expenditure items discussed above. |
| Operating surplus/(deficit) | 27 619 | (1 241) | 28 447 | | The municipality has budgeted for an Operating deficit of R1.2 million and in comparison, irrespective of the concerns reflected above, the Unaudited Actual shows that the municipality recorded an Unaudited Surplus of R28.4 million, a difference of R29.6 million. It must be noted however, that this figure is subject to change with the inclusion of Depreciation and asset impairment and other possible year-end entries. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.5 (n) Capital, Cash and Conditional grant Performance - Dannhauser Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 21 767 | 21 767 | 21 574 | 99.1 | |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 29 586 | 28 916 | 10 451 | 36.1 | The municipality has reported Internally generated funds of R10.5 million (36.1 percent) against an Adjusted Budget of R28.9 million. Reasons for the variance were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. Furthermore, slow capital revenue recognition may indicate slow service delivery. |
| Total Capital Revenue | 51 353 | 50 683 | 32 024 | 63.2 | The municipality has reported Total Capital Revenue of R32 million (63.2 percent) against an Adjusted Budget of R50.7 million. |
| Capital Expenditure | | | | | |
| Governance and Administration | 49 703 | 48 863 | 31 572 | 64.6 | The municipality reported to have spent R31.6 million (64.6 percent) on Governance and Administration for the 2016/17 financial year. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Community and Public Safety | 1 550 | 750 | 424 | 56.5 | The municipality reported to have spent R424 000 (56.5 percent) on Community and Public Safety for the 2016/17 financial year. Reasons for the under expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. |
| Eco. & Environmental Services | 100 | - | 28 | - | The municipality reported to have spent R28 000 on Eco. & Environmental Services against an Adjusted Budget of Nil. This points to over expenditure on the part of the municipality. |
| Trading Services | - | 1 070 | - | - | The municipality reported Nil expenditure on Trading services against an Adjusted Budget of R1.1 million. Reasons for the Nil expenditure were not provided by the municipality. Non expenditure on Trading Services negatively affects service delivery. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 51 353 | 50 683 | 32 024 | 63.2 | The municipality has reported Total Capital Expenditure of R32 million (63.2 percent) against an Adjusted Budget of R50.7 million. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | - | - | - | | The Cash/cash equiv. at the year begin figure was not populated by the municipality. Reasons for this omission were not provided by the municipality. This points to incorrect reporting on the part of the municipality. As per the 2015/16 Audited Financial Statements, this figure should be R36.7 million. |
| Cash/cash equiv. at the year end: | 122 057 | 122 057 | 7 597 | | As a result of the Cash/cash equiv. at the year begin figure being incorrectly omitted, reliance cannot be placed on the accuracy of the Cash/cash equiv. at the year end. |
| Net Increase/(Decrease) in cash held | 122 057 | 122 057 | 7 597 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 855 | 46.8% | 970 | The municipality has reported to have spent R855 000 (46.8 percent) of the Total Available amount of R1.8 million for the Financial Management Grant. Reasons for under expenditure were not provided by the municipality. Under expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. |
| Expanded Public Works Programme Integrated Grant | 1 119 | 1 029 | 92.0% | 90 | The municipality has reported to have spent R1 million (92 percent) of the Total Available amount of R1.1 million for the Expanded Public Works Programme Integrated Grant. Reasons for under expenditure were not provided by the municipality. Under expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. |
| Municipal Infrastructure Grant | 20 698 | 18 163 | 87.8% | 2 535 | The municipality has reported to have spent R18.2 million (87.8 percent) of the Total Available amount of R20.7 million for the Municipal Infrastructure Grant. Reasons for under expenditure were not provided by the municipality. Under expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. |

Table 4.5 (o) Trade and other receivables, Trade and other payables and Key ratios - Dannhauser Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 20 176 | | |
| Debtors as at 30 June 2017 | 46 486 | | Debtors increased substantially (R26.3 million) in the 2016/17 financial year. Credit control steps to recover this debt do not appear to have been successful. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 476 | 3.2% | |
| 31-60 days | 811 | 1.7% | |
| 61-90 days | 617 | 1.3% | |
| >90 days | 43 582 | 93.8% | The municipality has total outstanding debt of R46.5 million of which R43.6 million (93.8 percent) is in the Over 90 days category. This indicates that the municipality is struggling to collect from its debtors and this impacts negatively on cash flows. The municipality indicated that a debt collector has been appointed to mitigate the challenge. |
| Total by age analysis | 46 486 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 7 772 | 16.7% | |
| Commercial | 6 865 | 14.8% | |
| Households | 26 958 | 58.0% | It is noted that the bulk (58 percent) of the total of the outstanding debtors is in the Households Customer Group. |
| Other | 4 890 | 10.5% | |
| Total by customer group | 46 486 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 122 | 91.8% | |
| 31-60 days | 100 | 8.2% | The municipality has R100 000 of creditors in Over 30 days. This is in contravention of Section 65(e) of the MFMA. Reasons for this figure being reported in this category were not provided by the municipality. |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 1 222 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 20.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 40.5% | Considering this ratio is in excess of the norm limit of 5 percent, it could indicate that many functions are being outsourced to Consultants, or that Contracted Services are not effectively utilised. As noted in the analysis of the Operating Budget Performance in Table 4.5 (p), performance on Contracted services was reported against a Nil budget. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 24.7% | The ratio indicates that the municipality is grant dependant. |
| Own funded capital expenditure | - | 32.6% | The ratio indicates that the municipality is grant dependant. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 30.3% | This Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. This ratio is distorted as Operating expenditure has not been fully reported at the end of the financial year. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 27.9% | This ratio is questionable due to the concerns raised on the analysis of the Operating Revenue and Expenditure Performance. |

4.5.5 Analysis per municipality: Amajuba District Municipality

Table 4.5 (p) Operating Revenue and Expenditure Performance - Amajuba District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 22 666 | 23 000 | 26 078 | 113.4 | The municipality has reported to have recognised R26.1 million (113.4 percent) against the Adjusted Budget of R23 million in respect of Service Charges. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect budgeting on the part of the municipality. |
| Transfers recognised - operational | 133 598 | 134 948 | 177 820 | 131.8 | The municipality has reported to have recognised R177.8 million (131.8 percent) against the Adjusted Budget of R134.9 million. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect reporting and/or budgeting on the part of the municipality. |
| Other sources of Revenue ³ | 5 517 | 9 333 | 18 708 | 200.4 | The municipality has reported to have received an amount of R18.7 million (200.4 percent) against the Adjusted Budgeted amount of R9.3 million. Excessive variations were noted against Other own revenue (349.2 percent) and Interest earned - outstanding debtors (111.8 percent). No reasons have been provided by the municipality for the variance. The variance against Interest earned - outstanding debtors could be an indication of low debtor payment levels, whilst the variation against Other own revenue could be the result of under budgeting and/or incorrect reporting on the part of the municipality. |
| Total Operating Revenue | 161 781 | 167 281 | 222 606 | 133.1 | The municipality has in total reported to have recognised R222.6 million (133.1 percent) of the Adjusted Budget amount of R167.3 million. |
| Operating Expenditure | | | | | |
| Employee related costs | 78 897 | 80 419 | 80 100 | 99.6 | |
| Remuneration of councillors | 5 174 | 5 174 | 4 750 | 91.8 | The municipality has reported R4.8 million (91.8 percent) against an Adjusted Budget of R5.2 million. The municipality indicated that the reason for the underperformance of Remuneration of councillors is that the budgeted amount of R5.2 million was based on the Upper Limits as per the Remuneration of Public Office Bearers Act. This amount was not approved by the MEC for CoGTA and therefore the actual expenditure was less than budgeted for. |
| Debt impairment | 5 820 | 5 820 | – | – | The municipality has not reported expenditure against the non cash item Debt impairment. No reasons have been provided by the municipality for the variance, this is despite Provincial Treasury's advice throughout the 2016/17 financial year. The operating performance therefore does not reflect the true performance of the municipality. |
| Depreciation and asset impairment | 26 367 | 25 398 | 21 752 | 85.6 | The municipality has reported to have incurred R21.8 million (85.6 percent) for Depreciation and asset impairment against an Adjusted Budget of R25.4 million, a difference of R3.6 million. The reported expenditure was only incurred in Month 06 to Month 11 of the 2016/17 financial year, despite Provincial Treasury advising the municipality to report against Depreciation and asset impairment on a monthly basis. As a result, the expenditure could be understated. |
| Bulk purchases | 20 000 | 20 000 | 15 256 | 76.3 | The municipality has reported to have expended R15.3 million (76.3 percent) on Bulk purchases against an Adjusted Budget of R20 million for 2016/17. The municipality did not provide reasons for the variance. The reported expenditure was only incurred in Month 02 to Month 12 of the 2016/17 financial year and as a result the expenditure could be understated. |
| Contracted services | 10 350 | 13 363 | 18 559 | 138.9 | The municipality has reported to have expended R18.6 million (138.9 percent) on Contracted services against an Adjusted Budget of R13.4 million for 2016/17. This has resulted in over expenditure of R5.2 million. No reasons have been provided by the municipality for the variance. The municipality appears to have underestimated the Contracted service work undertaken for the second half of the year, resulting in the expending of significantly more than the Adjustment Budget. |
| Other expenditure items ⁴ | 25 561 | 32 040 | 28 066 | 87.6 | An amount of R28.1 million (87.6 percent) has been recorded against the Adjusted Budget of R32 million. Other expenditure items includes expenditure amounting to R825 000 against Other materials, which was not budgeted for. As a result this may eventuate in over expenditure for Other materials. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect reporting on the part of the municipality. |
| Total Operating Expenditure | 172 169 | 182 214 | 168 484 | 92.5 | The municipality has in total reported to have expended R168.5 million (92.5 percent) of the Adjusted Budget amount of R182.2 million. |
| Operating surplus/(deficit) | (10 388) | (14 933) | 54 122 | | The municipality has budgeted for an Operating deficit of R14.9 million and in comparison, irrespective of the concerns reflected above, the Unaudited Actual shows that the municipality recorded an Unaudited Surplus of R54.1 million, a difference of R69 million. It must be noted however, that this figure is subject to change with the inclusion of Debt impairment and other possible year-end entries. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.5 (q) Capital, Cash and Conditional grant Performance - Amajuba District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 91 041 | 91 041 | 66 349 | 72.9 | The municipality has reported Transfers recognised - capital of R66.3 million (72.9 percent) against an Adjusted Budget of R91 million. Under performance could be attributed to the Water Services Infrastructure Grant that was not fully spent (72.7 percent) by the end of the 2016/17 financial year. In addition, under expenditure on capital grants may lead to the funds being returned to the National Revenue Fund, should the roll over application be unsuccessful. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | - | 562 | - | The municipality has reported Internally generated funds of R562 000 against an Adjusted Budget of Nil. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect reporting and/or budgeting on the part of the municipality. |
| Total Capital Revenue | 91 041 | 91 041 | 66 911 | 73.5 | The municipality has reported Total Capital Revenue of R66.9 million (73.5 percent) against an Adjusted Budget of R91 million. |
| Capital Expenditure | | | | | |
| Governance and Administration | - | - | 76 | - | Expenditure relating to Trading Services was misallocated to the Governance and Administration which contributed to the over expenditure noted in Governance and Administration. The municipality indicated that this will be rectified in the Annual Financial Statements. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | - | - | 779 | - | Expenditure relating to Trading Services was misallocated to the Eco. & Environmental Services which contributed to the over expenditure noted in Eco. & Environmental Services. The municipality indicated that this will be rectified in the Annual Financial Statements. |
| Trading Services | 91 041 | 91 041 | 66 056 | 72.6 | As noted above, expenditure relating to Trading Services was misallocated to the Governance and Administration and Eco. & Environmental Services which contributed to the under expenditure noted in Trading Services. The municipality indicated that this will be rectified in the Annual Financial Statements. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 91 041 | 91 041 | 66 911 | 73.5 | The municipality has reported Total Capital Expenditure of R66.9 million (73.5 percent) against an Adjusted Budget of R91 million. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | (16 934) | 17 990 | 17 990 | | The Cash/cash equiv. at the year begin figure is as per the 2015/16 Audited Annual Financial Statements. |
| Cash/cash equiv. at the year end: | (27 903) | 3 057 | 38 632 | | Considering the well documented financial difficulties being experienced at the municipality currently, the closing Cash/cash equiv. at year end amount of R38.6 million is questionable. As per the Bank Reconciliation and Investment register as at 30 June 2017 submitted by the municipality on 18 August 2017, the municipality has Unaudited Cash/cash equiv. at the year end of approximately R21 million, a difference of approximately R17.6 million. |
| Net Increase/(Decrease) in cash held | (10 969) | (14 933) | 20 642 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 650 | 3 650 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 2 191 | 2 191 | 100.0% | - | |
| Municipal Infrastructure Grant | 29 513 | 29 513 | 100.0% | - | |

Table 4.5 (r) Trade and other receivables, Trade and other payables and Key ratios - Amajuba District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 33 302 | | |
| Debtors as at 30 June 2017 | 46 752 | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 3 717 | 8.0% | |
| 31-60 days | 1 627 | 3.5% | |
| 61-90 days | 1 718 | 3.7% | |
| >90 days | 39 690 | 84.9% | The high outstanding debt for greater than 90 days indicates that the municipality is struggling to collect from its debtors and this impacts negatively on cash flows. The municipality urgently needs to implement its debt collection and credit control policy. |
| Total by age analysis | 46 752 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 4 714 | 10.1% | |
| Commercial | 1 600 | 3.4% | |
| Households | 40 438 | 86.5% | It is noted that the bulk (86.5 percent) of the total outstanding debtors is in the Households Customer Group. |
| Other | - | - | |
| Total by customer group | 46 752 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 10 863 | 17.9% | |
| 31-60 days | 13 014 | 21.4% | |
| 61-90 days | 2 215 | 3.6% | |
| >90 days | 34 753 | 57.1% | |
| Total by age analysis | 60 846 | 100.0% | The municipality has total outstanding creditors amounting to R60.8 million, of which, R50 million (82.1 percent) is outstanding for longer than 30 days in contravention of Section 65(e) of the MFMA. This could result in fruitless and wasteful expenditure as interest on outstanding debts or penalties could be incurred. The municipality indicated that the current cash flow and financial constraints have contributed to the large outstanding creditors balance. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 50.4% | The municipality's ratio of Remuneration as a percentage of Total operating expenditure is in excess of the norm range of 25 - 40 percent. This could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. However, this is subject to change due to the fact that operating expenditure is understated by Debt impairment and Depreciation and asset impairment. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 11.0% | Considering this ratio is in excess of the norm limit of 5 percent, it could indicate that many functions are being outsourced to Consultants, or that Contracted Services are not effectively utilised. As noted in the analysis of the Operating Budget Performance in Table 4.5 (p), performance on Contracted services was reported to be 138.9 percent at the end of the 2016/17 financial year. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 20.1% | The low Own sources of revenue to total operating revenue ratio result indicates that the municipality is grant dependant. |
| Own funded capital expenditure | - | 0.8% | The low outcome of the Own funded capital expenditure ratio indicates that the municipality is funding the majority of their capital expenditure from conditional grants. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 28.4% | This Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 24.3% | Considering the concerns raised in the Operating revenue and expenditure section, doubt is cast on the accuracy of this ratio. |

4.6 Zululand District

The Zululand District is located on the northern region of KwaZulu-Natal Province and it covers a geographical area of approximately 14 810 km². Approximately half of the area is under the jurisdiction of traditional authorities while the remainder is divided between commercially-owned farms and conversation areas. The district comprises of six municipalities, namely: Zululand District Municipality and the following local municipalities, eDumbe, uPhongolo, AbaQulusi, Nongoma and Ulundi.

The main trading services rendered by the Zululand District Municipality are *Water* and *Sanitation* services, while AbaQulusi Local Municipality provides *Electricity*, *Water*, *Sanitation* and *Refuse removal* services. Ulundi, eDumbe and uPhongolo Local Municipalities render *Electricity* and *Refuse removal* services, while Nongoma Local Municipality only provides *Refuse removal* services.

With the exception of Zululand District Municipality, Nongoma and uPhongolo Local Municipalities the Chief Financial Officer (CFO) positions for the rest of the municipalities in the district were filled for the entire 2016/17 financial year. At the time of this reporting the CFO vacancies at the municipalities above were not filled, however some officials internally have been seconded to temporarily act to these positions.

The Municipal Manager (MM) positions for Nongoma, Ulundi and Zululand District Municipalities were filled for the entire 2016/17 financial year.

During the 2016/17 financial year the MM positions have been vacant for part of the financial year for the following municipalities: uPhongolo, AbaQulusi and eDumbe Local Municipalities. At the time of this reporting the positions were not filled, however there were officials appointed to act to these positions.

All the municipalities in the district obtained Unqualified audit opinion with other matters, with the exception of uPhongolo Local Municipality which obtained a Qualified audit opinion in the 2015/16 financial year.

4.6.1 Overview of Zululand District Performance

Table 4.6(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|--------------|------------------|------------------|------------------|-------------|
| eDumbe | 128 798 | 104 064 | 92 596 | 89.0 |
| uPhongolo | 188 899 | 192 031 | 198 504 | 103.4 |
| AbaQulusi | 456 794 | 423 283 | 330 385 | 78.1 |
| Nongoma | 153 549 | 154 257 | 153 303 | 99.4 |
| Ulundi | 228 734 | 338 076 | 318 176 | 94.1 |
| Zululand DM | 464 045 | 486 625 | 383 566 | 78.8 |
| Total | 1 620 819 | 1 698 336 | 1 476 530 | 86.9 |

Source: NT Igdatabase

Table 4.6(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|------------------|------------------|------------------|-------------|
| eDumbe | 127 198 | 106 293 | 101 813 | 95.8 |
| uPhongolo | 196 749 | 209 066 | 196 768 | 94.1 |
| AbaQulusi | 645 615 | 568 128 | 328 310 | 57.8 |
| Nongoma | 147 899 | 150 942 | 163 404 | 108.3 |
| Ulundi | 325 330 | 331 541 | 344 028 | 103.8 |
| Zululand DM | 462 345 | 480 104 | 506 025 | 105.4 |
| Total | 1 905 136 | 1 846 074 | 1 640 349 | 88.9 |

Source: NT Igdatabase

Table 4.6(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|-----------------|-----------------|------------------|-------------|
| eDumbe | 35 960 | 34 680 | 27 601 | 79.6 |
| uPhongolo | 82 408 | 85 996 | 62 281 | 72.4 |
| AbaQulusi | 70 617 | 70 617 | 869 | 1.2 |
| Nongoma | 54 167 | 50 116 | 46 775 | 93.3 |
| Ulundi | 61 105 | 61 105 | 83 056 | 135.9 |
| Zululand DM | 439 325 | 473 390 | 426 167 | 90.0 |
| Total | 743 582 | 775 904 | 646 749 | 83.4 |

Source: NT Igdatabase

Table 4.6(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|---------------|------------|---------------|------------|---------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eDumbe | 2 578 | 2.6 | (1 927) | -1.9 | 1 477 | 1.5 | 98 597 | 97.9 | 100 725 |
| uPhongolo | 6 257 | 4.3 | 4 916 | 3.4 | 2 280 | 1.6 | 130 552 | 90.7 | 144 005 |
| AbaQulusi | 16 432 | 12.6 | 5 594 | 4.3 | 3 338 | 2.6 | 104 853 | 80.5 | 130 217 |
| Nongoma | 441 | 1.1 | 195 | 0.5 | 807 | 2.0 | 39 577 | 96.5 | 41 020 |
| Ulundi | 7 510 | 7.7 | 3 107 | 3.2 | 3 470 | 3.6 | 82 877 | 85.5 | 96 963 |
| Zululand DM | 2 584 | 3.2 | 1 760 | 2.2 | 1 438 | 1.8 | 75 124 | 92.9 | 80 906 |
| Total | 35 802 | 6.0 | 13 645 | 2.3 | 12 810 | 2.2 | 531 580 | 89.5 | 593 836 |

Source: NT Igdatabase

Table 4.6(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|--------------|-----------------|-------------|---------------|-------------|----------------|-------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eDumbe | 7 605 | 7.6 | 7 016 | 7.0 | 70 797 | 70.3 | 15 306 | 15.2 | 100 725 |
| uPhongolo | 20 426 | 14.2 | 9 808 | 6.8 | 101 359 | 70.4 | 12 413 | 8.6 | 144 005 |
| AbaQulusi | 5 938 | 4.6 | 33 225 | 25.5 | 83 269 | 63.9 | 7 785 | 6.0 | 130 217 |
| Nongoma | 22 442 | 54.7 | 19 879 | 48.5 | 9 823 | 23.9 | (11 124) | -27.1 | 41 020 |
| Ulundi | 15 743 | 16.2 | 21 710 | 22.4 | 41 923 | 43.2 | 17 587 | 18.1 | 96 963 |
| Zululand DM | 10 116 | 12.5 | 2 076 | 2.6 | 68 449 | 84.6 | 264 | 0.3 | 80 906 |
| Total | 82 272 | 13.9 | 93 713 | 15.8 | 375 620 | 63.3 | 42 231 | 7.1 | 593 836 |

Source: NT Igdatabase

Table 4.6(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|----------------|-------------|---------------|------------|--------------|------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| eDumbe | 6 106 | 28.4 | 3 139 | 14.6 | 4 134 | 19.2 | 8 130 | 37.8 | 21 508 |
| uPhongolo | 4 623 | 31.1 | 4 849 | 32.6 | 3 870 | 26.0 | 1 533 | 10.3 | 14 875 |
| AbaQulusi | 76 831 | 100.0 | - | - | - | - | - | - | 76 831 |
| Nongoma | 4 630 | 78.9 | 473 | 8.1 | 206 | 3.5 | 561 | 9.6 | 5 870 |
| Ulundi | 19 112 | 26.8 | 6 525 | 9.2 | (54) | -0.1 | 45 639 | 64.1 | 71 223 |
| Zululand DM | - | - | - | - | - | - | - | - | - |
| Total | 111 302 | 58.5 | 14 987 | 7.9 | 8 156 | 4.3 | 55 863 | 29.4 | 190 307 |

Source: NT Igdatabase

4.6.2 Analysis per municipality: eDumbe Local Municipality

Table 4.6 (g) Operating Revenue and Expenditure Performance - eDumbe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 18 408 | 16 249 | 6 658 | 41.0 | The municipality has significantly under generated on Property rates by R9.6 million or 59 percent against the Adjusted Budget of R16.2 million for the end of the 2016/17 financial year. The municipality has indicated that the shortfall was due to other book entries which were not processed at the time of Section 71 reporting and that this figure will be updated during the finalisation of the Annual Financial Statements (AFS). |
| Service Charges ² | 31 353 | 20 163 | 18 788 | 93.2 | |
| Transfers recognised - operational | 62 659 | 62 859 | 55 850 | 88.8 | The municipality has indicated that the amount of R55.8 million (88.8 percent) is not a correct reflection of Transfers recognised-operational as there was recording error. This is despite the fact that the municipality has to do grants reconciliation regularly according to its Financial Recovery and Turnaround Strategy. The municipality has resubmitted some of their Month 12 returns to correct the errors that were identified during Section 71 quarterly verifications. |
| Other sources of Revenue ³ | 16 377 | 4 793 | 11 301 | 235.8 | eDumbe Local Municipality has over generated by 135.8 percent for this line item for the 2016/17 financial year. According to the municipality, the revenue recognised in respect of Other revenue does not appear to be a true reflection of the municipality's performance and this is expected to change when all errors and final journal entries are captured. The municipality has resubmitted some of their Month 12 returns to correct the errors that were identified in the Section 71 quarterly verifications. |
| Total Operating Revenue | 128 798 | 104 064 | 92 596 | 89.0 | |
| Operating Expenditure | | | | | |
| Employee related costs | 45 887 | 44 198 | 44 444 | 100.6 | A slight over spending was noted for Employee related costs for the period ending 30 June 2017 which was as a result of the implementation of the job evaluation process results. |
| Remuneration of councillors | 4 951 | 5 464 | 5 234 | 95.8 | |
| Debt impairment | - | - | - | - | The municipality indicated that Debt impairment is only calculated at year end. Therefore, at the time of the Section 71 reporting, this amount was not yet finalised. The municipality was advised to calculate Debt impairment on a monthly basis. It was also noted that the municipality did not budget for this item in the Original and the Adjusted 2016/17 Budget whilst showing actual expenditure incurred for this line item in the prior years. This is despite numerous recommendations by Provincial Treasury that the municipality needs to budget for this item. |
| Depreciation and asset impairment | 3 621 | 4 531 | - | - | Depreciation and asset impairment is only calculated at year end by the municipality and the amount was not yet calculated by the time of the Section 71 reporting. This is despite numerous recommendations by Provincial Treasury that the municipality should account for Depreciation and asset impairment on a monthly basis in order to reflect correct expenditure amount. |
| Bulk purchases | 18 000 | 18 000 | 20 347 | 113.0 | The municipality indicated that the variance of 13 percent in Bulk purchases is as a result of an increase in consumption by customers. There were new connections during the year which also contributed to the over spending and these new connections were not initially budgeted for by the municipality. |
| Contracted services | 4 740 | 7 532 | 5 562 | 73.9 | According to the municipality, this is not a true reflection of their performance as at 30 June 2017. The municipality stated that this under spending is expected to change when all the year end journal entries are finalised and the over expenditure is what is expected when all entries are finalised. The over expenditure is as a result of the increase in number of personnel provided for with security guards. |
| Other expenditure items ⁴ | 50 000 | 26 568 | 26 225 | 98.7 | |
| Total Operating Expenditure | 127 198 | 106 293 | 101 813 | 95.8 | |
| Operating surplus/(deficit) | 1 600 | (2 229) | (9 217) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (h) Capital, Cash and Conditional grant Performance - eDumbe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 35 960 | 34 360 | 27 601 | 80.3 | The municipality indicated to Provincial Treasury that the low funding of Capital expenditure from Transfers recognised-capital is expected to change when all the year-end journal entries are populated. One of the reasons cited by the municipality for this variance was that expenditure incurred in June was paid in July meaning that funding for that expenditure only appeared in July after Section 71 reporting for quarter 4 had been closed. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | 320 | - | - | Given the cash flow position of eDumbe Local Municipality, it was not possible to fund any of their expenditure from the Internally generated funds. |
| Total Capital Revenue | 35 960 | 34 680 | 27 601 | 79.6 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 600 | 320 | - | - | |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | 16 360 | 34 360 | 15 314 | 44.6 | The municipality reported expenditure of only 44.6 percent for this item for the entire financial year. However, the municipality indicated that this is expected to change when all the year end transactions are populated. Not all expenditure incurred had been populated at the time of reporting for the Section 71. |
| Trading Services | 18 000 | - | 12 288 | | It appears that the municipality made an error in their Section 71 reports where the 2016/17 Adjusted Budget figure was not populated for this item. Upon inspection of the 2016/17 Adjustments Budget, it was noted that the Original Budget was not adjusted. The municipality indicated this is expected to change when all the year end journal entries are processed. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 35 960 | 34 680 | 27 601 | 79.6 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 1 092 | 112 | 112 | | |
| Cash/cash equiv. at the year end: | 2 691 | (17 579) | 14 | | The municipality indicated that it experienced cash flow challenges due to its poor collection rate. This is despite the implementation of Revenue Enhancement Strategy by the municipality. Thus the municipality has been unable to comply with Section 65 of the MFMA which requires municipality to settle all payments due to creditors within 30 days of receipt of invoice. In the mid-year report the municipality conceded that its ability to operate as a going concern is questionable and needed to be addressed. |
| Net Increase/(Decrease) in cash held | 1 599 | (17 691) | (98) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 538 | 84.3% | 287 | The municipality indicated that the variance of 15.7 percent as per the Section 71 reports is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2016/17 financial year. It appears that the municipality is not adhering to one of the requirements of their Turnaround Strategy which is to ensure that there is a process of reconciling conditional grants. |
| Expanded Public Works Programme Integrated Grant | 1 000 | 1 423 | 142.3% | (423) | The municipality indicated that the Opening balance on the Grant resulted on the overspending. However, the municipality indicated that this variance will be reduced when all the year end journal entries are processed. The municipality must ensure that grants reconciliation process is regularly done in order to reflect correct amounts. |
| Municipal Infrastructure Grant | 17 221 | 15 633 | 90.8% | 1 588 | Reasons for the underspending were not provided by the municipality, however, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the updated figures for the 2016/17 financial year. |

Table 4.6 (i) Trade and other receivables, Trade and other payables and Key ratios - eDumbe Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|----------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 92 192 | | |
| Debtors as at 30 June 2017 | 100 725 | | The municipality is currently facing non-payment culture by the community members and two townships which are billed by the municipality are not paying. The municipality is also experiencing a huge electricity losses in eDumbe Local Municipal area with the community not paying for the bills and also tempering with the meters. |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 578 | 2.6% | |
| 31-60 days | (1 927) | - | |
| 61-90 days | 1 477 | 1.5% | |
| >90 days | 98 597 | 97.9% | The bulk of Debtors has been outstanding for over 90 days and is mainly owed by Households. The municipality indicated that majority of Households customers are regarded as Indigent. However, as the municipality still does not have an updated Indigent register, they had to also bill indigent customers. |
| Total by age analysis | 100 725 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 7 605 | 7.6% | |
| Commercial | 7 016 | 7.0% | |
| Households | 70 797 | 70.3% | Households comprise the major portion of the debt since most households individuals are experiencing the strain of the local economy, furthermore, the lack of validity of certain accounts in the Debtors ledger has resulted in the accumulation of irrecoverable debt. This was compounded by the lack of valid Indigent register which meant that some of the municipality's customers which should have been subsidised were not separately categorised as indigents and billed accordingly. |
| Other | 15 306 | 15.2% | Other customers group was not explained by the municipality and the municipality is required to provide reasons for debtors under Other customer group. |
| Total by customer group | 100 725 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 6 106 | 28.4% | |
| 31-60 days | 3 139 | 14.6% | |
| 61-90 days | 4 134 | 19.2% | |
| >90 days | 8 130 | 37.8% | The municipality is currently facing non-payment culture by the community members which impact negatively to the municipal cash flow. Due to cash flow challenges the municipality was unable to pay suppliers an amount of R15.4 million within 30 days as per MFMA Section 65. |
| Total by age analysis | 21 508 | 100.0% | |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 48.8% | Implementation of the job evaluation process while the municipal revenue generation remains a challenge resulted to the escalation of the salaries above the acceptable norm as per MFMA Circular No. 71. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 5.5% | This is not in line with the National Treasury norm. The norm as per MFMA Circular No. 71 is between 2 and 5 percent. The ratio in excess of the norm could indicate that many functions are being outsourced to Consultants or that Contracted services are not being effectively used. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 39.7% | This ratio clearly indicates that the municipality is highly depended on grants to finance their operating activities. |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 21.3% | The ratio above 20 percent suggest that the municipality has committed to improving their infrastructure in order to improve service delivery, thus the high capital expenditure rate. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -10.0% | The municipality's net operating surplus margin is negative 6.6 percent which is below the norm of zero and above. This could be as a result of operating deficit and measures must be implemented to address this situation to ensure sustainable service delivery. |

4.6.3 Analysis per municipality: uPhongolo Local Municipality

Table 4.6 (j) Operating Revenue and Expenditure Performance - uPhongolo Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 26 162 | 31 568 | 31 402 | 99.5 | |
| Service Charges ² | 45 412 | 42 479 | 44 271 | 104.2 | The municipality has reflected an over generation of revenue on Service Charges. The over generation resulted from the revenue generated on Service charges - electricity. It has been indicated by the municipality that the overbilling on this revenue item is attributable to increased electricity consumption by customers. The municipality has therefore billed more than the projected revenue to be generated. |
| Transfers recognised - operational | 105 326 | 105 743 | 109 778 | 103.8 | The municipality has generated more Transfers recognised - operational by 3.8 percent. The municipality has indicated that the over recognition has resulted from VAT refund in respect of MIG projects which were originally budgeted under Capital Transfers however the expenditure portion was erroneously captured under Transfers recognised - operational. The error noted will be rectified during the preparation of the Annual Financial Statements (AFS). |
| Other sources of Revenue ³ | 11 999 | 12 242 | 13 053 | 106.6 | The Other sources of revenue comprises of items such as Rental of facilities, Interest earned - external investments, Interest earned - outstanding debtors, Fines and Agency fees and Other revenue. A major part of over generation of revenue against Other sources of revenue is due to Other own revenue. The municipality has attributed the over generation of revenue to an amount received from the Department of Transport in respect of amounts refunded by the department for scholar patrol/road safety officers employed to assist scholars and the tender documents that were sold which has resulted in over generation of revenue under this item. |
| Total Operating Revenue | 188 899 | 192 031 | 198 504 | 103.4 | |
| Operating Expenditure | | | | | |
| Employee related costs | 66 760 | 69 876 | 69 313 | 99.2 | |
| Remuneration of councillors | 8 277 | 8 406 | 8 264 | 98.3 | |
| Debt impairment | 10 084 | 10 084 | 10 807 | 107.2 | The municipality indicated that the actual expenditure incurred was based on an interim monthly calculations. Debt impairment calculation will be finalised during the compilation of the 2016/17 (AFS). |
| Depreciation and asset impairment | 8 803 | 8 803 | 7 973 | 90.6 | The Depreciation and asset impairment incurred as at the end of June 2017 does not exceed the projected expenditure as at the end of the year. The municipality has indicated that during the Section 71 reporting the Asset register had not yet been finalised. The final figure to reflect the correct Depreciation and asset impairment as at the end of the year will be adjusted during the finalisation of the Asset register and the AFS. |
| Bulk purchases | 27 021 | 27 021 | 22 389 | 82.9 | The municipality has attributed under spending on Bulk purchases to a misallocation. Part of the spending was erroneously allocated to Contracted services. The error will be rectified during the finalisation of the AFS. |
| Contracted services | 17 109 | 23 667 | 26 469 | 111.8 | The municipality has reflected over spending on Contracted services. The municipality has attributed over spending to an incorrect allocation of spending under this expenditure item. There were erroneous invoices that should have been included under Bulk purchases that were incorrectly allocated under Contracted services. The error will be rectified during the finalisation of the AFS. |
| Other expenditure items ⁴ | 58 695 | 61 210 | 51 553 | 84.2 | Other expenditure items comprises of various items such as Finance charges, Other materials, Transfers and grants and Other expenditure. The municipality has not incurred any expenditure under Transfers and grants and Other material. The under spending on Finance charges has resulted from the municipality not acquiring additional Borrowing as anticipated in the Adjusted Budget. However, Other expenditure has reported an over spending of 109.7 percent. The municipality has indicated that the over spending reported on Other expenditure has resulted from unforeseeable expenditure incurred for hiring motor vehicles due to the breakdown of vehicles utilised by the municipality. |
| Total Operating Expenditure | 196 749 | 209 066 | 196 768 | 94.1 | |
| Operating surplus/(deficit) | (7 850) | (17 035) | 1 736 | | |

Source: NT database

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (k) Capital, Cash and Conditional grant Performance - uPhongolo Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 65 640 | 68 475 | 60 085 | 87.7 | The municipality has only recognised an amount of R60.1 million or 87.7 percent against an allocation of R68.5 million. The under spending on grants resulted from low spending reported on the Integrated National Electrification Programme grant. The municipality has attributed under spending to delays in procurement processes. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | 10 800 | 15 000 | 1 181 | 7.9 | The municipality budgeted to fund Capital projects utilising Borrowings. The municipality has indicated that projects that were budgeted to be financed utilising Borrowings did not materialise. |
| Internally generated funds | 5 968 | 2 521 | 1 015 | 40.2 | The municipality has budgeted to finance capital projects utilising Internally generated funds. However only 40.2 percent has been utilised. It therefore appears that the municipality over estimated in the Adjusted Budget the utilisation of Internally generated funds. The municipality was not able to raise sufficient Internally generated funds to finance capital projects. |
| Total Capital Revenue | 82 408 | 85 996 | 62 281 | 72.4 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 13 632 | 3 736 | 2 192 | 58.7 | The under spending on Governance and Administration has been attributed to low spending under Executive and council and Corporate services. Whereby the municipality has spent only 85.3 and 32.1 percent respectively. Under Budget and treasury office the municipality has spent a significant amount of R297 000 against the Adjusted Budget amount of R135 000. The municipality has indicated that capital acquisition that was budgeted has been acquired for the Budget and treasury office. It therefore appears that the municipality under budgeted for Budget and treasury office. |
| Community and Public Safety | 900 | 4 156 | 3 216 | 77.4 | In the Adjusted Budget the municipality did not project to incur capital expenditure under Sport and recreation however, the municipality has indicated that the capital expenditure incurred under Community and social services includes expenditure in respect of Sport and recreation. The municipality has budgeted to incur expenditure under Public safety however, as at the end of June 2017 the municipality has not spent against this vote. |
| Eco. & Environmental Services | 40 815 | 54 797 | 38 066 | 69.5 | The municipality has attributed the low spending on Capital project to Planning and Development sub vote. The municipality has indicated that the Capital spending under Planning and Development has been reallocated to Road transport. It therefore appears that the municipality has over estimated spending under this vote. |
| Trading Services | 26 861 | 22 928 | 18 807 | 82.0 | The spending reported under Trading services amounted to R18.8 million against the Adjusted Budget amount of R22.9 million, resulting in an under spending. The municipality has attributed low performance to a projected acquisition of an equipment relating to Electricity services that did not materialise. |
| Other | 200 | 379 | - | - | The municipality has budgeted capital expenditure under Other however, the municipality has not spent under this vote. The municipality has indicated that in the Adjusted Budget the municipality incorrectly anticipated to spend on this vote. The Capital spending has been reallocated under Community and social services. |
| Total Capital Expenditure | 82 408 | 85 996 | 62 281 | 72.4 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 10 564 | 9 774 | 9 774 | | |
| Cash/cash equiv. at the year end: | 19 085 | 9 779 | 1 604 | | As at the end of June 2017, the municipality has reflected closing Cash and cash equivalents at year end of R1.6 million. The municipality has depleted the anticipated Cash and cash equivalents. The amount reported does not agree to an amount (R896 000) reported in the municipality's bank reconciliation as at the end of June 2017. |
| Net Increase/(Decrease) in cash held | 8 521 | 4 | (8 170) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 3 021 | 3 021 | 100.0% | - | |
| Municipal Infrastructure Grant | 42 136 | 42 136 | 100.0% | - | |

Table 4.6 (I) Trade and other receivables, Trade and other payables and Key ratios - uPhongolo Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|----------------|----------------------------|---|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 123 592 | | |
| Debtors as at 30 June 2017 | 144 005 | | The credibility of the Debtors balance reported as at the end of June 2017 remain questionable. The municipality Debtors as at June 2017 has increased when compared to the Audited results as reported in the 2015/16 Audited year. The municipality has indicated that, it does not have an indigent policy in place, furthermore growth in Debtors might have resulted in the lack of implementation and enforcement of credit control policy. In order to curb the increase of Debtors book, the municipality must fast track the updating of the indigent register and ensure that the indigent policy is in place in order to consider writing off irrecoverable Debtors and implementation and enforcement of the credit control policy. |
| <u>By age analysis</u> | | | |
| 0-30 days | 6 257 | 4.3% | |
| 31-60 days | 4 916 | 3.4% | |
| 61-90 days | 2 280 | 1.6% | |
| >90 days | 130 552 | 90.7% | It is evident that the municipality is experiencing challenges in collecting Debtors. This has been indicated by a vast percentage of outstanding Debtors under greater than 90 days category. The large percentage reflected under this category has resulted in the lack of an updated indigent register. Therefore the municipality is unable to correctly determine long outstanding customers that are indigent. |
| Total by age analysis | 144 005 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 20 426 | 14.2% | |
| Commercial | 9 808 | 6.8% | |
| Households | 101 359 | 70.4% | As it has been mentioned above, the municipality is unable to determine indigent customers due to unavailability of an updated indigent register. This has resulted in a vast amount of outstanding debtors reflected under Households. |
| Other | 12 413 | 8.6% | |
| Total by customer group | 144 005 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 4 623 | 31.1% | |
| 31-60 days | 4 849 | 32.6% | |
| 61-90 days | 3 870 | 26.0% | |
| >90 days | 1 533 | 10.3% | |
| Total by age analysis | 14 875 | 100.0% | As at the end of June 2017, the municipality reflected a balance of R14.9 million owed to Creditors. Included in the outstanding Creditors balance are the amount owed to Creditors in over than 30 days. The municipality is in contravention with Section 65(2)(e) of the MFMA. |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 39.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 13.5% | Contracted services as a percentage of Total operating expenditure is 13.5 percent. The ratio significantly exceeds the norm of 2 - 5 percent as per the MFMA Circular No. 71. The Contracted services as a percentage of Total operating expenditure reflected may be incorrect due to misallocation of expenditure which has inflated the Contracted services item. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 44.7% | |
| Own funded capital expenditure | - | 1.6% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 24.0% | Capital Expenditure to Total expenditure reflected a ratio of 24 percent. This is an indication that the municipality is committed in providing service delivery and infrastructure development. This has been reflected by high capital expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 0.9% | |

4.6.4 Analysis per municipality: AbaQulusi Local Municipality

Table 4.6 (m) Operating Revenue and Expenditure Performance - AbaQulusi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|------------------|------------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 64 248 | 66 700 | 49 597 | 74.4 | AbaQulusi Local Municipality published Section 71 figures reflects nil values for quarter 4, but according to the municipality's records R63.6 million was generated from Property rates and that was the figure reflected in the Section 71 monthly returns. However, the municipality indicated that this is expected to be updated when all the year end entries are processed. |
| Service Charges ² | 264 030 | 232 281 | 161 331 | 69.5 | As stated above that the published figures for quarter 4 reflected nil values, however the municipality indicated that due to the drought that affected their area, the municipality did not generate expected revenue for Service Charges - water. However, the situation is expected to improve in the 2017/18 financial year. |
| Transfers recognised - operational | 118 289 | 114 588 | 112 396 | 98.1 | |
| Other sources of Revenue ³ | 10 227 | 9 714 | 7 061 | 72.7 | The drought impacted on some revenue sources of the municipality and as a result lack of water in many municipal areas has negatively affected the generation of income from other related sources such as hiring of halls. Furthermore the municipality has under generated on Interest earned - external investments. |
| Total Operating Revenue | 456 794 | 423 283 | 330 385 | 78.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 151 944 | 132 275 | 62 258 | 47.1 | The underspending in Employee related costs was due to reporting challenges as the municipality was migrating to mSCOA, where the municipality experienced challenges between the Payday system and the Munsoft financial system. However, the process of rectifying errors is underway and new returns will be submitted once the final June figures are finalised. |
| Remuneration of councillors | 16 620 | 16 620 | 7 591 | 45.7 | Similar to above, the total expenditure on Remuneration of councillors was not correctly reflected due to migration to the mSCOA system. The returns reflecting correct amounts will be submitted to National Treasury once finalised. |
| Debt impairment | 7 461 | - | 1 865 | | The municipality failed to populate the Adjusted Budget figure for Debt impairment in their Section 71 reports due to a capturing error. However, the municipality indicated that this is expected to be updated when all the final figures are populated. |
| Depreciation and asset impairment | 110 958 | 82 931 | 31 935 | 38.5 | The municipality has incurred expenditure amounting to R31.9 million or 38.5 percent for Depreciation and asset impairment against the Adjusted Budget of R82.9 million. This was as a result of figures for Depreciation and asset impairment not readily available at the time of reporting for the Section 71. However, the municipality indicated that this figure is subject to change with the finalisation of the 2016/17 Annual Financial Statements (AFS). |
| Bulk purchases | 159 013 | 147 800 | 101 083 | 68.4 | The municipality has only spent R101 million or 68.4 percent for Bulk purchases against the Adjusted Budget of R147.8 million. The municipality indicated that this was due to Month 12 figures that were not yet finalised at the time of reporting for the Section 71. The figure will be updated during the finalisation of the 2016/17 AFS. |
| Contracted services | 103 839 | 68 486 | 41 937 | 61.2 | The municipality reported spending of 61.2 percent for this item for the entire financial year. However, the municipality indicated that this is expected to change when all the year end transactions are populated. Not all expenditure had been populated at the time of reporting for the Section 71. |
| Other expenditure items ⁴ | 95 780 | 120 016 | 81 641 | 68.0 | The actual information will increase on completion of the final June figures. The municipality also indicated that spending was also limited due to the drought which impacted severely on the cash flow receipts of the municipality. |
| Total Operating Expenditure | 645 615 | 568 128 | 328 310 | 57.8 | |
| Operating surplus/(deficit) | (188 821) | (144 844) | 2 075 | | Once all the line items reflected above have been updated accordingly, it is likely that the Unaudited Actual Surplus of R2.1 million will change. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (n) Capital, Cash and Conditional grant Performance - AbaQulusi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 55 078 | 55 078 | – | - | Published Section 71 for AbaQulusi Local Municipality reflected nil figures. However, the municipality stated that the low funding of capital expenditure from Transfers recognised-capital is expected to change when all the year-end journal entries are populated. One of the reasons cited by the municipality for this variance was that expenditure incurred in June was paid in July meaning funding for that expenditure only appeared in July after Section 71 reporting for quarter 4 had been closed. This is expected to change when all the final journal entries are populated. |
| Public contributions and donations | – | – | – | - | |
| Borrowing | – | – | – | - | |
| Internally generated funds | 15 539 | 15 539 | 869 | 5.6 | Given the financial constraints of the municipality, it is highly unlikely that the municipality has used any Internally generated funds to fund their capital expenditure. The municipality indicated that this will be corrected in the budgets for the coming years. Spending on capital was also limited to urgent items only due to cash flow challenges. |
| Total Capital Revenue | 70 617 | 70 617 | 869 | 1.2 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 246 | 1 246 | 165 | 13.2 | The municipality only reflected capital spending funded by Internally generated funds. As stated above, the municipality low spending on capital projects was limited to urgent items only due to the cash flow challenges that the municipality is currently facing. |
| Community and Public Safety | 1 372 | 1 372 | 477 | 34.7 | |
| Eco. & Environmental Services | 35 462 | 35 462 | 54 | 0.2 | |
| Trading Services | 32 536 | 32 536 | 173 | 0.5 | |
| Other | – | – | – | - | |
| Total Capital Expenditure | 70 617 | 70 617 | 869 | 1.2 | Low capital expenditure of only 1.2 percent or R869 000 of the Total capital expenditure budget of R70.6 million should be a big concern for the municipality and measures should be put in place to address this low spending. The municipality is running a risk to surrender all the Unspent conditional grants at year end to the National Revenue Fund. It should be noted that the underspending on capital expenditure has a negative impact towards eradicating backlogs and service delivery. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 36 636 | – | 36 608 | | The municipality did not populate the Cash and cash equivalents at the beginning of the year and thus resulting in the incorrect Cash and cash equivalents at the end of the year for the Adjusted Budget. |
| Cash/cash equiv. at the year end: | (61 196) | 851 | 108 168 | | The figure of R108.2 million reported by the municipality as their closing balance for the 2016/17 financial year is questionable as the municipality is currently facing cash flow challenges and that resulted in the municipality having to reduce spending drastically. However, this is expected to change when all the year end journal entries are processed. |
| Net Increase/(Decrease) in cash held | (97 832) | 851 | 71 560 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 625 | 640 | 39.4% | 985 | Reasons for the underspending were not provided by the municipality, however, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2016/17 financial year. |
| Expanded Public Works Programme Integrated Grant | 1 398 | 1 465 | 104.8% | (67) | |
| Municipal Infrastructure Grant | 30 078 | 20 440 | 68.0% | 9 638 | Similar to above, reasons for the underspending were not provided by the municipality, however, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the updated figures for the 2016/17 financial year. |

Table 4.6 (o) Trade and other receivables, Trade and other payables and Key ratios - AbaQulusi Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 143 012 | | |
| Debtors as at 30 June 2017 | 130 217 | | Based on the current status of the municipality, there is no positive impact brought by the decrease in Debtors balance to the cash flow position of the municipality. Furthermore, numerous attempts were made to obtain reasons for this significant decrease in Debtors from the municipality, but no response was provided by the municipality. |
| <u>By age analysis</u> | | | |
| 0-30 days | 16 432 | 12.6% | |
| 31-60 days | 5 594 | 4.3% | |
| 61-90 days | 3 338 | 2.6% | |
| >90 days | 104 853 | 80.5% | The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts and this impacts negatively on cash flow. The municipality needs to urgently implement and enforce their debt collection and credit control policies. |
| Total by age analysis | 130 217 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 5 938 | 4.6% | |
| Commercial | 33 225 | 25.5% | The second largest group of customers owing the municipality are Businesses. The municipality is in the process of handing over all the businesses that are not willing to pay for services rendered by the municipality. Disconnections have also been introduced to ensure that businesses pay. |
| Households | 83 269 | 63.9% | A significant portion (R83.3 million or 63.9 percent) of debt owed to the municipality is owed by Household and a larger portion of this debt is outstanding for more than 90 days. AbaQulusi Local Municipality is a rural municipality and most household owing the municipality appears to be Indigents, therefore, the municipality must regularly update their Indigent register in order to properly classify their customers. |
| Other | 7 785 | 6.0% | The Other customers group was not explained by the municipality and the municipality should consider explaining this Other customers in their Section 71 reports or reallocate Other debtors to the correct customer group. |
| Total by customer group | 130 217 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 76 831 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 76 831 | 100.0% | |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 21.3% | Employee related costs contribute 21.3 percent towards Total operating expenditure. This is below the National Treasury norm of between 25 and 40 percent. This is due to the fact that not all expenditure incurred was reported. However, the municipality indicated that this is expected to change when all the year end journal entries are processed. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 12.8% | This ratio clearly indicates that many functions are outsourced to Consultants or Contractors services are not effectively utilised. This can expose the municipality to other risks, such as inability to build capacity and ongoing reliance on Consultants. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 66.0% | Given the current financial constraints of the municipality compounded by inaccurate reporting, the results of 66 percent is not a true reflection of this ratio. It should be noted that the municipality is heavily reliant on National and Provincial grant allocations for their operations. |
| Own funded capital expenditure | - | 100.0% | Given the financial constraints of the municipality as indicated above, the municipality has not contributed any funds from their own sources to finance capital projects. Therefore the ratio of 100 percent is not accurate. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 0.3% | Incorrect reporting by the municipality lead to this ratio of 0.3 percent of Capital expenditure to Total expenditure, but this is expected to change when all errors and final journal entries are captured. AFS will have the most recent and correct figures. The municipality resubmitted some of their Monthly returns to correct the errors that were identified in the Section 71 quarterly verifications. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 0.6% | |

4.6.5 Analysis per municipality: Nongoma Local Municipality

Table 4.6 (p) Operating Revenue and Expenditure Performance - Nongoma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 23 749 | 23 714 | 21 951 | 92.6 | |
| Service Charges ² | 1 790 | 1 790 | 1 459 | 81.5 | The municipality has under generated on Service charges at the end of the 2016/17 financial year. The municipality has indicated that the shortfall of about 18.5 percent was due to other book entries which were not processed at the time of the Section 71 reporting. |
| Transfers recognised - operational | 124 761 | 124 711 | 126 308 | 101.3 | The municipality has generated R126.3 million or 101.3 percent against an Adjusted Budget of R124.7 million. It appears that the municipality overstated the Transfers recognised-operational as the approved adjusted DoRA and rollovers amount to R124.7 million. |
| Other sources of Revenue ³ | 3 250 | 4 042 | 3 584 | 88.7 | The municipality has under generated on Other sources of revenue at the end of the 2016/17 financial year as per the Section 71 reports. However, the municipality indicated that this is subject to change once all the year end journal entries are processed. |
| Total Operating Revenue | 153 549 | 154 257 | 153 303 | 99.4 | |
| Operating Expenditure | | | | | |
| Employee related costs | 65 755 | 66 854 | 73 236 | 109.5 | The municipality stated that three Senior managers were suspended with full pay in the middle of the year and other employees were appointed to act in their positions. Officials acting in the positions of Senior managers are paid Acting allowances. There was also a substantial increase in Overtime which the municipality indicated that it will be closely monitored in the 2017/18 financial year. |
| Remuneration of councillors | 12 716 | 12 693 | 12 125 | 95.5 | |
| Debt impairment | 1 760 | 1 760 | 587 | 33.3 | The municipality stated that Debt impairment is only calculated at year end. Therefore, at the time of the Section 71 reporting, this amount was not yet finalised. In the previous engagements with the municipality, Provincial Treasury advised the municipality to calculate Debt impairment on a monthly basis in order to properly account for this line item. However, the municipality did not implement advice from Provincial Treasury. |
| Depreciation and asset impairment | 10 151 | 6 151 | 3 384 | 55.0 | The Depreciation and asset impairment is only calculated at year-end by the municipality and the amount was not yet finalised by the time of the Section 71 reporting. The municipality was advised that Depreciation and asset impairment should be calculated monthly and the municipality undertook to correct this in the next financial year. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 17 795 | 20 723 | 20 257 | 97.8 | |
| Other expenditure items ⁴ | 39 722 | 42 761 | 53 816 | 125.9 | Nongoma Local Municipality has exceeded their budget by 25.9 percent as per the 2016/17 Unaudited Actuals. The municipality stated that there was a huge increase in legal fees of the municipality because of the implementation of the forensic report which led to the suspension of Senior managers as indicated earlier as well as other cases. |
| Total Operating Expenditure | 147 899 | 150 942 | 163 404 | 108.3 | |
| Operating surplus/(deficit) | 5 651 | 3 315 | (10 102) | | It was noted with concern that the municipality is showing a deficit of R10.1 million in their Section 71 report. This is despite recommendations by National Treasury in Circular No. 75 that all municipalities should adopt a surplus position on the statement of financial performance. However, the correct operating result will be reflected once journal entries have been finalised. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (q) Capital, Cash and Conditional grant Performance - Nongoma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 44 417 | 44 417 | 39 477 | 88.9 | The municipality indicated to Provincial Treasury that the correct funding position of capital expenditure from Transfers recognised-capital is expected to change when all the year-end journal entries have been accounted for. One of the reasons stated by the municipality for this variance was that expenditure incurred in June was paid in July meaning the funding for June expenditure only appeared in July after Section 71 reporting for quarter 4 had been closed. The correct amount on Transfers recognised-capital is expected to be reflected once the journal entries for year end are finalised. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | 5 950 | 3 550 | - | - | The municipality did not report any expenditure for this item for the 2016/17 financial year and no reasons were provided for this non expenditure. It was also noted that the municipality did not budget for this item in the 2017/18 financial year. |
| Internally generated funds | 3 800 | 2 149 | 7 298 | 339.6 | The municipality exceeded their funding for the Internally generated funds by 239.6 percent as at 30 June 2017. This was not explained by the municipality despite request by Provincial Treasury that the municipality needs to provide explanation for this variance. |
| Total Capital Revenue | 54 167 | 50 116 | 46 775 | 93.3 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 485 | 1 804 | 1 445 | 80.1 | Low expenditure has been noted for Governance and Administration over the years and the municipality was advised to budget correctly on these sub votes which are under the Governance and Administration. |
| Community and Public Safety | 3 255 | 1 815 | 2 715 | 149.6 | The municipality exceeded their Community and Public Safety budget by 49.6 percent. However, the municipality stated that this is expected to be correctly reflected when all the year-end transactions are populated. Not all expenditure had been populated at the time of reporting for the Section 71. |
| Eco. & Environmental Services | 47 737 | 45 197 | 41 210 | 91.2 | Reasons for the underspending were not provided by the municipality, however, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the updated figures for the 2016/17 financial year. |
| Trading Services | 1 690 | 1 300 | 1 406 | 108.2 | The municipality reported expenditure of 108.2 percent for this line item. However, the municipality indicated that this is expected to change when all the year end transactions are populated. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 54 167 | 50 116 | 46 775 | 93.3 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 11 483 | 6 546 | 6 509 | | |
| Cash/cash equiv. at the year end: | 15 775 | 6 607 | 3 769 | | |
| Net Increase/(Decrease) in cash held | 4 292 | 61 | (2 740) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 102 | 1 109 | 100.7% | (7) | The overspending of R7 000 reported on the Expanded Public Works Programme Integrated Grant is expected to change when all the final entries are captured. |
| Municipal Infrastructure Grant | 30 417 | 30 960 | 101.8% | (543) | Reasons for the overspending were not provided by the municipality, however, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2016/17 financial year. |

Table 4.6 (r) Trade and other receivables, Trade and other payables and Key ratios - Nongoma Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|---------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 33 599 | | |
| Debtors as at 30 June 2017 | 41 020 | | An increase of R7.4 million was noted in Debtors from 2016 to 2017. However, the municipality stated during the engagement that there is an initiative by the municipality in the 2017/18 financial year to appoint a debt collector to assist in the collection of outstanding debt. |
| By age analysis | | | |
| 0-30 days | 441 | 1.1% | |
| 31-60 days | 195 | 0.5% | |
| 61-90 days | 807 | 2.0% | |
| >90 days | 39 577 | 96.5% | Since the substantial portion of debt is over 90 days, it appears that the municipality is struggling to collect their debts. The collection policy and strategies appears to be ineffective. |
| Total by age analysis | 41 020 | 100.0% | |
| By customer group | | | |
| Organs of state | 22 442 | 54.7% | The largest group of customers owing the municipality are the Organs of state. Of the total of R41 million owed to the municipality, R22.4 million or 54.7 percent is owed by the Organs of state. Continuous engagements between the municipality and the owing departments is ongoing and the municipality expect debt owed by this customer group to decrease going forward. |
| Commercial | 19 879 | 48.5% | Commercial customers owe the municipality R19.9 million as at the end of 2017. Disconnections to non paying businesses seems to be the solution to forcing the businesses that are not paying for services to pay. |
| Households | 9 823 | 23.9% | R9.8 million or 23.9 percent of debt owed to the municipality is owed by Households and a larger portion of this debt is outstanding for more than 90 days. This municipality is a rural municipality and most household owing the municipality appears to be Indigents. Therefore, the municipality is advised to continuously updates the Indigents register in order to properly account for debts on Households group. |
| Other | (11 124) | - | The municipality is showing a negative figure of R11.1 million for Other debtors in their Section 71 reporting. This negative figure was not explained by the municipality despite request by Provincial Treasury during the In year monitoring that this be explained or be reallocated to the correct Customer group. |
| Total by customer group | 41 020 | 100.0% | |
| Creditors | | | |
| By age analysis | | | |
| 0-30 days | 4 630 | 78.9% | |
| 31-60 days | 473 | 8.1% | |
| 61-90 days | 206 | 3.5% | |
| >90 days | 561 | 9.6% | |
| Total by age analysis | 5 870 | 100.0% | The municipality has been unable to pay their creditors within 30 days of receipt of invoice as required by Section 65 of the MFMA because of delays in the submission of invoices by suppliers and queries that are not resolved promptly. |
| Key Ratios | | | |
| Expenditure management | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 52.2% | Remuneration contributes 52.2 percent towards Total operating expenditure. The municipality indicated that this is as a result of directors being suspended with full pay meanwhile there are officials who were appointed to act on these positions , who are being remunerated the Acting allowance. Huge increase in Overtime claims has also contributed to the ratio which exceed the norm. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 12.4% | The ratio of 12.4 percent is not in line with the National Treasury norm. The norm as per MFMA Circular No. 71 is between 2 and 5 percent. The ratio in excess of the norm could indicate that many functions are being outsourced to Consultants or that Contracted services are not being effectively used. |
| Grant dependency | | | |
| Own sources of revenue to total operating revenue | - | 17.6% | This ratio clearly indicates that the municipality is highly depended on grants to finance their operating activities. |
| Own funded capital expenditure | - | 15.6% | The ratio of 15.6 percent which is significantly lower than 50 percent shows that the municipality's capital projects are funded mainly from National and Provincial Government transfers. |
| Asset Management | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 22.3% | The ratio is above the norm of 20 percent suggesting that the municipality is committed to improving their infrastructure in order to improve service delivery, thus the high capital expenditure rate. |
| Efficiency | | | |
| Net operating surplus margin | = or > 0% | -6.6% | The municipality's net operating surplus margin is negative 6.6 percent which is below the norm of zero and above. This implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery. |

4.6.6 Analysis per municipality: Ulundi Local Municipality

Table 4.6 (s) Operating Revenue and Expenditure Performance - Ulundi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 57 005 | 72 305 | 97 095 | 134.3 | During the Adjustments Budget process, the municipality increased the budget amount of R57 million to R72.3 million. As at the end of June 2017 the municipality has over generated revenue on Property rates by 34.3 percent. The Property rates comprises of Property rates and Property rates - penalties and collection charges. The municipality has indicated that the Municipal Property Rates Act was properly implemented during the year and the valuation roll was updated during the financial year thereby resulting in over generation of revenue by 34.3 percent under Property rates. |
| Service Charges ² | 126 025 | 120 240 | 54 190 | 45.1 | The municipality has under generated revenue on Service charges - electricity. The municipality has attributed the under generation of revenue to implementation of Smart metering system that did not materialise. This has thus resulted in the municipality not being able to generated anticipated revenue. The generated revenue of 45.1 percent (R54.2 million) is also lower than the total Bulk purchases expenditure (R66.7 million) as indicated below, suggesting that the Service charges - electricity is being traded at a loss. |
| Transfers recognised - operational | 29 146 | 129 164 | 157 629 | 122.0 | The municipality has recognised an amount of R157.6 million of the R129.2 million against the Adjusted Budget amount of R129.2 million thereby exceeding the Adjusted Budget amount by 22 percent. The municipality has attributed the over recognition to an incorrect allocation. The error will be rectified during the preparation of the Annual Financial Statements (AFS). |
| Other sources of Revenue ³ | 16 558 | 16 367 | 9 262 | 56.6 | The municipality has only generated R9.3 million against the budget amount of R16.4 million on Other sources of revenue. The under generation has been identified under Fines, Rental of facilities line items. Under generation of revenue under Fines has been attributable to an equipment that is utilised by the traffic department that has been destroyed by fire. |
| Total Operating Revenue | 228 734 | 338 076 | 318 176 | 94.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 107 062 | 124 524 | 104 788 | 84.2 | The municipality has incurred an amount of R104.8 million against the budget amount of R124.5 million. The municipality has taken a decision not to recruit for vacant position with an aim of applying cost containment measures due to cash flow challenges experienced by the municipality. |
| Remuneration of councillors | 14 953 | 14 953 | 11 228 | 75.1 | An under spending under Remuneration of councillors has been noted as at the end of June 2017. In the Adjusted Budget the municipality projected to incur expenditure amounting to R14.9 million however, only an amount of R11.2 million has been incurred. The municipality has indicated that the Original budget estimated was not based on Remuneration of Public Office Bearers Act Determination of upper limits of salaries, allowances and benefits of municipal councils. The municipality did not process an adjustment during the Adjustments Budget period to indicate the change of an over estimation. |
| Debt impairment | 2 145 | 2 145 | - | - | The municipality has indicated that this line item will be accounted for during the preparation of the AFS. During the submission of the Section 71 report the municipality had not finalised the amount relating to Debt impairment. The municipality had been reminded in the In Year Monitoring process to ensure that this item is accounted for on a monthly basis to ensure that the correct performance is reported, however the municipality has not taken into account Provincial Treasury's advise. |
| Depreciation and asset impairment | 71 329 | 51 329 | 6 470 | 12.6 | The municipality has been reminded during the In Year Monitoring analysis as well as the Adjustments Budget process to ensure that Depreciation and asset impairment is accounted for on a monthly basis. The municipality has not taken Provincial Treasury's advise and the municipality has not indicated any corrective measures to ensure that this expenditure item will be fully accounted for at the end of the year. |
| Bulk purchases | 60 000 | 60 000 | 66 659 | 111.1 | The municipality had budgeted to spend R60 million on Bulk purchases but incurred an expenditure of R66.7 million, resulting in an over expenditure of 11.1 percent. The municipality has indicated that the over spending has resulted from tariff increase implemented by Eskom during the year. |
| Contracted services | 38 574 | 44 919 | 24 330 | 54.2 | The municipality has attributed under spending on Contracted services to a misallocation of expenditure to Other expenditure. However the municipality has not indicated whether corrective steps have been taken to rectify the error. |
| Other expenditure items ⁴ | 31 267 | 33 670 | 130 552 | 387.7 | It has been indicated by the municipality that part of the expenditure incurred has resulted from an incorrect allocation. Part of the expenditure reported includes Contracted services. The municipality has not indicated whether corrective steps have been taken to rectify the error. |
| Total Operating Expenditure | 325 330 | 331 541 | 344 028 | 103.8 | |
| Operating surplus/(deficit) | (96 596) | 6 535 | (25 852) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (t) Capital, Cash and Conditional grant Performance - Ulundi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 54 492 | 54 492 | 83 056 | 152.4 | The municipality has reported an amount that exceeds the gazetted Transfers by 52.4 percent. The municipality has attributed over recognition of Transfers recognised - capital to the year end procedure that was still underway during the verification process. The amount reflected is not a true reflection of the amount recognised. The error will be rectified during the preparation of the AFS. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 6 613 | 6 613 | - | - | An amount of R6.6 million has been budgeted under Internally generated funds. However no revenue has been raised as at the end of June 2017. The municipality has not provided an explanation for lack of raising Internally generated funds during the year. |
| Total Capital Revenue | 61 105 | 61 105 | 83 056 | 135.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 000 | 1 000 | - | - | The municipality has budgeted for capital expenditure under Budget and Treasury office amounting to R1 million, however the municipality has not recorded any expenditure against this vote. The municipality has not provided an explanation on the lack of spending against this vote. |
| Community and Public Safety | 16 635 | 16 635 | 17 544 | 105.5 | The Adjusted Budget was over spent by 5.5 percent. The municipality has not provided an explanation on the lack of spending against this vote. |
| Eco. & Environmental Services | 16 765 | 16 765 | 17 212 | 102.7 | The municipality has spent R17.2 million or 102.7 percent against the budgeted amount of R16.8 million under Economic and Environmental Services. The Adjusted Budget was over spent by 2.7 percent. The municipality has not provided an explanation for an over spending against this vote. |
| Trading Services | 26 705 | 26 705 | 48 300 | 180.9 | The municipality has reported an over spending of 80.9 percent under Trading services. The municipality has attributed over spending reported under Trading services to year-end procedure that was still underway during the verification process. The amount reflected is not the true reflection of the amount spent. The error will be rectified during the compilation of the AFS. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 61 105 | 61 105 | 83 056 | 135.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 4 246 | 5 496 | 826 | | |
| Cash/cash equiv. at the year end: | (74 182) | 5 650 | (65 710) | | The municipality has not provided the Bank statement and Bank reconciliation as at the end of June 2017. Therefore Provincial Treasury is unable to confirm the accuracy of the Cash and cash equivalents as at year end. The municipality's Cash and cash equivalents has resulted in a deficit of R65.7 million. The deficit is significantly high when compared to the previous financial year. However, should the municipality rectify all the errors noted the deficit reported may change. |
| Net Increase/(Decrease) in cash held | (78 428) | 154 | (66 536) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 725 | 1 723 | 99.9% | 2 | |
| Expanded Public Works Programme Integrated Grant | 1 000 | 1 676 | 167.6% | (676) | The municipality has spent an amount of R1.7 million against an allocated amount of R1 million under Expanded Public Works Programme Integrated Grant. The municipality has indicated that the amount reported is incorrect and will be rectified during the preparation of the AFS. |
| Municipal Infrastructure Grant | 29 492 | 38 091 | 129.2% | (8 599) | As at the end of June 2017 an amount of R38.1 million has been spent against an allocated amount of R29.5 million under Municipal Infrastructure Grant. The municipality has indicated that the amount reported is incorrect and will be rectified during the preparation of the AFS. |

Table 4.6 (u) Trade and other receivables, Trade and other payables and Key ratios - Ulundi Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|---------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 147 996 | | |
| Debtors as at 30 June 2017 | 96 963 | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 7 510 | 7.7% | |
| 31-60 days | 3 107 | 3.2% | |
| 61-90 days | 3 470 | 3.6% | |
| >90 days | 82 877 | 85.5% | The municipality is experiencing challenges from collecting debt as the vast amount of Debtors is reflected under the Over 90 Days category. The inability to collect has an immense effect on the municipality's cash position. The municipality should ensure that the indigent register is up to date to ensure that only customers that are able to pay their debts are billed. |
| Total by age analysis | 96 963 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 15 743 | 16.2% | |
| Commercial | 21 710 | 22.4% | |
| Households | 41 923 | 43.2% | The vast amount of outstanding Debtors is reflected under Households customer group. This is an indication that the municipality is struggling to collect from this customer group. The municipality is in the rural area where the municipality is dominated by indigent customers. The municipality should properly classify customers in order to ensure that only customers that are to pay their debts are billed. This process should include regular updating of indigent register. |
| Other | 17 587 | 18.1% | |
| Total by customer group | 96 963 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 19 112 | 26.8% | |
| 31-60 days | 6 525 | 9.2% | |
| 61-90 days | (54) | - | |
| >90 days | 45 639 | 64.1% | The municipality has reflected Creditors under Over than 90 days category. Taking into account the amount of debt written - off by Eskom it would have been expected that the amount reflected under this category will be reduced by the end of June 2017. However it appears that the municipality is not adhering to the Repayment plan entered into by Ulundi Local Municipality and Eskom. |
| Total by age analysis | 71 223 | 100.0% | As at the end of June 2017, the municipality reflected a balance of R71.2 million owed to Creditors. Included in the outstanding Creditors balance are the amount owed to Creditors in over than 30 days. The municipality is in contravention with Section 65(2)(e) of the MFMA. |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 33.7% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.1% | Contracted services as a percentage of Total operating expenditure is 13.5 percent. The ratio exceeds the norm of 2 - 5 percent as per the MFMA Circular No. 71. The Contracted services as a percentage of Total operating expenditure reflected may be incorrect due to under spending reported on Contracted services. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 50.5% | |
| Own funded capital expenditure | - | 0.0% | The municipality is mainly grant dependent as capital projects are mainly funded from National and Provincial grants. The geographic location of the municipality has also contributed in the municipality's ability to generate its own revenue. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 19.4% | Capital Expenditure to Total expenditure reflected a ratio of 19.4 percent. This is an indication that the municipality is committed in providing service delivery and infrastructure. This has been reflected by high capital expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -8.1% | The municipality's Net operating surplus margin is a negative 8.1 percent. The ratio is less than the norm. This may be attributable to the negative Cash and cash equivalents at year end reported. This may also suggest that the municipality is not able to efficiently manage its operations. |

4.6.7 Analysis per municipality: Zululand District Municipality

Table 4.6 (v) Operating Revenue and Expenditure Performance - Zululand District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 19 230 | 21 082 | 20 335 | 96.5 | |
| Transfers recognised - operational | 355 019 | 354 619 | 355 719 | 100.3 | |
| Other sources of Revenue ³ | 89 796 | 110 924 | 7 512 | 6.8 | Under Other sources of Revenue the municipality has only generated an amount of R7.5 million against the Adjusted Budget amount of R110.9 million. It is evident that the municipality has over estimated the Adjusted Budget amount that relates to Other revenue. The municipality was advised in the Original budget not to include amount that relates to Accumulated surpluses under Other revenue as it would not be generated during the financial year. It appears that the Provincial Treasury's recommendation was not considered. |
| Total Operating Revenue | 464 045 | 486 625 | 383 566 | 78.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 153 508 | 161 955 | 165 401 | 102.1 | The municipality has incurred 102.1 percent against the budgeted amount of R161.9 million in the Adjusted Budget. The expenditure reported is slightly above the projected Adjusted Budget amount for Employee related costs. The municipality has indicated that the overspending was a result of payment of leave days that was incorrectly allocated under this item. The adjustment to rectify the over spending reported will be processed during the preparation of the Annual Financial Statements (AFS). |
| Remuneration of councillors | 6 401 | 6 701 | 6 825 | 101.8 | The municipality has reported Remuneration of councillors expenditure that slightly exceeds the Adjusted Budget amount. The municipality has indicated that an expenditure amount relating to the Municipal council vote was erroneously allocated under Remuneration of councillors and an adjustment will be processed during the preparation of the AFS to rectify the error. |
| Debt impairment | 3 594 | 3 594 | – | – | The municipality has indicated that this item will be taken into account in the finalisation of the AFS. During the submission of the Section 71 report the municipality had not finalised the amount of Debt impairment. This item will be adjusted accordingly. |
| Depreciation and asset impairment | 45 761 | 45 761 | 56 231 | 122.9 | The Depreciation and asset impairment accounted by the municipality exceeds the Adjusted Budget amount by 22.9 percent. The municipality has indicated that there were some assets that were work in progress and completed during the year, which were to be included in this item. The inclusion of these assets thus inflated the Depreciation and asset impairment accounted for as at the end of June 2017. |
| Bulk purchases | 79 865 | 79 865 | 80 431 | 100.7 | |
| Contracted services | 47 699 | 47 699 | 34 349 | 72.0 | As at the end of June 2017, the municipality has incurred an expenditure amount of R34.3 million against the budgeted amount of R47.7 million. The expenditure incurred is less than the projected amount. The municipality has indicated that the reason of under spending on this item has resulted from adjustment that has been processed to reallocate some of the expenditure incurred in respect of Repairs and maintenance to General expenses. |
| Other expenditure items ⁴ | 125 517 | 134 529 | 162 788 | 121.0 | Other expenditure has exceeded the Adjusted Budget amount of R134.5 million by 21 percent or R28.3 million. The municipality has indicated that the expenditure that is above the projected spending as at the end of June 2017 has resulted from a certain portion of Municipal Infrastructure Grant (MIG) expenditure for sanitation which has been classified as Other operating expenditure that does not qualify to be capitalised as an asset. |
| Total Operating Expenditure | 462 345 | 480 104 | 506 025 | 105.4 | |
| Operating surplus/(deficit) | 1 700 | 6 521 | (122 459) | | |

Source: NT database

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.6 (w) Capital, Cash and Conditional grant Performance - Zululand District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 437 625 | 466 869 | 423 802 | 90.8 | The municipality has recognised only 90.8 percent or R423.8 million against the Adjusted budget of R466.9 million. During the Section 71 reporting, the municipality had incorrectly reported revenue recognised under Transfers recognised - capital. It has been indicated by the municipality that the error has been noted and it will be rectified in the AFS. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 1 700 | 6 521 | 2 365 | 36.3 | During the Adjustments Budget process, the municipality was advised by Provincial Treasury that taking into account the municipality's Cash position, the municipality may not be in a position to raise Internally generated funds. The municipality has not been able to raise sufficient revenue to cater for Internally generated funds. It therefore appears that the municipality had over estimated this source of revenue. |
| Total Capital Revenue | 439 325 | 473 390 | 426 167 | 90.0 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 500 | 5 300 | 2 355 | 44.4 | The Capital expenditure incurred by the municipality on Governance and Administration vote amounted to R2.4 million against the Adjusted budget of R5.3 million. The municipality did not implement capital projects that were budgeted under Budget and treasury office and Corporate services due to inability of the municipality to raise Internally generated funds. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | 2 229 | 2 229 | 1 722 | 77.3 | The municipality has indicated that Capital projects on Planning and Development sub vote which falls under Economic and Environmental Services have been fully spent. The under performance reflected has resulted from accruals that have not been taken into account during the submission of the Section 71 reports. The correct spending has been taken into account in the AFS. |
| Trading Services | 435 596 | 465 861 | 422 089 | 90.6 | The municipality has indicated that capital expenditure budgeted under Trading services has been fully accomplished. The amount is exclusive of VAT. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 439 325 | 473 390 | 426 167 | 90.0 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | (45 481) | (45 481) | 3 844 | | |
| Cash/cash equiv. at the year end: | 923 | (12 454) | (189 414) | | As at the end of June 2017, the municipality's Cash and cash equivalents at year end has resulted in a deficit of R189.4 million. The municipality has significantly reflected an exorbitant closing Cash and cash equivalents when compared to the budgeted deficit. However the balance reflected does not correspond with a positive amount of R20.8 million as per the Bank statement and Bank Reconciliation as at the end of June 2017. |
| Net Increase/(Decrease) in cash held | 46 404 | 33 027 | (193 259) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 3 624 | 3 624 | 100.0% | - | |
| Municipal Infrastructure Grant | 228 314 | 228 226 | 100.0% | 88 | |

Table 4.6 (x) Trade and other receivables, Trade and other payables and Key ratios - Zululand District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 72 199 | | |
| Debtors as at 30 June 2017 | 80 906 | | The amount of Debtors as at the end of June 2017 has increased when compared to an amount reported in the 2015/16 financial year. The municipality has not substantiated the growth in the Debtors balance noted. |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 584 | 3.2% | |
| 31-60 days | 1 760 | 2.2% | |
| 61-90 days | 1 438 | 1.8% | |
| >90 days | 75 124 | 92.9% | The municipality is experiencing challenges from collecting as the vast amount of Debtors is reflected under the Over 90 days category. The inability to collect has an immense effect on the municipality's cash position. The municipality should ensure that its indigent register is up to date to ensure that only customers that are able to pay their debts are billed. |
| Total by age analysis | 80 906 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 10 116 | 12.5% | |
| Commercial | 2 076 | 2.6% | |
| Households | 68 449 | 84.6% | The vast amount of outstanding Debtors is reflected under the Households customer group. This is an indication that the municipality is struggling to collect from this customer group. The municipality is in the rural area and it is dominated by indigent customers. The municipality should properly classify customers in order to ensure that only customers that are able to pay their debts are billed. |
| Other | 264 | 0.3% | |
| Total by customer group | 80 906 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality has not reported Creditors as at the end of June 2017. It has been indicated by the municipality that outstanding Creditors will be reflected in the AFS. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 34.0% | The municipality has reported Remuneration as a percentage of Total operating expenditure that is within the norm. However due to incorrect Remuneration recorded under Employee related costs and Remuneration of councillors, this ratio will slightly change when the items above are corrected. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.8% | The Contracted services as a percentage of Total Operating expenditure is above the norm as per MFMA Circular No. 71. This may be an indication that the municipality utilises contractors at a higher level than the norm. This may suggest that the municipality is under capacitated or most of services are being outsourced. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 7.3% | |
| Own funded capital expenditure | - | 0.6% | The municipality is mainly grant dependent as capital projects are mainly funded from National and Provincial grants. The geographic location of the municipality has also contributed in the municipality not being able to generate its own revenue. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 45.7% | Capital Expenditure to Total expenditure reflected a ratio of 45.7 percent. This is an indication that the municipality is committed in providing service delivery and infrastructure. This has been reflected by high capital expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -31.9% | The municipality's Net operating surplus margin is a negative 31.9 percent. The ratio is less than the norm. This may be attributable to the negative Cash and cash equivalents at year end reported. This may also suggest that the municipality is not able to efficiently manage its operations. |

4.7 uMkhanyakude District

uMkhanyakude District is located in the North-eastern region of KwaZulu-Natal and it covers a geographical area of approximately 13 859 km². The district is mainly rural with the only developed town being Mtubatuba in the south. Large areas of land are under communal tenure in the district, located in the traditional authority areas under the jurisdiction of the Ingonyama Trust Board. uMkhanyakude District comprises of the following local municipalities, namely: uMhlabuyalingana, Jozini, Big Five Hlabisa, and Mtubatuba Municipalities. Furthermore, a large proportion of land in Big Five Hlabisa Local Municipality is used for agricultural and game lodge activities.

The main trading services rendered by the district municipality are *Electricity, Water and Sanitation* whereas uMhlabuyalingana, Jozini, Big Five Hlabisa and Mtubatuba Local Municipalities only provide *Refuse removal* services.

uMkhanyakude District Municipality is still experiencing a serious drought (since the 2015/16 financial year especially in the Mtubatuba Area). The drying up of the uMfolozi River, due to the drought conditions has affected the supply of water to the areas of Mtubatuba, St Lucia and Nkolokotho Water Treatment Plants which is causing interrupted supply of water from time to time.

Following the redetermination of municipal boundaries by the Demarcation Board in terms of Section 26 of the Municipal Demarcation Act, No 27 of 1998, Hlabisa Local Municipality and The Big Five False Bay Local Municipality within the uMkhanyakude District have merged to form one municipality named Big Five Hlabisa Local Municipality after the 2016 Local Government Elections.

uMhlabuyalingana Local Municipality had the Municipal Manager and Chief Financial Officer position filled for the entire period. For the Mtubatuba Local Municipality, the position of the MM was only filled in March of the 2016/17 financial year whilst the position of the CFO was filled in an Acting capacity for the entire 2016/17 financial year. For the 2016/17 financial year, Jozini Local Municipality had filled the position of the MM on a permanent basis whilst the CFO was Acting on a 6 months rotational basis. The Big Five Hlabisa Local Municipality had a permanent MM for the entire 2016/17 financial year whilst the position of the CFO was filled on an Acting capacity (6 months rotational basis).

uMkhanyakude District Municipality was still under intervention in terms of Section 139(1)(b) of the constitution for the entire 2016/17 financial year, with an Acting MM and CFO appointed by CoGTA. A CoGTA appointed Administrator was present at the municipality throughout the 2016/17 financial year.

In 2015/16, Jozini, Hlabisa and Mtubatuba Local Municipalities had unqualified audit opinions with findings while uMkhanyakude District received an adverse audit opinion. The Big Five False Bay Local Municipality received a qualified audit opinion and uMhlabuyalingana on the other hand obtained a financially unqualified audit with no findings.

4.7.1 Overview of uMkhanyakude District Performance

Table 4.7(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|------------------|------------------|------------------|------------------|-------------|
| uMhlabuyalingana | 164 183 | 161 288 | 170 650 | 105.8 |
| Jozini | 181 189 | 186 822 | 193 611 | 103.6 |
| Mtubatuba | 180 452 | 185 595 | 184 886 | 99.6 |
| Big Five Hlabisa | 144 982 | 141 265 | 114 950 | 81.4 |
| uMkhanyakude DM | 380 789 | 379 104 | 329 954 | 87.0 |
| Total | 1 051 595 | 1 054 075 | 994 051 | 94.3 |

Source: NT Igdatabase

Table 4.7(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|------------------|------------------|-----------------|------------------|--------------|
| uMhlabuyalingana | 211 551 | 210 999 | 171 219 | 81.1 |
| Jozini | 194 209 | 192 147 | 159 970 | 83.3 |
| Mtubatuba | 158 395 | 175 548 | 169 637 | 96.6 |
| Big Five Hlabisa | 142 353 | 6 349 | 113 425 | 1 786.5 |
| uMkhanyakude DM | 374 808 | 379 104 | 369 984 | 97.6 |
| Total | 1 081 315 | 964 147 | 984 235 | 102.1 |

Source: NT Igdatabase

Table 4.7(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|------------------|-----------------|-----------------|------------------|-------------|
| uMhlabuyalingana | 74 380 | 82 088 | 72 946 | 88.9 |
| Jozini | 78 988 | 78 988 | 33 683 | 42.6 |
| Mtubatuba | 58 590 | 55 523 | 49 461 | 89.1 |
| Big Five Hlabisa | 27 050 | 27 050 | 23 010 | 85.1 |
| uMkhanyakude DM | 267 517 | 284 442 | 182 143 | 64.0 |
| Total | 506 526 | 528 091 | 361 242 | 68.4 |

Source: NT Igdatabase

Table 4.7(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|------------------|---------------|------------|---------------|------------|--------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMhlabuyalingana | 1 308 | 3.2 | 967 | 2.4 | 606 | 1.5 | 37 932 | 92.9 | 40 813 |
| Jozini | 3 618 | 2.8 | 2 185 | 1.7 | 2 792 | 2.2 | 119 132 | 93.3 | 127 728 |
| Mtubatuba | 4 477 | 4.6 | 7 184 | 7.4 | 1 943 | 2.0 | 83 086 | 85.9 | 96 690 |
| Big Five Hlabisa | 1 001 | 3.4 | 923 | 3.2 | 570 | 2.0 | 26 659 | 91.4 | 29 153 |
| uMkhanyakude DM | 2 216 | 1.2 | 1 500 | 0.8 | 675 | 0.4 | 177 116 | 97.6 | 181 507 |
| Total | 12 620 | 2.7 | 12 759 | 2.7 | 6 586 | 1.4 | 443 926 | 93.3 | 475 890 |

Source: NT Igdatabase

Table 4.7(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|------------------|-----------------|-------------|---------------|-------------|----------------|-------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMhlabuyalingana | 27 476 | 67.3 | 13 337 | 32.7 | - | - | - | - | 40 813 |
| Jozini | 28 149 | 22.0 | 25 531 | 20.0 | 33 891 | 26.5 | 40 157 | 31.4 | 127 728 |
| Mtubatuba | 3 760 | 3.9 | 16 578 | 17.1 | 62 939 | 65.1 | 13 413 | 13.9 | 96 690 |
| Big Five Hlabisa | 3 865 | 13.3 | 4 476 | 15.4 | 15 087 | 51.7 | 5 726 | 19.6 | 29 153 |
| uMkhanyakude DM | 10 549 | 5.8 | 29 631 | 16.3 | 138 583 | 76.4 | 2 744 | 1.5 | 181 507 |
| Total | 73 799 | 15.5 | 89 552 | 18.8 | 250 500 | 52.6 | 62 040 | 13.0 | 475 890 |

Source: NT Igdatabase

Table 4.7(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|------------------|---------------|-------------|--------------|------------|---------------|-------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMhlabuyalingana | (6 067) | 46.6 | (1 351) | 10.4 | (374) | 2.9 | (5 227) | 40.1 | (13 020) |
| Jozini | 3 145 | 90.0 | 54 | 1.6 | 34 | 1.0 | 263 | 7.5 | 3 497 |
| Mtubatuba | 200 | 10.2 | 371 | 18.9 | 6 | 0.3 | 1 388 | 70.6 | 1 965 |
| Big Five Hlabisa | 1 093 | 7.6 | 523 | 3.6 | 559 | 3.9 | 12 173 | 84.8 | 14 349 |
| uMkhanyakude DM | 27 696 | 27.2 | 5 617 | 5.5 | 26 151 | 25.6 | 42 512 | 41.7 | 101 976 |
| Total | 26 067 | 24.0 | 5 214 | 4.8 | 26 377 | 24.3 | 51 108 | 47.0 | 108 766 |

Source: NT Igdatabase

4.7.2 Analysis per municipality: uMhlabuyalingana Local Municipality

Table 4.7 (g) Operating Revenue and Expenditure Performance - uMhlabuyalingana Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 21 434 | 19 517 | 19 118 | 98.0 | |
| Service Charges ² | 1 922 | 202 | 183 | 90.6 | As per the municipality, the performance reflected in the Section 71 report as at 30 June 2017 is not a true reflection of revenue billed against Service charges. The correct amount of R201 000 will be disclosed in the 2016/17 Unaudited Annual Financial Statements (AFS). |
| Transfers recognised - operational | 128 152 | 128 652 | 138 911 | 108.0 | The municipality has indicated that there was a misallocation of Capital revenue recognised against Transfers recognised - operational in the Section 71 report submitted. This has been corrected in the preparation of the 2016/17 AFS. |
| Other sources of Revenue ³ | 12 675 | 12 918 | 12 438 | 96.3 | |
| Total Operating Revenue | 164 183 | 161 288 | 170 650 | 105.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 47 269 | 50 140 | 46 736 | 93.2 | The under expenditure against Employee related costs is due to the municipality filling new positions later than anticipated (towards the end of the 2016/17 financial year). |
| Remuneration of councillors | 10 322 | 10 575 | 8 789 | 83.1 | The municipality indicated that the correct amount as at the end of June 2017 which will be reflected in the 2016/17 Unaudited AFS is R10.4 million. Therefore, the amount reflected in the Section 71 report was incorrect. |
| Debt impairment | 22 330 | 25 880 | - | - | The municipality confirmed that no expenditure was reported due to the fact that Debt impairment are not being processed monthly to the financial system. The municipality further indicated that the contribution to the provision for debt impairment will be calculated and incorporated when preparing the 2016/17 AFS. It is noted that this has been the trend in the prior years as well. The municipality is advised to put measures in place to ensure that Debt impairment is calculated and provided for during the financial year. |
| Depreciation and asset impairment | 14 175 | 18 176 | - | - | Similar to Debt impairment, the municipality confirmed that expenditure relating to Depreciation and asset impairment will be calculated at financial year end and incorporated in the 2016/17 AFS. The municipality is once again advised to put measures in place to ensure that Depreciation is recognised as the non-recognition of expenditure misstates the operating results. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 5 658 | 22 658 | 22 946 | 101.3 | |
| Other expenditure items ⁴ | 111 797 | 83 572 | 92 747 | 111.0 | As per the municipality, the performance reflected in the Section 71 report is incorrect and will be rectified in the 2016/17 AFS. However, the municipality has indicated that an amount of R84.97 million or 102 percent has been incurred as at the end of June 2017 which is slightly higher than the budgeted amount of R83.6 million. |
| Total Operating Expenditure | 211 551 | 210 999 | 171 219 | 81.1 | |
| Operating surplus/(deficit) | (47 368) | (49 711) | (569) | | The municipality's reported operating deficit of R569 000 is misstated mainly due to the fact that no expenditure was reported against Debt impairment and Depreciation and asset impairment as well as other discrepancies noted above. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (h) Capital, Cash and Conditional grant Performance - uMhlabuyalingana Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 53 324 | 63 375 | 67 288 | 106.2 | As indicated by the municipality and also confirmed in the signed Quarter 4 verification report, National Grants (Municipal Infrastructure Grant and Integrated National Electrification Programme) have been fully spent. Also, the Provincial COGTA funded Electrification Grants of R3.5 million has been fully spent thus only leaving an unspent portion from the Small Town Rehabilitation Grants which reflected a performance of R1.3 million against the budgeted R3 million (unspent amount of R1.7 million). Therefore, the performance against Transfers recognised - capital should have been R61.6 million or 97 percent as at 30 June 2017. |
| Public contributions and donations | - | - | 377 | - | As per the municipality, the amount of R377 000 should have been reflected against Internally generated funds, as the municipality did not receive any Public contributions and donations during the 2016/17 financial year. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 21 056 | 18 713 | 5 281 | 28.2 | As indicated above under Transfers recognised - capital, funding relating to Internally generated funds was incorrectly reflected against Transfers recognised - capital. However, it should be noted that even after taking into account the incorrect allocation, performance against Internally generated funds is still poor as Council took a resolution not to implement some of the Internally funded projects in order to manage the municipality's cash flow in the 2016/17 financial year. |
| Total Capital Revenue | 74 380 | 82 088 | 72 946 | 88.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 950 | 2 320 | 1 559 | 67.2 | As per the municipality, not all furniture and computers budgeted under Governance and Administration for were acquired. This was due to the municipality's resolution taken to manage their cash flow as mentioned above. |
| Community and Public Safety | 320 | - | 4 686 | - | The municipality has incorrectly reflected expenditure for Roads against Community and Public Safety. |
| Eco. & Environmental Services | 71 510 | 79 768 | 66 701 | 83.6 | As indicated above (Community and Public Safety), expenditure relating to Roads has been reflected against the incorrect department, thus contributing towards poor performance being reflected against Eco. & Environmental Services. |
| Trading Services | 600 | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 74 380 | 82 088 | 72 946 | 88.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 77 638 | 62 188 | 62 188 | | |
| Cash/cash equiv. at the year end: | 116 464 | 40 005 | 17 503 | | As per the supporting documents forwarded by the municipality (Trial balance, Investments register and Bank reconciliations), the closing balance as at 30 June 2017 should have been R18.2 million. The municipality's unspent grants remain cashbacked, however, it is noted that the municipality's cash flow position reflects a huge decline when compared to the audited years (2014/15: R77.5 million and 2015/16: R62.2 million). This should be closely monitored by the municipality as it might lead to financial distress on the municipality's cash position. |
| Net Increase/(Decrease) in cash held | 38 827 | (22 183) | (44 685) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 2 277 | 2 396 | 105.2% | (119) | The Expanded Public Works Programme Grant was fully utilised and the over-expenditure reported in Section 71 was incorrect as per the municipality. |
| Municipal Infrastructure Grant | 36 825 | 36 825 | 100.0% | - | |

Table 4.7 (i) Trade and other receivables, Trade and other payables and Key ratios - uMhlabuyalingana Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 41 638 | | |
| Debtors as at 30 June 2017 | 40 813 | | The total outstanding gross debtors have slightly decreased from R41.6 million in 2015/16 to R40.8 million in 2016/17. The municipality indicated that there have been challenges with collecting from Organs of state and commercial debtors. As per the municipality, there has been disagreements in regards to the billing of National Government properties as they believe that the billing is incorrect. The municipality also indicated that, there has been engagements with CoGTA in pursuit to collect from National Government departments. Furthermore, properties under Ingonyama Trust Board are still being billed and no payments have been received. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 308 | 3.2% | |
| 31-60 days | 967 | 2.4% | |
| 61-90 days | 606 | 1.5% | |
| >90 days | 37 932 | 92.9% | The majority of debtors reflected in the period of over 90 days relates to National Government departments. |
| Total by age analysis | 40 813 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 27 476 | 67.3% | As indicated above, due to the dispute with regards to Government properties, it has resulted in Organs of state being the majority of debtors owing in 2016/17. |
| Commercial | 13 337 | 32.7% | |
| Households | - | - | |
| Other | - | - | |
| Total by customer group | 40 813 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | (6 067) | - | |
| 31-60 days | (1 351) | - | |
| 61-90 days | (374) | - | |
| >90 days | (5 227) | - | |
| Total by age analysis | (13 020) | - | According to the municipality, a system error has resulted in the municipality reflecting incorrect and negative creditors. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 32.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 13.4% | Considering that the ratio is in excess of the norm limit of 5 percent, as per MFMA Circular No. 71, it could indicate that many functions are being outsourced to Contractors (external service providers) or that Contracted services are not being effectively utilised. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 18.6% | The low own sources of revenue in comparison to total operating revenue at 18.6 percent indicates that the municipality is highly grant dependant. |
| Own funded capital expenditure | - | 7.2% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 29.9% | This ratio is distorted mainly due to the understatement of Debt impairment and Depreciation and asset impairment as well as other discrepancies as discussed in Table 4.7 (g). |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -0.3% | The net negative operating margin of 0.3 percent when compared to 2015/16 (14.7 percent) as at Quarter 4 and despite the fact that expenditure was understated as a result of the municipality not reflecting expenditure against Debt impairment and Depreciation and asset impairment (amongst others), could be an indication that the municipality might be starting to experience financial constraints. |

4.7.3 Analysis per municipality: Jozini Local Municipality

Table 4.7 (j) Operating Revenue and Expenditure Performance - Jozini Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 25 552 | 25 552 | 26 594 | 104.1 | As per the municipality, the over-performance against budget was due to the implementation of a supplementary valuation roll during the financial year which had slightly high market values, than those used for deriving the Adjustment Budget. |
| Service Charges ² | 2 817 | 2 817 | 3 360 | 119.3 | The municipality had based the budget for refuse removal on the number of household that were actually serviced by the municipality from the previous financial year as well as tariffs from the previous financial year. The higher than budget performance relates to the increase in the number of households serviced by the municipality for the 2016/17 financial year. |
| Transfers recognised - operational | 141 024 | 141 024 | 141 404 | 100.3 | |
| Other sources of Revenue ³ | 11 796 | 17 429 | 22 254 | 127.7 | According to the municipality, the higher revenue generated for Other revenue in relation to the budget was mainly due to the following revenue sources: Interest earned- external investments: (149.9 percent or R6.9 million against a budget of R4.6 million): The over-performance was due to the under expenditure on Municipal Infrastructure Grant and Intergrated National Electrification Programme grant during the financial year which resulted in funds being invested for a longer period. Interest earned- outstanding debtors: (183.3 percent or R12.7 million against a budgeted amount of R6.9 million): The municipality had decreased the budget for interest on outstanding debtors in the Adjustments Budget as they had anticipated that the planned data cleansing exercise would reduce the debtors balance at year end. However, the data cleansing exercise began close to year end, which resulted in minimal changes to the municipality's debtors balance. Thus, the actual interest on outstanding debtors was higher than the budgeted amount due to the minimal effects of the data cleansing exercise on the debtors balance. |
| Total Operating Revenue | 181 189 | 186 822 | 193 611 | 103.6 | |
| Operating Expenditure | | | | | |
| Employee related costs | 64 174 | 48 930 | 48 545 | 99.2 | |
| Remuneration of councillors | 12 182 | 12 182 | 8 292 | 68.1 | Based on the SALGA report, only the Speaker was a fulltime office bearer during the 2016/17 financial year, although the municipality had budgeted that the Speaker, Mayor and Deputy Mayor would be full time office bearers. Furthermore, the municipality did not remunerate councillors for one month during the 2016/17 and one of the months was pro rated. These contributed to the low expenditure reflected against Remuneration of councillors. |
| Debt impairment | 11 000 | 11 000 | - | - | Similar to the 2015/16 financial year, the municipality did not report on Debt impairment and Depreciation and asset impairment in the Section 71 report. According to the municipality, the respective comprehensive calculations are only performed at the end of the financial year and thus, will be reflected in the Annual Financial Statements. |
| Depreciation and asset impairment | 10 372 | 17 976 | - | - | |
| Bulk purchases | - | - | - | - | |
| Contracted services | 3 042 | 1 792 | 1 348 | 75.2 | The Contract for photocopying machines used by the municipality ended in November 2016. The Contractor was only providing maintenance services for the rest of the financial year which was performed as and when the maintenance was required. This resulted in a lower expenditure than was budgeted for. Furthermore, the municipality did not enter into the Car wash Contract which was budgeted for the 2016/17 financial year. |
| Other expenditure items ⁴ | 93 439 | 100 267 | 101 785 | 101.5 | |
| Total Operating Expenditure | 194 209 | 192 147 | 159 970 | 83.3 | |
| Operating surplus/(deficit) | (13 020) | (5 325) | 33 642 | | Considering that the municipality has not reported expenditure relating to Debt impairment and Depreciation and asset impairment in their Section 71 report, the operating surplus of R33.6 million is not a true reflection of the municipality's operating performance for the 2016/17 financial year. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (k) Capital, Cash and Conditional grant Performance - Jozini Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 53 689 | 53 689 | 30 023 | 55.9 | The municipality had challenges with the uploading of their updated Adjustment Budget returns. Therefore some of the adjustment budget figures may not be a true representation of the municipality's adjustment budget (B-Schedule). The municipality attributed the lower revenue recognition against capital transfers to the delay in the implementation of capital projects. Further to the explanations provided below, the municipality stated that due to the late inauguration of the Jozini Municipality Councillors, capital projects commenced later than expected. In this respect, the municipality will be applying for roll-overs of unspent grants. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 25 299 | 25 299 | 3 659 | 14.5 | The capital projects (municipal clocking system, document management system, municipal server and Council chamber furniture) budgeted to be funded using Internally generated funds were postponed due to the subsequent approval of the project for the renovation of municipal offices using MIG funding. Thus, the municipality will implement those internally funded projects only when the renovations to the municipal offices are completed. |
| Total Capital Revenue | 78 988 | 78 988 | 33 683 | 42.6 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 14 008 | 14 008 | 3 501 | 25.0 | The budget for Corporate Services included amounts budgeted for the renovation of the Council chamber which commenced late and is still Work In Progress, thus, accounting for the low expenditure incurred against Governance and administration function. |
| Community and Public Safety | 4 900 | 4 900 | 173 | 3.5 | The municipality had budgeted to establish cemeteries for all the towns within the Jozini Municipal boundary. However, there were challenges relating to land so the project was put on hold until issues relating to land have been resolved. The minimal expenditure relates to the expenditure that had initially been incurred for Mkuze cemetery. |
| Eco. & Environmental Services | 60 080 | 60 080 | 30 009 | 49.9 | The budget for Eco and environmental Services relates to INEP and MIG. The municipality had budgeted for GIS equipment which was not purchased during the 2016/17 financial year. The municipality had also budgeted for spatial planning and land use management act implementation in order for towns to be officially included into the municipal jurisdiction. Although this project has commenced in certain areas of Jozini, Traditional leaders in certain areas are opposing the inclusion of their land within the municipal jurisdiction. The municipality is currently in negotiations with the affected Traditional leaders on the matter and expect the matter to be resolved during the 2017/18 financial year. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 78 988 | 78 988 | 33 683 | 42.6 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 38 097 | 74 627 | 74 627 | | |
| Cash/cash equiv. at the year end: | 15 100 | 28 300 | 52 051 | | Based on the municipality's bank reconciliation and investment register as at 30 June 2017, the closing cash and cash equivalents amounts to R56 million, including Petty cash of R1 682.56. Thus, the closing Cash and cash equivalents as at the end of June 2017 as reflected in the Section 71 report is understated. |
| Net Increase/(Decrease) in cash held | (22 996) | (46 328) | (22 576) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 956 | 107.2% | (131) | According to the municipality, 100 percent was spent from the 2016/17 allocation for FMG and EPWP. The municipality however incorrectly included a portion of their own funding to fund projects relating to these grants. |
| Expanded Public Works Programme Integrated Grant | 3 338 | 4 520 | 135.4% | (1 182) | |
| Municipal Infrastructure Grant | 35 689 | 24 008 | 67.3% | 11 681 | According to the municipality, the actual amount spent for the 2016/17 financial year is R33.1 million and not R24 million as reflected in the Section 71 report. The municipality will be applying for a rollover for the unspent amount. |

Table 4.7 (I) Trade and other receivables, Trade and other payables and Key ratios - Jozini Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 107 252 | | |
| Debtors as at 30 June 2017 | 127 728 | | Outstanding debtors have increased from R107.3 million in the 2015/16 financial year to R127.7 million in 2016/17, an increase of 19.1 percent. The municipality attributed the increase to the non-payment for Property rates and Service charges by the different customer groups as well as the interest relating to outstanding debtors. |
| <u>By age analysis</u> | | | |
| 0-30 days | 3 618 | 2.8% | |
| 31-60 days | 2 185 | 1.7% | |
| 61-90 days | 2 792 | 2.2% | |
| >90 days | 119 132 | 93.3% | Debtors outstanding for more than 90 days constitute a significant portion of the municipality's debtors balance. It should be noted that the inability to collect billed revenue from debtors will negatively affect the liquidity position of the municipality as the municipality may be unable to meet their short term obligations as and when they fall due. Stringent controls should therefore be implemented by the municipality to improve the municipality's debtors collection ratio. |
| Total by age analysis | 127 728 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 28 149 | 22.0% | According to the municipality, the National Public Works Department owns certain properties in Jozini. However, due to disputes regarding the market values of these properties between the municipality and National Public Works, National Public Works is refusing to settle their debt with the municipality. According to the municipality, the matter was escalated to COGTA and is currently in the process of being resolved. |
| Commercial | 25 531 | 20.0% | |
| Households | 33 891 | 26.5% | |
| Other | 40 157 | 31.4% | |
| Total by customer group | 127 728 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 3 145 | 90.0% | |
| 31-60 days | 54 | 1.6% | |
| 61-90 days | 34 | 1.0% | |
| >90 days | 263 | 7.5% | As at the end of financial year, the municipality reported Creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. This was mainly due to slow payment of some creditors invoices. There were also forensic findings regarding the process for the appointment of two consultants by the municipality, VAT consultant (Chain concept) and IT Consultant (IT Siyaya). The cases had been taken to court and is currently underway. The municipality therefore had to terminate the contracts with these consultants and withheld payments until the court verdict is released. |
| Total by age analysis | 3 497 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 35.5% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 0.8% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 27.0% | |
| Own funded capital expenditure | - | 10.9% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 17.4% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 17.4% | Considering that the municipality has not accounted for Debt impairment and Depreciation and asset impairment, the Net operating surplus margin is overstated. |

4.7.4 Analysis per municipality: Mtubatuba Local Municipality

Table 4.7 (m) Operating Revenue and Expenditure Performance - Mtubatuba Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 30 455 | 35 508 | 30 857 | 86.9 | The supplementary valuation roll received from the Valuator after the finalisation of the Adjustments Budget had many objections which required the recategorisation of certain properties from business to residential and vice versa. The recategorisation of properties resulted in a lower billing for the 2016/17 financial year as certain categorises of properties were moved from a higher rate category to a lower rate category due to the reclassification. |
| Service Charges ² | 6 011 | 6 011 | 5 953 | 99.0 | |
| Transfers recognised - operational | 127 839 | 127 839 | 134 783 | 105.4 | The over performance reflected against Transfers recognised-operational relates to the revenue recognised for expenditure related to a roll-over amount for the Energy Efficiency and Demand Management Grant, which was not approved by National Treasury. Communication in this regard was sent to the Municipal Manager who had resigned from the municipality. National Treasury subsequently withheld the amount from the municipality's Equitable share allocation. However, as the amount withheld was immaterial, the municipality did not question the decrease in their Equitable share. It was only during the Adjustment budget process that the municipality was made aware that the roll-over had not been approved and during that time the expenditure against the grant had already been reported against Transfers recognised- operational. The municipality also attributed the over performance to a portion of Internally generated funding reported against Transfers recognised- operational. |
| Other sources of Revenue ³ | 16 146 | 16 237 | 13 293 | 81.9 | According to the municipality, the low billing reported for the 2016/17 financial year in relation to the budgeted amount is attributed to various revenue sources which make up the total Other revenue source budget as follows: Interest on external investments: (55.4 percent or R1.5 million against a budget of R2.8 million): As per the municipality's Income statement, the actual amount generated from Interest earned external investments is R2 million which is still below the Adjustment Budget amount of R2.8 million. The municipality attributed the low actual revenue generated to higher than anticipated withdrawals from investment accounts towards the end of the financial year. Fines: (63.8 percent or R1.3 million against a budget of R2.1 million): As per the municipality, the completed schedule for Fines for the entire 2016/17 financial year was received after the Quarter 4 figures had been submitted to National Treasury. Based on the completed schedule, the correct amount for Fines raised for the 2016/17 financial year is R1.9 million which is 92 percent of the budget. As such, the municipality conceded that the Adjustments Budget amount was overstated. |
| Total Operating Revenue | 180 452 | 185 595 | 184 886 | 99.6 | |
| Operating Expenditure | | | | | |
| Employee related costs | 48 318 | 54 296 | 50 349 | 92.7 | The municipality attributed the under expenditure to certain positions that were budgeted to be filled during the financial year that had not been filled. Furthermore, there were also some resignations of officials during the year. |
| Remuneration of councillors | 11 219 | 12 923 | 12 645 | 97.8 | |
| Debt impairment | 9 124 | 9 124 | 1 644 | 18.0 | According to the municipality, a comprehensive calculation for Debt impairment is performed at year end. Therefore, the amount reported as at the end of June 2017 is incomplete. The municipality also confirmed that at the beginning of the financial year, they did not have an indigent register. During the financial year, the municipality had finalised their indigent register and certain debtors that were identified to be indigent were written-off. Thus, the actual Debt impairment amount calculated as at the end of the financial year was R18.7 million. The Adjustments Budget amount was understated. |
| Depreciation and asset impairment | 18 500 | 19 500 | 12 632 | 64.8 | The municipality stated that a comprehensive calculation for Depreciation and asset impairment is performed at year end. The municipality also indicated that the budget of R19.5 million was understated. There were certain assets classified as Work In Progress during the 2015/16 financial year that were not anticipated to be completed by the 2016/17 financial year were completed, which resulted in an actual Depreciation amount of R25.3 million (incorrect amount of R12.6 million reflected in the Section 71 report). |
| Bulk purchases | - | - | - | - | |
| Contracted services | 18 817 | 20 681 | 21 410 | 103.5 | The municipality indicated that a new contract was added towards the end of the financial year which relates to Protection services (Councillors needed body guards). This resulted in an over expenditure against this expenditure item. |
| Other expenditure items ⁴ | 52 415 | 59 023 | 70 956 | 120.2 | According to the municipality, the over expenditure against Other expenditure items relates to certain expenditure items incurred which were not budgeted for, such as, Disaster Management relief (water support) and Subsistence and Travel which was higher than was anticipated due to wardens (who did not claim for Subsistence and travel) being appointed as Traffic officers during the financial year and thus, being eligible to claim for Subsistence and travel. Due to the Councillors being newly elected, there were more public participation activities than budgeted for. |
| Total Operating Expenditure | 158 395 | 175 548 | 169 637 | 96.6 | |
| Operating surplus/(deficit) | 22 057 | 10 047 | 15 249 | | Considering that the amounts reported for Debt impairment expense and Depreciation and asset impairment in the Section 71 report are understated, the operating surplus of R15 million may not be a true reflection of the municipality's actual performance as at the end of the 2016/17 financial year. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (n) Capital, Cash and Conditional grant Performance - Mtubatuba Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 42 788 | 46 788 | 37 358 | 79.8 | According to the municipality, all of their capital grants during the 2016/17 financial year were fully spent therefore, the actual Transfers recognised-capital amount is understated. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 15 802 | 8 735 | 12 102 | 138.5 | The municipality funded certain MIG projects from their own funds as it would have cost more to re-appoint the Service Provider to complete the project if it was put on hold due to the depletion of MIG Funds. Other capital projects where there was excess expenditure were also funded from Internally generated funds (Refer below). The actual amount spent by the municipality from Internally generated funds is R12.7 million. |
| Total Capital Revenue | 58 590 | 55 523 | 49 461 | 89.1 | According to the municipality, the actual amount spent for Capital expenditure projects is R59.5 million and not R49.5 million as reported in the Section 71 report. The over expenditure also relates to capital projects which were budgeted for, however the cost for which was higher than anticipated. |
| Capital Expenditure | | | | | |
| Governance and Administration | 3 050 | 2 673 | 3 247 | 121.5 | The purchase of computer equipments, furniture and fittings by the municipality cost more than the budgeted amount and therefore had to be supplemented by Internally generated funding. |
| Community and Public Safety | 4 080 | 1 950 | 2 330 | 119.5 | The purchase of arms and ammunition for Traffic officers had cost more than the budgeted amount. The excess amount had to be funded from Internally generated funding. |
| Eco. & Environmental Services | 49 460 | 50 050 | 43 303 | 86.5 | According to the municipality, the actual amount spent against Economic and Environmental Services is R53 million which exceeds the budget. This relates to the following projects: KwaMsane Internal Roads; Mtubatuba CBD Roads and storm waters; KwaMsane Civic Centre and Sports fields. As per the municipality, the excess amount was funded from Internally generated funding. |
| Trading Services | 2 000 | 850 | 580 | 68.2 | According to the municipality, the actual amount spent against Trading services is R645 000 which is 75 percent of the budget. The service provider was appointed to provide skip-bins during the 2016/17 financial year, however some of the skip-bins will only be delivered in the 2017/18 financial year. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 58 590 | 55 523 | 49 461 | 89.1 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 14 124 | 16 161 | 16 117 | | The opening Cash and cash equivalents balance of R16.1 million does not agree to the closing Cash and cash equivalents balance of R16.2 million as per the 2015/16 Audited Financial statements. |
| Cash/cash equiv. at the year end: | 25 868 | 34 304 | 7 542 | | Based on the municipality Unaudited AFS, Bank reconciliation statements and investment register, the closing Cash and Cash equivalents amounts to R7.6 million. The slight difference relates to Cashiers Collection and Petty cash. |
| Net Increase/(Decrease) in cash held | 11 744 | 18 144 | (8 575) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 861 | 102.0% | (36) | According to the municipality, a portion of Internally generated funds used to supplement funds for FMG, EPWP and MIG projects was incorrectly reported against these grants, which contributed to the expenditure reported exceeding the grant allocation for the financial year. The municipality subsequently corrected this error after the publication of the Section 71 report. |
| Expanded Public Works Programme | 1 408 | 1 430 | 101.5% | (22) | |
| Municipal Infrastructure Grant | 30 303 | 33 889 | 111.8% | (3 586) | |

Table 4.7 (o) Trade and other receivables, Trade and other payables and Key ratios - Mtubatuba Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|--|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 87 965 | | |
| Debtors as at 30 June 2017 | 96 690 | | Outstanding debtors have increased from R88 million in the 2015/16 financial year to R96.7 million in 2016/17, an increase of 9.92 percent. Refer to discussion below regarding the reason for increase as well the municipality's remedial action. |
| By age analysis | | | |
| 0-30 days | 4 477 | 4.6% | |
| 31-60 days | 7 184 | 7.4% | |
| 61-90 days | 1 943 | 2.0% | |
| >90 days | 83 086 | 85.9% | Debtors outstanding for more than 90 days constitute a significant portion of the municipality's debtors balance, the majority of non-paying debtors being Households debtors (65.1 percent) as reflected below. The municipality only wrote-off a portion of their debtors during the 2016/17 financial year after the finalisation of their indigent register during the financial year. Long outstanding debtors is however expected to decrease as the municipality continues to write off certain debtors reflected in their indigent register. |
| Total by age analysis | 96 690 | 100.0% | |
| By customer group | | | |
| Organs of state | 3 760 | 3.9% | |
| Commercial | 16 578 | 17.1% | |
| Households | 62 939 | 65.1% | |
| Other | 13 413 | 13.9% | |
| Total by customer group | 96 690 | 100.0% | |
| Creditors | | | |
| By age analysis | | | |
| 0-30 days | 200 | 10.2% | |
| 31-60 days | 371 | 18.9% | |
| 61-90 days | 6 | 0.3% | |
| >90 days | 1 388 | 70.6% | Creditors above 90 days contribute a significant portion of the municipality's Creditors balance, which is a contravention of Section 65 of the MFMA. According to the municipality, delays in submission of invoices and statements from suppliers have resulted in late payments. The municipality further indicated that the previous Administrator had disputed the payment of certain Creditors on the basis of their appointment. Those Creditors have remained unpaid and the municipality is yet to make a decision on how they should resolve the matter. |
| Total by age analysis | 1 965 | 100.0% | |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| Expenditure management | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 37.1% | The ratio of 37.1 percent is in the upper region of the norm range. However, it should be noted that the ratio could be distorted due to the fact that Total operating expenditure is understated (due to an understatement of Debt impairment and Depreciation and asset impairment). Notwithstanding this, the municipality needs to implement measures to ensure their Remuneration is kept within reasonable ratio as a high ratio could indicate that the municipality is overstaffed, or there is mis-directed expenditure towards non-essential services or non-delivery of service related expenditure, as per MFMA Circular No. 71. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 12.6% | The high percentage for Contracted services may also be distorted due to the municipality not recognising the full Debt impairment expense and Depreciation and asset impairment in the Operating statement, thus understating their Total operating expenditure. However, a ratio in excess of the norm could indicate that many functions are being outsourced to Contractors or that Contracted services are not being effectively utilised. Increases in this ratio could also expose the municipality to other risks, such as its inability to build capacity and ongoing reliance on Contractors. |
| Grant dependency | | | |
| Own sources of revenue to total operating revenue | - | 27.1% | |
| Own funded capital expenditure | - | 24.5% | |
| Asset Management | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 22.6% | |
| Efficiency | | | |
| Net operating surplus margin | = or > 0% | 8.2% | Considering that the amounts reported for Debt impairment expense and Depreciation and asset impairment are understated, the Net operating surplus margin may be overstated. |

4.7.5 Analysis per municipality: Big Five Hlabisa Local Municipality

Table 4.7 (p) Operating Revenue and Expenditure Performance - Big Five Hlabisa Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 13 960 | 13 960 | 8 559 | 61.3 | The municipality had challenges with the uploading of their updated returns for the Adjusted Budget. Therefore, some of the Adjusted Budget figures may not be reflecting and/or may not be a true representation of the figures as reflected in the municipality's Adjustments Budget, tabled by the municipality in February 2017. The correct figures as well as percent variance have been provided in the comments columns for the affected line items. |
| Service Charges ² | 1 849 | 1 849 | 1 434 | 77.6 | Based on the municipality's B-Schedule, the Adjusted Budget amount is R8.1 million, thus the percent of Budget generated is 105.1 percent. According to the municipality, the variance of 5.1 percent is mainly due to the discrepancies in rates used for billing when compared to the rates used in the Adjustments Budget. |
| Transfers recognised - operational | 121 168 | 119 068 | 102 703 | 86.3 | As per the municipality's B-Schedule, the Adjusted Budget amount is R1.7 million thus, 84.3 percent of the budget was generated as at 30 June 2017. During the budget process, the municipality had budgeted for refuse revenue from properties which were still in the process of being developed. The properties were not completed by the end of the financial year and the revenue generated was thus less than the budget. |
| Other sources of Revenue ³ | 8 005 | 6 389 | 2 254 | 35.3 | Over and above the municipality recognising lower than anticipated grants revenue due to underspending on the INEP and EPWP grants during the 2016/17 financial year, the municipality incorrectly reduce the amount recognised as Equitable share by the amounts that were deducted by National Treasury for prior year unspent grants (MIG, INEP, MSIG and EPWP). |
| Total Operating Revenue | 144 982 | 141 266 | 114 950 | 81.4 | The main contributor to the low revenue generated for Other sources of Revenue is due to the fact that no revenue was recognised against a budget of R1.9 million for Fines, owing to the challenges with the fines reporting system. The municipality is currently adding up fines revenue manually in preparation for the AFS. In addition, for Licences and permits (50.6 percent or R1.2 million against a budget of R2.4 million), the municipality had challenges with the operation of their Eye test machine at their testing centre for a major part of the 2016/17 financial year and therefore clients had to use other testing stations which are outside the municipal jurisdiction. |
| Operating Expenditure | | | | | |
| Employee related costs | 45 729 | - | 60 269 | - | Based on the municipality's B-Schedule, the Adjusted Budget amount is R56.2 million thus expenditure of R60.3 million will amount to 107.3 percent of the budget. Due to the merger, the municipality had to address salary disparities which contributed to the actual expenditure being higher than the budgeted amount. Some of the critical positions not budgeted for within community services had to be filled for the smooth functioning of the municipality, for instance SCM Manager. |
| Remuneration of councillors | 6 776 | 6 349 | 6 624 | 104.3 | The Unaudited actual amount includes claims made by the Councillors during the year such as subsistence and travel, which were not included in the budget. Due to the Councillors being newly elected, there were more public participation activities than budgeted for. |
| Debt impairment | 4 773 | - | 596 | - | Based on the municipality's B-Schedule, the Adjusted Budget amount is R2.6 million thus, the percent of budget spent is 22.9 percent. As per the municipality, a comprehensive calculation for Debt impairment as well as Depreciation and asset impairment is only performed at the end of the financial year, in preparation for the AFS. |
| Depreciation and asset impairment | 12 125 | - | 1 516 | - | Based on the municipality's B-Schedule, the Adjusted Budget amount is R8.8 million a contribution of R1.5 million thus, amounts to 17.2 percent of the budget. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 10 464 | - | 8 571 | - | Based on the Adjusted Budget amount of R10.5 million (B-Schedule), the percent of budget spent against contracted services is 81.6 percent. According to the municipality, due to the merger, the municipality had more than one service providers appointed by the individual municipalities prior to the merger performing the same function. During the financial year, some of the contracts expired which contributed to the low expenditure against contracted services in relation to the budget. |
| Other expenditure items ⁴ | 62 486 | - | 35 849 | - | An amount of R35.8 million spent against the Adjusted Budget of R46.8 million represents 76.6 percent. The municipality attributed the low expenditure to a decrease in S&T claims for municipal officials. The municipality also conceded that for most of the events held by the municipality, including staff trainings, no catering was being provided, thus resulting in savings. |
| Total Operating Expenditure | 142 353 | 6 349 | 113 425 | 1 786.5 | |
| Operating surplus/(deficit) | 2 629 | 134 917 | 1 525 | | Considering the fact that Debt impairment and Depreciation and asset impairment expenses reported in the Section 71 report are incomplete, the operating surplus of R1.5 million is not a true reflection of the municipality's operating performance for the 2016/17 financial year. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (q) Capital, Cash and Conditional grant Performance - Big Five Hlabisa Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 23 801 | 23 801 | 22 403 | 94.1 | The municipality attributed the lower than budgeted amount recognised against capital transfers to delays in the commencement of projects, which in turn was due to delays in the municipality's SCM processes. The municipality will be applying for a roll-over for the unspent grants. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 3 249 | 3 249 | 607 | 18.7 | Due to cash flow challenges, the municipality decided to cut-down on expenditure funded internally. The expenditure that was budgeted to be funded from Internally generated funds includes office furniture and computers. The municipality expects to procure these items during the 2017/18 financial year. |
| Total Capital Revenue | 27 050 | 27 050 | 23 010 | 85.1 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 628 | 27 050 | 22 946 | 84.8 | The municipality has classified the entire capital expenditure against Governance and Administration. According to the municipality, this will be rectified in the AFS. |
| Community and Public Safety | 15 616 | - | 7 | | |
| Eco. & Environmental Services | 9 806 | - | 57 | | |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 27 050 | 27 050 | 23 010 | 85.1 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | - | 4 705 | 4 715 | | |
| Cash/cash equiv. at the year end: | 10 090 | 1 017 | 1 864 | | The closing Cash and cash equivalents balance as per the municipality's Adjusted Budget (B-Schedule) is R3 million instead of the R1 million reflected in the Section 71 report. According to the municipality's bank reconciliation and investment register, the municipality's closing cash and cash equivalents balance for the 2016/17 financial year amounts to R1.9 million. According to the municipality, the closing cash and cash equivalents balance is sufficient to cash back the unspent conditional grant amount. However, amounts which may not be cash backed are for unspent grants from prior years. The municipality is however still engaging with the relevant Provincial departments regarding the treatment of this long outstanding amounts. |
| Net Increase/(Decrease) in cash held | 10 090 | (3 688) | (2 852) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 650 | 3 696 | 101.3% | (46) | According to the municipality, the 2016/17 allocation for the FMG of R3.7 million was fully spent during the financial year. The municipality incorrectly included a portion of their own funding used to fund projects relating to this grant. |
| Expanded Public Works Programme Integrated Grant | 3 545 | 3 666 | 103.4% | (121) | The municipality incorrectly reported a portion of expenditure relating to an unspent amount from the 2015/16 financial year against the 2016/17 allocation although National Treasury had withheld the unspent amount from the municipality's Equitable share allocation for the 2016/17 financial year. The municipality confirmed that the EPWP grant for the 2016/17 financial year was not fully spent and that the municipality will be applying for a roll-over in this regard. |
| Municipal Infrastructure Grant | 23 800 | 32 275 | 135.6% | (8 475) | Although the municipality indicated that they had fully spent the 2016/17 MIG allocation, due to delays in the submission of supporting documents to COGTA, the department has advised the municipality to apply for a roll-over for the amount for which submission of supporting documentation was delayed. Thus, the municipality will be applying for a roll-over in this regard. The amount reflected in the Section 71 report is incorrect. |

Table 4.7 (r) Trade and other receivables, Trade and other payables and Key ratios - Big Five Hlabisa Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 44 157 | | The Big Five Hlabisa Local Municipality is a newly formed municipality, thus the debtors balance as at the end of 30 June 2016 was based on the debtors balance as per the individual municipality's AFS. |
| Debtors as at 30 June 2017 | 29 153 | | The debtors balance decreased from R44.2 million in the previous financial year to R29.2 million in the 2016/17 financial year, a decrease of 40 percent. The municipality attributed the decrease to Council resolution taken to provide debt amnesty to long outstanding debtors. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 001 | 3.4% | |
| 31-60 days | 923 | 3.2% | |
| 61-90 days | 570 | 2.0% | |
| >90 days | 26 659 | 91.4% | Debtors outstanding for more than 90 days constitute a significant portion of the municipality's debtors balance. A significant portion of the debt is owed by Households (51.7 percent). According to the municipality, there were challenges experienced with the billing of customers during the financial year due to the migration of the billing system for the two merged municipalities, as a result payments have not been allocated to the relevant age category. |
| Total by age analysis | 29 153 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 3 865 | 13.3% | |
| Commercial | 4 476 | 15.4% | |
| Households | 15 087 | 51.7% | |
| Other | 5 726 | 19.6% | |
| Total by customer group | 29 153 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 093 | 7.6% | |
| 31-60 days | 523 | 3.6% | |
| 61-90 days | 559 | 3.9% | |
| >90 days | 12 173 | 84.8% | As at the end of financial year, the municipality reported Creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. As per the municipality, delays in submission of invoices and statements from suppliers have resulted in late payments. In addition, there were invoices with queries which still needed to be resolved. |
| Total by age analysis | 14 349 | 100.0% | The municipality confirmed that the closing Creditors balance reflected in the Section 71 report is understated. The creditors balance calculated in preparation of the AFS is R21 million. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 59.0% | The ratio of Employee remuneration to Total expenditure is significantly above the norm of 25-40 percent. This is indicative of inefficiencies, overstaffing and incorrect focus due to misdirected expenditure to non-essential and non-service delivery related expenditure as per MFMA Circular No. 71. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.6% | Considering that this ratio is in excess of the norm of 5 percent, it could indicate that many functions are being outsourced to Contractors or that Contracted services are not effectively utilised as per MFMA Circular No. 71. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 10.7% | |
| Own funded capital expenditure | - | 2.6% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 16.9% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 1.3% | Considering that the amounts reported for Debt impairment expense and Depreciation and asset impairment are understated, the Net operating surplus margin may be overstated. |

4.7.6 Analysis per municipality: uMkhanyakude District Municipality

Table 4.7 (s) Operating Revenue and Expenditure Performance - uMkhanyakude District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | It is noted that the majority of the Unaudited Actual figures do not reconcile to the figures in the returns submitted by the municipality. Upon further investigation, it has been noted that despite the municipality submitting updated Section 71 returns, the figures from previous erroneous Section 71 returns are still reflected on the National Treasury local government database (NT Igdatabase). While, the municipality attempted to rectify some of the reported figures by resubmitting the Section 71 returns, the resubmissions were made subsequent to the closing date of the NT local government database. For the purposes of analysis, the updated figures are referred to in the comments column. Additionally, the year-to-date performance reported in the Section 71 report is not consolidated (excludes the Quarter 4 performance reporting for Umhlosinga Development Agency) therefore, the Quarter 4 reported figures reflected against the Other sources of revenue, Employee related costs and Other expenditure line items are incomplete. As a result, where it is noted that the Unaudited Actual exceeds the Adjusted Budget for these line items, the inclusion of the municipal entity's figures will exacerbate the over-expenditure. |
| Service Charges ² | 36 668 | 32 429 | 14 007 | 43.2 | |
| Transfers recognised - operational | 307 981 | 305 465 | 300 065 | 98.2 | |
| Other sources of Revenue ³ | 36 141 | 41 211 | 15 882 | 38.5 | |
| Total Operating Revenue | 380 789 | 379 104 | 329 954 | 87.0 | |
| Operating Expenditure | | | | | |
| Employee related costs | 127 745 | 128 032 | 134 341 | 104.9 | The correct Unaudited Actual figure, as per the municipality, in respect of Employee related costs is R130.9 million, representing 102 percent of the Adjusted Budget. The municipality attributes the over-expenditure to the high number of Senior positions being vacant during the financial year, thus requiring personnel to act in these positions. |
| Remuneration of councillors | 7 459 | 7 459 | 6 229 | 83.5 | The municipality indicated that they had over-budgeted for Remuneration of councillors and as a result they have under-performed in comparison to the budget. |
| Debt impairment | 29 209 | 12 243 | – | – | The municipality did not report on Debt impairment in the 2016/17 financial year, despite Provincial Treasury's advice and the municipality's commitment to do so during the mid-year performance engagement. |
| Depreciation and asset impairment | 28 204 | 28 204 | – | – | Similar to Debt impairment, Provincial Treasury advised the municipality to account for Depreciation and asset impairment during the year however, despite Provincial Treasury's advice, the municipality has not reported any Depreciation and asset impairment. The municipality indicated that the calculation of Depreciation and asset impairment had yet to be completed before the finalisation of the Quarter 4 Section 71 report and will be incorporated in the 2016/17 AFS. |
| Bulk purchases | 64 692 | 81 830 | 69 128 | 84.5 | The municipality conceded that the Unaudited Actual Amount is incorrect and is in fact R80.9 million, representing 99 percent of the Bulk purchases budget. |
| Contracted services | 13 869 | 19 146 | 20 680 | 108.0 | As per the municipality, the correct Unaudited Actual figure is R24.5 million, 118 percent of the Adjusted Budget. The municipality indicated that expenditure related to the Fleet Management contract had primarily contributed to the over-expenditure as many unforeseen ad-hoc repairs and maintenance were performed on the municipality's Fleet which were not budgeted for. The municipality has thus potentially incurred unauthorised expenditure in respect of Contracted services. |
| Other expenditure items ⁴ | 103 629 | 102 190 | 139 605 | 136.6 | The municipality indicated that the correct Unaudited Actual amount in respect of Other expenditure items is R153.6 million, representing 150 percent of the Adjustments Budget. The municipality concedes that the budget for Other materials (which relates to Repairs and maintenance) was significantly under-budgeted for, despite having increased the budget from R35.6 million in the Original Budget to R57 million in the Adjustments Budget. The municipality further indicated that they have incurred expenditure in excess of the budgeted amount in respect of Repairs and maintenance as a result of numerous emergency repairs to water infrastructure. For instance, in Jozini, citizens in Jozini protested as a result of infrastructure collapse, therefore requiring urgent repairs to restore services. |
| Total Operating Expenditure | 374 808 | 379 104 | 369 984 | 97.6 | Considering the inaccurate reporting noted against various line items above and the municipality not having reported performance against Debt impairment and Depreciation and asset impairment, the operating deficit of R40 million appears understated and is not a true reflection of the municipality's actual performance as at the end of the 2016/17 financial year. |
| Operating surplus/(deficit) | 5 982 | – | (40 030) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (t) Capital, Cash and Conditional grant Performance - uMkhanyakude District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 267 517 | 284 442 | 182 143 | 64.0 | As per the municipality, the correct Unaudited Actual amount in respect of Transfer recognised - capital should be R252 million, 89 percent of the Adjusted Budget. The municipality confirmed that not all invoices had been processed at the date of reporting and accruals have yet to be taken into account in the reported amount thus contributing to the under-expenditure. Furthermore, under-expenditure in respect of the Water Services Infrastructure Grant is due to the late implementation of capital projects due to the municipality failing to implement the Water Services Infrastructure Grant plan timeously as a result of organisational capacity challenges experienced during the financial year. The municipality intends applying for a roll-over of the unspent amounts. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | - | - | - | |
| Total Capital Revenue | 267 517 | 284 442 | 182 143 | 64.0 | |
| Capital Expenditure | | | | | |
| Governance and Administration | - | - | - | - | |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | - | 16 925 | - | - | The municipality conceded that further to understating Capital Expenditure (accruals still to be processed), they had misallocated Capital Expenditure relating to the Economic and Environmental Services standard classification to the Trading Services standard classification. This will be rectified in the 2016/17 AFS. |
| Trading Services | 267 517 | 267 517 | 182 143 | 68.1 | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 267 517 | 284 442 | 182 143 | 64.0 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | (81 476) | 32 523 | 48 037 | | Although the municipality correctly reflected the Adjusted Budget opening Cash and cash equivalents balance as per the Audited 2015/16 AFS (R32.5 million), the municipality erroneously reflected R48 million in the Section 71 report. |
| Cash/cash equiv. at the year end: | (54 694) | 22 318 | 64 793 | | Although the municipality confirmed that they had closed the financial year with R35 million, which does not agree to the Section 71 year to date figure of R64.8 million due to incorrect reporting, they have not submitted any supporting documentation to this effect. |
| Net Increase/(Decrease) in cash held | 26 782 | (10 205) | 16 757 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 293 | 1 884 | 145.7% | (591) | As conceded by the municipality, expenditure reported against EPWP is erroneous. 100 percent has been spent in respect of EPWP as at the end of the 2016/17 financial year. |
| Municipal Infrastructure Grant | 207 522 | 232 778 | 112.2% | (25 256) | The correct Unaudited Actual expenditure in respect of the MIG is R207.5 million (100 percent of the 2016/17 allocation) and not R232.8 million as incorrectly reflected in the Section 71 report. |

Table 4.7 (u) Trade and other receivables, Trade and other payables and Key ratios - uMkhanyakude District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|----------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 220 692 | | It should be noted that the municipality obtained an adverse audit opinion, thus the credibility of the Debtors balance as at 30 June 2016 is highly questionable. |
| Debtors as at 30 June 2017 | 181 507 | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 2 216 | 1.2% | |
| 31-60 days | 1 500 | 0.8% | |
| 61-90 days | 675 | 0.4% | |
| >90 days | 177 116 | 97.6% | The most significant portion (R177.1 million or 97.6 percent) of the municipality's debtors have been outstanding for a period greater than 90 days with the majority falling within the Households customer group. The municipality indicated that the majority of the amount owing is attributable to long outstanding debtors who do not pay on their municipal debt due to high levels of unemployment and poverty. This is indicative of the high number of indigents within the municipal area. The municipality, however, still does not have an updated indigent register, resulting in the incorrect billing of these consumers which has led to growth in the greater than 90 days category. |
| Total by age analysis | 181 507 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 10 549 | 5.8% | |
| Commercial | 29 631 | 16.3% | |
| Households | 138 583 | 76.4% | |
| Other | 2 744 | 1.5% | |
| Total by customer group | 181 507 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 27 696 | 27.2% | |
| 31-60 days | 5 617 | 5.5% | |
| 61-90 days | 26 151 | 25.6% | |
| >90 days | 42 512 | 41.7% | |
| Total by age analysis | 101 976 | 100.0% | 72.8 percent of the municipality's Total creditors, or R74.3 million have not been paid for a period of greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. Similar to prior financial years, this was mainly due to cash flow challenges prevailing at the municipality which has had a negative impact on the municipality's liquidity position. |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 38.0% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 5.6% | As noted in Table 4.7 (s): Operating Revenue and Expenditure Performance, the operating expenditure of the municipality is significantly understated. Hence, the ratio of 5.6 percent is not a true reflection of the ratio of Contracted services as a percentage of Total operating expenditure. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 9.1% | |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 33.0% | The high Capital Expenditure to Total Expenditure ratio is due to the municipality's total operating expenditure being understated. The ratio is expected to decrease once the municipality fully report on their total operating expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -12.1% | The negative Net operating surplus margin reported is as a result of the municipality recording an operating deficit of R40 million for the 2016/17 financial year, which is not a true reflection of the municipality's operating due to the fact that the municipality has reflected inaccurate reporting against various line items in Table 4.7 (s). |

4.8 King Cetshwayo District

The Integrated Development Plan (IDP) of King Cetshwayo District Municipality shows that King Cetshwayo District is located on the North-Eastern Region of the KwaZulu-Natal Province on the eastern sea-board of South Africa and it covers a geographical area of approximately 8 000 km². The IDP document also states that the agricultural sector is a dual economy, consisting of commercial agriculture on one hand and traditional agriculture on the other. The district is comprised of six municipalities, namely: King Cetshwayo District Municipality and the following local municipalities, uMfolozi, uMhlathuze, uMlalazi, Mthonjaneni and Nkandla.

Subsequent to the redetermination of municipal boundaries by the Demarcation Board, Ntambanana Local Municipality has been disestablished and its wards have been incorporated to Mthonjaneni, uMhlathuze and uMfolozi Local Municipalities. These amendments were implemented post the local government elections from August 2016.

The main trading services rendered by the King Cetshwayo District Municipality are *Water, Sanitation and Refuse removal* services. uMfolozi Local Municipality provides *Refuse removal* services only, while Mthonjaneni, Nkandla and uMlalazi Local Municipalities are providing *Electricity and Refuse removal* services.

With the exception of Mthonjaneni Local Municipality, all the Chief Financial Officer (CFO) positions in the district were filled throughout the 2016/17 financial year. The CFO of Mthonjaneni Local Municipality was appointed in May 2017 and the Deputy CFO was acting as CFO prior to permanent appointment of CFO.

As at the end of the 2016/17 financial year, the Municipal Managers (MMs) for uMlalazi Local Municipality and King Cetshwayo District Municipality were filled during the entire financial year until the end of 2016/17. The vacant MMs positions for the two municipalities above were due to their employment contracts expiring on 30 June 2017. Since 1 July 2017, the Director: Corporate Services for uMlalazi Local Municipality and Director: Community Services for King Cetshwayo District Municipality, have been acting as MMs respectively. The MM for Nkandla Local Municipality was appointed in March 2017. The rest of the MM positions in the district were filled for the entire financial year under review.

Two municipalities in King Cetshwayo District namely, uMhlathuze Local Municipality and King Cetshwayo District Municipality received Unqualified audit opinions with no other matters (Clean audit), whilst the other four municipalities received Unqualified audit opinions with other matters in the 2015/16 financial year.

The tables in this report reflect budget and actual figures for the delegated municipalities, as well as the non-delegated municipality namely, uMhlathuze Local Municipality. The budget performance of uMhlathuze Local Municipality is not discussed in the analysis due to the fact that this municipality reports directly to National Treasury.

4.8.1 Overview of King Cetshwayo District Performance

Table 4.8(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|-------------------|------------------|------------------|------------------|-------------|
| uMfolozi | 142 951 | 146 921 | 125 445 | 85.4 |
| uMhlathuze | 2 635 837 | 2 822 497 | 2 878 019 | 102.0 |
| uMlalazi | 314 143 | 329 074 | 314 368 | 95.5 |
| Mthonjaneni | 138 925 | 150 788 | 149 363 | 99.1 |
| Nkandla | 119 157 | 123 805 | 168 431 | 136.0 |
| King Cetshwayo DM | 639 065 | 698 005 | 632 451 | 90.6 |
| Total | 3 990 079 | 4 271 090 | 4 268 077 | 99.9 |

Source: NT Igdatabase

Table 4.8(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|-------------------|------------------|------------------|------------------|--------------|
| uMfolozi | 112 951 | 117 351 | 119 030 | 101.4 |
| uMhlatuze | 2 629 337 | 2 842 746 | 2 981 117 | 104.9 |
| uMlalazi | 354 776 | 375 622 | 356 254 | 94.8 |
| Mthonjaneni | 138 900 | 150 787 | 114 754 | 76.1 |
| Nkandla | 117 422 | 122 699 | 128 080 | 104.4 |
| King Cetshwayo DM | 669 484 | 750 955 | 681 608 | 90.8 |
| Total | 4 022 869 | 4 360 159 | 4 380 842 | 100.5 |

Source: NT Igdatabase

Table 4.8(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|-------------------|------------------|------------------|------------------|-------------|
| uMfolozi | 62 049 | 52 049 | 32 588 | 62.6 |
| uMhlatuze | 479 397 | 548 524 | 436 365 | 79.6 |
| uMlalazi | 77 287 | 82 008 | 73 633 | 89.8 |
| Mthonjaneni | 34 242 | 52 655 | 47 803 | 90.8 |
| Nkandla | 43 302 | 42 602 | 38 746 | 90.9 |
| King Cetshwayo DM | 466 192 | 464 457 | 328 930 | 70.8 |
| Total | 1 162 470 | 1 242 295 | 958 066 | 77.1 |

Source: NT Igdatabase

Table 4.8(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|-------------------|----------------|-------------|---------------|------------|---------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMfolozi | 569 | 8.6 | 421 | 6.4 | 253 | 3.8 | 5 379 | 81.2 | 6 622 |
| uMhlatuze | 133 990 | 46.1 | 9 575 | 3.3 | 8 164 | 2.8 | 138 856 | 47.8 | 290 585 |
| uMlalazi | 5 343 | 11.1 | 1 805 | 3.7 | 622 | 1.3 | 40 539 | 83.9 | 48 309 |
| Mthonjaneni | 1 786 | 22.6 | 613 | 7.8 | 561 | 7.1 | 4 938 | 62.5 | 7 897 |
| Nkandla | 1 866 | 8.0 | 1 102 | 4.7 | 1 562 | 6.7 | 18 745 | 80.5 | 23 274 |
| King Cetshwayo DM | 6 487 | 11.3 | 2 835 | 4.9 | 2 056 | 3.6 | 46 045 | 80.2 | 57 422 |
| Total | 150 040 | 34.6 | 16 350 | 3.8 | 13 217 | 3.0 | 254 503 | 58.6 | 434 110 |

Source: NT Igdatabase

Table 4.8(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|-------------------|-----------------|------------|----------------|-------------|----------------|-------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMfolozi | 1 567 | 23.7 | 2 096 | 31.7 | 2 492 | 37.6 | 467 | 7.0 | 6 622 |
| uMhlatuze | 15 071 | 5.2 | 143 999 | 49.6 | 122 251 | 42.1 | 9 264 | 3.2 | 290 585 |
| uMlalazi | 9 770 | 20.2 | 4 455 | 9.2 | 14 637 | 30.3 | 19 447 | 40.3 | 48 309 |
| Mthonjaneni | 2 231 | 28.2 | 1 357 | 17.2 | 3 438 | 43.5 | 871 | 11.0 | 7 897 |
| Nkandla | 6 009 | 25.8 | 7 440 | 32.0 | 9 498 | 40.8 | 327 | 1.4 | 23 274 |
| King Cetshwayo DM | 5 976 | 10.4 | 6 401 | 11.1 | 45 045 | 78.4 | - | - | 57 422 |
| Total | 40 623 | 9.4 | 165 748 | 38.2 | 197 362 | 45.5 | 30 377 | 7.0 | 434 110 |

Source: NT Igdatabase

Table 4.8(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|-------------------|----------------|-------------|---------------|------------|--------------|------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| uMfolozi | 1 345 | 39.6 | 1 104 | 32.5 | 952 | 28.0 | - | - | 3 400 |
| uMhlatuze | 309 151 | 100.0 | - | - | - | - | - | - | 309 151 |
| uMlalazi | 37 752 | 100.0 | 5 | 0.0 | - | - | - | - | 37 756 |
| Mthonjaneni | 923 | 81.3 | 36 | 3.1 | 20 | 1.7 | 157 | 13.9 | 1 135 |
| Nkandla | 810 | 12.0 | 1 121 | 16.6 | 118 | 1.7 | 4 712 | 69.7 | 6 761 |
| King Cetshwayo DM | 22 585 | 37.2 | 7 954 | 13.1 | 118 | 0.2 | 30 003 | 49.5 | 60 660 |
| Total | 372 565 | 88.9 | 10 220 | 2.4 | 1 207 | 0.3 | 34 872 | 8.3 | 418 863 |

Source: NT Igdatabase

4.8.2 Analysis per municipality: uMfolozi Local Municipality

Table 4.8 (g) Operating Revenue and Expenditure Performance - uMfolozi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 5 805 | 6 078 | 7 287 | 119.9 | The municipality substantiated that the over generation of revenue was due to a review of the Indigents register where the consumers who are legible to be billed increased, as those households qualified to be billed. Also, there are various new Commercial consumers. These unexpected new customers boosted the actual figures billed for the financial year. |
| Service Charges ² | 320 | 320 | 165 | 51.7 | The municipality has reported a Year to date actual of R165 000, against a budget of R320 000, resulting in 51.7 percent revenue that has been generated for Service charges - refuse revenue. This is not much of an improvement since the submission of the Section 72 Mid year report. The municipality may have over provided for this line item. |
| Transfers recognised - operational | 132 714 | 136 714 | 110 625 | 80.9 | At the time of submitting the Section 71 reports to the National Treasury database, the municipality had not processed all journal entries to account for the grants that had been received, however the updated and accurate amount will be reflected in the Annual Financial Statements (AFS) which will be submitted at the end of August 2017. |
| Other sources of Revenue ³ | 4 112 | 3 809 | 7 367 | 193.4 | The Unaudited actual as at the end of the fourth quarter in June 2017 amounted to R5.9 million for this line item, which has affected the Other sources of revenue as a whole. The municipality has reported revenue of 193.4 percent against the Adjusted Budget, which appears to be questionable, due to additional Other revenue reported, which was not budgeted for by the municipality. |
| Total Operating Revenue | 142 951 | 146 921 | 125 445 | 85.4 | |
| Operating Expenditure | | | | | |
| Employee related costs | 48 439 | 37 261 | 39 281 | 105.4 | According to the municipality, the expenditure reported appears to have included misallocations, where some of the Councillor allowances were captured as Employee related costs, inflating the expenditure to appear higher than the actual expenditure incurred. The municipality has advised that this discrepancy has since been corrected appropriately in the municipal financial system. The correct amount for Employee related costs will be reflected in the unaudited 2016/17 AFS that will be finalised by 31 August 2017. |
| Remuneration of councillors | - | 8 989 | 7 042 | 78.3 | As mentioned above, the municipality has incorrectly reported some of the Councillor allowances as Employee related costs, which will be a contributory factor to the under spend noted in Remuneration of councillors. As a result, Remuneration of councillors has reflected expenditure of R7 million against an Adjusted Budget of R9 million, however the municipality committed to reviewing costs in the relevant line item, to ensure the expenditure is aligned accordingly. |
| Debt impairment | - | - | - | - | The municipality had an Original Budget and approved Adjustments Budget of R2.3 million for Debt impairment, however the municipality omitted this amount in both the Original and Adjustments Budget Financial performance returns, which has since been corrected in the National Treasury database. Furthermore, the Unaudited actual for Debt impairment has been reported as nil expenditure which appears to be questionable judging from the fact that the municipality has long outstanding Debtors balances and the collection rate is not 100 percent. |
| Depreciation and asset impairment | 1 810 | 2 270 | 1 135 | 50.0 | Despite the municipality being advised to ensure that Depreciation and asset impairment is reported and calculated on a monthly basis, the municipality has not reported on this expenditure item correctly. According to the municipality, Depreciation and asset impairment is calculated at the end of the financial year end, where corrected figures will be recorded in the finalised AFS submission. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 3 850 | 3 300 | 3 951 | 119.7 | The municipality stated that there were various contributing factors which may have had an impact on the increase in expenditure such as, increase in labour costs for Contract workers during the financial year, the mechanical damage of vehicles for political office bearers which led to the municipality leasing vehicles; and the increase in Security services for the municipality emanating from strikes and reported burglaries on the municipal property. Furthermore, the municipality has indicated that Contracted services will be budgeted for correctly in 2017/18, to avoid such occurrences in the new financial year. |
| Other expenditure items ⁴ | 58 852 | 65 531 | 67 621 | 103.2 | uMfolozi Local Municipality has over spent the Adjustments Budget of R65.5 million by R2.1 million or 3.2 percent for Other expenditure items. The municipality has reported over expenditure which is a reflection of lack of implementation of strict control measures to curtail incurring expenditure which has not been budgeted for, which could result in Unauthorised expenditure. The municipality has been advised to avoid spending on non - priority items which can have a negative impact on the municipality's funding position. |
| Total Operating Expenditure | 112 951 | 117 351 | 119 030 | 101.4 | |
| Operating surplus/(deficit) | 30 000 | 29 570 | 6 415 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.8 (h) Capital, Cash and Conditional grant Performance - uMfolozi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 32 049 | 36 049 | 22 486 | 62.4 | Of the R36 million provided for in the Adjustments Budget, only 62.4 percent has been recorded as received, which appears to be incorrect. The municipality acknowledged that the error in reporting has been identified where a difference was noted between the Section 71 reports and the Trial Balance on the municipal financial system, which will be corrected in the final AFS to be finalised at the end of August 2017. |
| Public contributions and donations | – | 9 000 | 3 279 | 36.4 | It was noted that this line item has been incorrectly reflected as there should be no amounts under the Adjusted Budget column, and the Unaudited actual figures, as there is no budget provision that has been catered for in the approved Adjustments Budget. The Section 71 reports have indicated Year to date receipts from Public contributions and donations amounting to R3.3 million. This amount represents an error in capturing. The municipality has since corrected the error in the Adjustments Budget return. |
| Borrowing | – | 7 000 | 5 360 | 76.6 | The municipality has indicated that the amount reported in the Section 71 returns is not the final amount for the financial year, as there were journals which had not been processed as yet as at the time of reporting. The municipality has agreed that the loan of R7 million in November 2016 was secured, however municipality was requested to submit supporting documents such as the Loan agreement and Amortisation table, relating to the Loan received. These supporting documents were not submitted to Provincial Treasury. |
| Internally generated funds | 30 000 | – | 1 463 | - | The Adjustments Budget return appears to have been inaccurately captured as the municipality has omitted the amount for Internally generated funds, as the approved Adjustments Budget has provided for R13 million under this line item. The municipality indicated that the Adjustments Budget return would be corrected accordingly, however, the municipality has since recorded an Unaudited actual of R1.5 million in the Section 71 reports, which amounts to 11.3 percent in comparison to the Adjustments Budget. This Unaudited actual is relatively low as the municipality was expected to provide 100 percent funding towards Capital projects related to these funds, at the end of the financial year. |
| Total Capital Revenue | 62 049 | 52 049 | 32 588 | 62.6 | |
| Capital Expenditure | | | | | |
| Governance and Administration | – | – | – | - | |
| Community and Public Safety | – | – | – | - | |
| Eco. & Environmental Services | 62 049 | 52 049 | 32 588 | 62.6 | It was noted that the municipality is grant reliant especially in terms of Capital projects. The low level of expenditure is detrimental for injection of funds into the upgrade of infrastructure. According to the municipality, the low expenditure is due to delays in various projects which were caused by glitches in the procurement procedures. |
| Trading Services | – | – | – | - | |
| Other | – | – | – | - | |
| Total Capital Expenditure | 62 049 | 52 049 | 32 588 | 62.6 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 1 891 | 211 | 201 | | Although a minor difference in Cash/ cash equivalents at the beginning of the year in the Adjusted Budget and Unaudited actuals was noted, the figures reported are relatively aligned. The municipality should ensure that the Cash flow position of the municipality is improved as it appears as though the Cash flow is deteriorating, which is of great concern as it affects the liquidity of a municipality and the ability to run the municipality's day to day operational costs. |
| Cash/cash equiv. at the year end: | 1 895 | 2 354 | 2 844 | | |
| Net Increase/(Decrease) in cash held | 4 | 2 143 | 2 643 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 2 186 | 119.8% | (361) | This grant has conditions attached, however it appears as though the municipality has exceeded the grant allocation received. The over expenditure noted for FMG exceeds the Adjusted Budget by 19.8 percent, which is due to the training conducted for newly elected councillors, which took place, over and above the training of Internships. The municipality has further explained that the over spending has been funded through Internally generated funds, therefore the possibility of Unauthorised expenditure should not be considered. |
| Expanded Public Works Programme Integrated Grant | 1 649 | 1 649 | 100.0% | – | |
| Municipal Infrastructure Grant | 24 049 | 24 049 | 100.0% | – | |

Table 4.8 (i) Trade and other receivables, Trade and other payables and Key ratios - uMfolozi Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 13 982 | | |
| Debtors as at 30 June 2017 | 6 622 | | It was noted that at the end of June 2017, the outstanding Debtors balance has decreased from R14 million in 2015/16 to R6.6 million in 2016/17. That means the municipality has reduced the risk of irrecoverable debts. The municipality has indicated that the reason for the reduction in the Debtors balance was due to the municipality embarking on an exercise where engagements took place with Government Debtors which were long outstanding, which resulted in payments being received from the Debtors, reducing the outstanding balance. |
| By age analysis | | | |
| 0-30 days | 569 | 8.6% | |
| 31-60 days | 421 | 6.4% | |
| 61-90 days | 253 | 3.8% | |
| >90 days | 5 379 | 81.2% | The majority of outstanding Debtors have been reported under the Over 90 days category at 81.2 percent. According to the municipality, the outstanding debt owed to the municipality in the Over 90 days category, is an accumulation of Debtors which could not be collected over several years, mainly owed by Government departments and Households. Although the municipality has recovered some collections from the Government departments, the amounts have not been paid in full, therefore negotiations are still continuing to recover the balance of the amounts outstanding. |
| Total by age analysis | 6 622 | 100.0% | |
| By customer group | | | |
| Organs of state | 1 567 | 23.7% | |
| Commercial | 2 096 | 31.7% | Of the total outstanding Debtors, the Commercial customer group, which represents Industry/business customers, represents 31.7 percent of the outstanding Debtors, which is the second highest percentage when compared to other customer groups. The Commercial customers have not been honouring the payable billed revenue. Initiatives have been put in place to meet with the business clients to gather information on the challenges they may be experiencing and to arrange repayment plans in order to recover the outstanding debts. The municipality is currently carrying out door to door visits to the various Commercial customers within the municipal geographical area, to negotiate recovery of outstanding debts. |
| Households | 2 492 | 37.6% | As per the Aged Debtors Section 71 report submitted for Month 12 or June 2017, the municipality has reflected that the majority or 37.6 percent of the total outstanding Debtors have been reported under the Households customer group. The municipality has indicated that this is attributable to the households which are Indigents, and have been billed in error. Indigent households should not be billed. |
| Other | 467 | 7.0% | |
| Total by customer group | 6 622 | 100.0% | |
| Creditors | | | |
| By age analysis | | | |
| 0-30 days | 1 345 | 39.6% | |
| 31-60 days | 1 104 | 32.5% | |
| 61-90 days | 952 | 28.0% | |
| >90 days | - | - | |
| Total by age analysis | 3 400 | 100.0% | The municipality has reported Creditors outstanding for a period of more than 30 days, which is an indication that the municipality is not complying with Section 65(2)(e) of the MFMA, which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| Expenditure management | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 38.9% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 3.3% | |
| Grant dependency | | | |
| Own sources of revenue to total operating revenue | - | 11.8% | The low percentage of 11.8 percent is as a result of the municipality being grant reliant. The municipality has no service charges and the geographical area does not have any businesses or major developments which could assist in attracting revenue injectors and business. The municipality relies on Property rates and Other revenue such as Rentals and Fines which contribute to revenue. |
| Own funded capital expenditure | - | 4.5% | The budget for Own funded capital expenditure amounts to R13 million however, the usage of own funds for Capital projects has reflected a lower Unaudited actual amount of R1.5 million, due to delayed projects. However, the municipality is grant reliant in terms of Capital projects, as these projects require substantial capital which is sourced from grants. |
| Asset Management | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 21.5% | The increase in Capital projects and purchase of Property, plant and equipment has resulted in a higher percentage of Capital expenditure in comparison to Total expenditure. This clearly suggests that the municipality is investing in Infrastructure which will positively affect service delivery and increase the lifespan of existing assets. |
| Efficiency | | | |
| Net operating surplus margin | = or > 0% | 5.1% | |

4.8.3 Analysis per municipality: uMlalazi Local Municipality

Table 4.8 (j) Operating Revenue and Expenditure Performance - uMlalazi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 50 714 | 53 146 | 50 300 | 94.6 | |
| Service Charges ² | 71 335 | 70 908 | 71 919 | 101.4 | The municipality had originally budgeted to generate an amount of R71.3 million from Service charges, this amount was adjusted downward to R70.9 million. As at the end of the 2016/17 financial year, the municipality had generated total Service charges amounting to R71.9 million resulting in a slight over generation of 1.4 percent. The slight over generation of Service charges is due to higher than anticipated electricity consumption. |
| Transfers recognised - operational | 150 264 | 151 462 | 150 968 | 99.7 | |
| Other sources of Revenue ³ | 41 831 | 53 559 | 41 181 | 76.9 | The variance noted on Other sources of revenue is mostly due to Fines and Other income. The municipality has indicated that the following are the main reasons for the variance: Fines: fines issued for the month of June 2017 were only received in July 2017, the fines will be raised in July against the 2016/17 financial year, and the variance should reduce significantly when reported in the Financial Statements. Other income: in this line item, there are two items with a significant budget, namely Public contributions with a budget of R3.5 million and Fair Value Adjustments with a budget of R 830 000. The Municipality has not received any Public contributions and the Fair Value Adjustments will be done at the year-end. |
| Total Operating Revenue | 314 143 | 329 074 | 314 368 | 95.5 | |
| Operating Expenditure | | | | | |
| Employee related costs | 110 533 | 93 398 | 94 240 | 100.9 | |
| Remuneration of councillors | 19 335 | 18 560 | 17 632 | 95.0 | |
| Debt impairment | 24 456 | 41 785 | 41 785 | 100.0 | |
| Depreciation and asset impairment | 38 925 | 41 079 | 41 079 | 100.0 | |
| Bulk purchases | 48 940 | 48 108 | 44 803 | 93.1 | The under spending of the Bulk purchases budget as at the end of 2016/17 financial year is due to the fact that the final Eskom account, amounting to R955 646, was only received in July 2017, this invoice will be allocated to 2016/17 financial year during the compilation of the 2016/17 Annual Financial Statements. |
| Contracted services | 29 924 | 35 249 | 33 166 | 94.1 | The under spending of the Contracted services budget as at the end of 2016/17 financial year is due to the fact that the final invoices, amounting to R1.9 million, were only received in July 2017, these invoices will be allocated to 2016/17 financial year during the compilation of the 2016/17 Annual Financial Statements. |
| Other expenditure items ⁴ | 82 663 | 97 443 | 83 549 | 85.7 | The under spending of the Other expenditure items budget as at the end of 2016/17 financial year is due to the fact that there were invoices that were only received in July 2017, these invoices will be allocated to 2016/17 financial year during the compilation of the 2016/17 Annual Financial Statements. |
| Total Operating Expenditure | 354 776 | 375 622 | 356 254 | 94.8 | |
| Operating surplus/(deficit) | (40 632) | (46 548) | (41 886) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.8 (k) Capital, Cash and Conditional grant Performance - uMlalazi Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 77 287 | 68 648 | 73 633 | 107.3 | It was noted that the municipality has recognised Transfers recognised - capital amounting to R73.6 million against an Adjusted budget of R68.6 million. The municipality indicated that the variance of 7.3 percent is due to an error in reporting where the municipality recognised Internally generated funds as Transfers recognised - capital, the municipality will correct this error during the preparation of the 2016/17 Annual Financial Statements. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | 13 361 | - | - | It was noted that the municipality did not recognise any Internally generated funds as at the end of the 2016/17 financial year. The municipality indicated that this is due to an error in reporting where the municipality recognised Internally generated funds as Transfers recognised - capital, the municipality will correct this error during the preparation of the 2016/17 Annual Financial Statements. |
| Total Capital Revenue | 77 287 | 82 008 | 73 633 | 89.8 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 5 398 | 9 855 | 8 202 | 83.2 | The municipality has indicated that the variance is due to virements done towards the end of the financial year and based on the new budget amounts, the variance is less than 5%. |
| Community and Public Safety | 17 040 | 16 883 | 14 523 | 86.0 | The municipality has indicated that the variance is due to virements done towards the end of the financial year and based on the new budget amounts, the variance is less than 5%. |
| Eco. & Environmental Services | 48 070 | 53 209 | 49 163 | 92.4 | Due to the tender awarded for the rehabilitation of urban roads being less than the budget amount and two MIG projects which are still in progress, the municipality has underspent its Eco. & Environmental services capital budget. |
| Trading Services | 6 500 | 1 881 | 1 746 | 92.8 | The municipality has indicated that the variance is due to virements done towards the end of the financial year and based on the new budget amounts, the variance is less than 5%. |
| Other | 280 | 180 | - | - | The municipality has indicated that the variance is due to virements done towards the end of the financial year and based on the new budget amounts, the variance is less than 5%. |
| Total Capital Expenditure | 77 287 | 82 008 | 73 633 | 89.8 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 87 326 | 112 439 | 112 434 | | |
| Cash/cash equiv. at the year end: | 63 848 | 73 889 | 86 123 | | |
| Net Increase/(Decrease) in cash held | (23 478) | (38 550) | (26 312) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 625 | 1 624 | 100.0% | 1 | |
| Expanded Public Works Programme Integrated Grant | 2 924 | 2 924 | 100.0% | - | |
| Municipal Infrastructure Grant | 35 539 | 35 532 | 100.0% | 7 | |

Table 4.8 (I) Trade and other receivables, Trade and other payables and Key ratios - uMlalazi Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 32 866 | | |
| Debtors as at 30 June 2017 | 48 309 | | Reasons for the increase in debtors as at 30 June 2017 were not provided by the municipality. Debtors have increased by R15.4 million from R32.9 million at the end of the 2015/16 financial year to R48.3 million at the end of the 2016/17 financial year. It appears that the municipality's debtors are increasing, the municipality is advised to ensure that debt collection and credit control strategies as well as the indigent policy are rigorously implemented and enforced. |
| <u>By age analysis</u> | | | |
| 0-30 days | 5 343 | 11.1% | |
| 31-60 days | 1 805 | 3.7% | |
| 61-90 days | 622 | 1.3% | |
| >90 days | 40 539 | 83.9% | The majority of the municipality's debtors are in the over 90 days category which indicates that the municipality is struggling to collect long over due debt and this negatively impacts the municipality's cash flow position. |
| Total by age analysis | 48 309 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 9 770 | 20.2% | |
| Commercial | 4 455 | 9.2% | |
| Households | 14 637 | 30.3% | |
| Other | 19 447 | 40.3% | A significant portion (R19.4 million or 40.3 percent) of debt owed to the municipality is owed by the "Other" customer group. The municipality has not provided a breakdown of the Other customer group. The municipality is encouraged to provide a breakdown of the Other customer group when submitting their monthly Section 71 reports. |
| Total by customer group | 48 309 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 37 752 | 100.0% | |
| 31-60 days | 5 | 0.0% | It was noted that the municipality has outstanding creditors amounting to R5 000 that have been outstanding for longer than 30 days. This is in contravention of Section 65(e) of the MFMA, which states that Creditors should be paid within 30 days. |
| 61-90 days | - | - | |
| >90 days | 0 | 0.0% | |
| Total by age analysis | 37 756 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 31.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 9.3% | Contracted services as a percentage of total operating expenditure amounts to 9.3 percent, this is in excess of the norm of 2 to 5 percent. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing rate of reliance on consultants. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 52.0% | Own sources of revenue to total operating revenue amounts to 52 percent. This indicates that the municipality does not mainly rely on grants to fund its operational projects. |
| Own funded capital expenditure | - | 0.0% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 17.1% | Capital Expenditure to Total expenditure amounts to 17.1 percent and is within the norm of 10 to 20 percent. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -13.3% | The net operating surplus margin amounts to negative 13.3 percent, which is below the acceptable norm of equal to or greater than 0. Compared to last year, the net operating surplus margin has deteriorated from negative 0.7 percent to negative 13.3 percent. |

4.8.4 Analysis per municipality: Mthonjaneni Local Municipality

Table 4.8 (m) Operating Revenue and Expenditure Performance - Mthonjaneni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 9 901 | 10 462 | 8 565 | 81.9 | The municipality has generated an amount of R8.6 million against an Adjusted Budget amount of R10.5 million resulting in an under generation of 18.1 percent. The under generation has been attributed to the Indigent register which has not been updated after the incorporation of some wards from Ntambanana Local Municipality. |
| Service Charges ² | 23 788 | 23 344 | 26 683 | 114.3 | The municipality has attributed the over generation reported under Service charges to incorrect billing figure reported on the monthly Section 71 return. The municipality has corrected the figures on the draft 2016/17 Annual Financial Statements (AFS) and as per Note 54 on the AFS the municipality has reflected an under generation of 18 percent for Service charges, which resulted from the fact that there was a reduction in electricity consumption. Residents and businesses consumed less electricity than anticipated. |
| Transfers recognised - operational | 77 172 | 71 851 | 72 426 | 100.8 | |
| Other sources of Revenue ³ | 28 064 | 45 131 | 41 689 | 92.4 | The variance noted on Other sources of revenue is mostly due to Licenses and permits and Rental of facilities and equipment. The municipality has indicated that the following are the main reasons for the variance: Licenses and permits - The municipality did not issue as many licences and permits as targeted. Rental of facilities and equipment - Some facilities were not utilised as anticipated by the municipality Interest received - External Investments - There was a reduction in Investments to fund the Adjustments Budget for 2016/17 financial year. Fines - There was an increase in the number of road users failing to obey the rules of the road and the additional speed trap cameras that were placed on the roads within the Mthonjaneni Local Municipality area of jurisdiction |
| Total Operating Revenue | 138 925 | 150 788 | 149 363 | 99.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 42 317 | 42 332 | 33 324 | 78.7 | The municipality has spent R33.3 million or 78.7 percent of its Adjusted Employee related costs budget of R42.3 million. The municipality has attributed the under spending to staff vacancies within the municipality. |
| Remuneration of councillors | 6 107 | 6 910 | 5 107 | 73.9 | The municipality has only spent R5.1 million or 73.9 percent against Remuneration of councillors Adjusted Budget of R6.9 million. The municipality indicated that the underspending was due to the fact that the municipality budgeted the Remuneration of councillors on Grade 3 because of the takeover of some wards from Ntambanana Local Municipality, however the regrading process has not been finalised and the municipality remained in Grade 2 hence there is under expenditure. |
| Debt impairment | 11 130 | 11 130 | - | - | The municipality indicated that their Debt impairment provision is calculated and recognised at year end, thus, no actual performance amount was available at the time of the Section 71 reporting. The municipality is encouraged to report on this expenditure line item on a monthly basis. |
| Depreciation and asset impairment | 3 700 | 3 700 | 2 468 | 66.7 | The municipality has indicated that the variance noted on the Depreciation and asset impairment line item was due to incorrect reporting. The municipality did not submit the correct Section 71 returns to correct the error but indicated that this would be corrected during the compilation of the 2016/17 AFS. |
| Bulk purchases | 22 304 | 22 304 | 19 778 | 88.7 | The municipality indicated that the variance on the Bulk purchases line item was due to over budgeting. The municipality had anticipated electricity consumption to be high but it turned out that it was lower than expected. |
| Contracted services | 3 073 | 5 231 | 8 830 | 168.8 | Over spending of 68.8 percent was noted under the Contracted services line item. The municipality has indicated that during the year additional security and additional vehicles had to be sourced. The municipality was advised that the over expenditure may be deemed as Unauthorised expenditure. |
| Other expenditure items ⁴ | 50 268 | 59 180 | 45 248 | 76.5 | The underspending under the Other expenditure items is due to savings realised from the implementation of cost cutting measures. |
| Total Operating Expenditure | 138 900 | 150 787 | 114 754 | 76.1 | |
| Operating surplus/(deficit) | 25 | 1 | 34 609 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.8 (n) Capital, Cash and Conditional grant Performance - Mthonjaneni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 27 399 | 27 399 | 46 163 | 168.5 | The municipality has recognised Transfers recognised - capital of R46.2 million which is more than the Adjusted Budget figure of R27.4 million. The municipality did not take into account the additional R10 million that was allocated to the municipality during the preparation of the Adjustments Budget. |
| Public contributions and donations | - | - | 243 | - | The municipality indicated that they did not receive any Public contributions and donations, the amount reported is incorrect and will be corrected during the compilation of the 2016/17 AFS. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 6 843 | 25 256 | 1 397 | 5.5 | The municipality indicated that the under spending against its Internally generated funds is due to an error in reporting where the municipality recognised Internally generated funds as Transfers recognised - capital, the municipality will correct this error during the preparation of the 2016/17 AFS. |
| Total Capital Revenue | 34 242 | 52 655 | 47 803 | 90.8 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 1 206 | 8 201 | 6 431 | 78.4 | The municipality indicated that errors in the mapping of the Section 71 report (Capital Acquisitions Actual) to the ledger lead to misallocations within the standard classification of the unaudited actual expenditure for the 2016/17 financial year. |
| Community and Public Safety | 3 220 | 197 | 7 165 | 3 636.8 | As indicated above , the errors in the mapping of the line items lead to incorrect reporting on some of the capital votes, including expenditure on Community and Public Safety. The correct amount will be reflected in the AFS. |
| Eco. & Environmental Services | 19 316 | 22 357 | 39 641 | 177.3 | The over expenditure on Economic & Environmental Services by 77.3 percent is not a true reflection of the expenditure due to errors in mapping as indicated earlier. It is expected that the correct amount will be reflected in the finalised AFS which will be submitted to National Treasury and Provincial Treasury. |
| Trading Services | 10 500 | 21 900 | (5 432) | - | The municipality indicated that errors in the mapping of the Section 71 report (Capital Acquisitions Actuals) to the ledger lead to misallocations within the standard classification of the unaudited actual expenditure for the 2016/17 financial year. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 34 242 | 52 655 | 47 803 | 90.8 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 49 259 | 42 470 | 42 139 | | |
| Cash/cash equiv. at the year end: | 42 441 | 20 066 | 42 323 | | It was noted that the closing balance of R42.3 million does not reconcile with the final bank reconciliation for the 2016/17 financial year which amounts to R20.3 million. It is expected that the correct amount will be reflected in the finalised AFS to be submitted to National Treasury and Provincial Treasury. |
| Net Increase/(Decrease) in cash held | (6 818) | (22 405) | 184 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 2 738 | 2 744 | 100.2% | (6) | |
| Expanded Public Works Programme | 2 161 | 2 377 | 110.0% | (216) | |
| Municipal Infrastructure Grant | 28 899 | 28 038 | 97.0% | 861 | The municipality indicated that the Municipal Infrastructure Grant allocation for the 2016/17 financial year had been fully utilised. The Section 71 return correcting the underspending had been sent to National Treasury. |

Table 4.8 (o) Trade and other receivables, Trade and other payables and Key ratios - Mthonjaneni Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 24 379 | | |
| Debtors as at 30 June 2017 | 7 897 | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 786 | 22.6% | |
| 31-60 days | 613 | 7.8% | |
| 61-90 days | 561 | 7.1% | |
| >90 days | 4 938 | 62.5% | The majority of the municipality's debtors are in the over 90 days category which indicates that the municipality is struggling to collect long over due debt and this negatively impacts on the municipality's cash flow position. |
| Total by age analysis | 7 897 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 2 231 | 28.2% | |
| Commercial | 1 357 | 17.2% | |
| Households | 3 438 | 43.5% | A significant portion (R3.4 million or 43.5 percent) of debt owed to the municipality is owed by the Households customer group. The municipality is largely rural in nature and the majority of Households with outstanding balances appear to be indigent and should be classified accordingly by the municipality. The process can be correctly achieved through regular updating of the Indigent register. |
| Other | 871 | 11.0% | |
| Total by customer group | 7 897 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 923 | 81.3% | |
| 31-60 days | 36 | 3.1% | |
| 61-90 days | 20 | 1.7% | |
| >90 days | 157 | 13.9% | As at the end of the financial year, the municipality reported creditors outstanding for a period greater than 30 days. The municipality is in contravention with Section 65(2)(e) of the MFMA by having creditors more than 30 days as they attract interest charges which translates to fruitless and wasteful expenditure. |
| Total by age analysis | 1 135 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 33.5% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.7% | Contracted services as a percentage of total operating expenditure amounts to 7.7 percent, this is in excess of the norm of 2 to 5 percent. This suggests that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing reliance on consultants. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 51.5% | Own sources of revenue to total operating revenue amounts to 51.5 percent. This suggests that the municipality does not mainly rely on grants to fund its operational projects. |
| Own funded capital expenditure | - | 2.9% | The municipality's capital expenditure was mainly funded from National and Provincial government grants and only 2.9 percent was funded from Internally generated funds. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 29.4% | Although the municipality's ratio of Capital expenditure to Total expenditure is above the norm of 10 percent to 20 percent, it suggests that the municipality is committed to improving infrastructure and the eradication of backlogs. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 23.2% | |

4.8.5 Analysis per municipality: Nkandla Local Municipality

Table 4.8 (p) Operating Revenue and Expenditure Performance - Nkandla Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 12 314 | 18 366 | 20 025 | 109.0 | The municipality had budgeted to bill an amount of R18.4 million for Property rates during the 2016/17 financial year, however the municipality has billed a total amount of R20 million resulting in an over generation of R1.7 million. The over generation is due to properties that were not taken into account when preparing the Adjustments Budget but were discovered and added to the Valuation roll during the second half of the 2016/17 financial year. |
| Service Charges ² | 551 | 16 021 | 9 452 | 59.0 | The municipality has attributed the under generation from Service charges to the fact that Service charges - electricity units sold were less than anticipated as well as internal consumption and electricity losses. It was also noted that there were a number of errors on the submitted Section 71 reports where revenue for both Service charges - electricity and Service charges - Refuse removal were incorrectly reported under Other own revenue. |
| Transfers recognised - operational | 83 881 | 83 881 | 115 016 | 137.1 | The variance noted for Transfers recognised - operational is due to a reporting error on the monthly Section 71 return that was not rectified by the municipality, this error will be corrected during the compilation of the Annual Financial Statements for the 2016/17 financial year. |
| Other sources of Revenue ³ | 22 412 | 5 537 | 23 938 | 432.3 | The high variance noted under Other sources of revenue is mainly due to errors on the monthly Section 71 reports which lead to misallocations reported under Other own revenue. The municipality indicated that these misallocations will be corrected during the compilation of the Annual Financial Statements for the 2016/17 financial year. |
| Total Operating Revenue | 119 157 | 123 805 | 168 431 | 136.0 | |
| Operating Expenditure | | | | | |
| Employee related costs | 39 445 | 39 571 | 36 978 | 93.4 | |
| Remuneration of councillors | 8 526 | 8 126 | 8 115 | 99.9 | |
| Debt impairment | 560 | 795 | - | - | The municipality indicated that their Debt impairment provision is calculated and recognised at year end, thus, no actual performance amount was available at the time of the Section 71 reporting. The municipality is encouraged to report on this expenditure line item on a monthly basis. |
| Depreciation and asset impairment | 2 755 | 5 870 | - | - | Similar to Debt impairment, the municipality indicated that it calculates and accounts for Depreciation and asset impairment at the end of the financial year, however, with the implementation of the Municipal Standard Chart of Accounts (mSCOA) the municipality is encouraged to properly account for Depreciation and asset impairment on a monthly basis. |
| Bulk purchases | 11 000 | 12 000 | 11 592 | 96.6 | |
| Contracted services | 9 825 | 18 447 | 9 839 | 53.3 | It was noted that the municipality reported the incorrect budget figure for Contracted services. The municipality reported a figure of R9.8 million instead of R14.5 million as per the adopted budget submitted to both National and Provincial Treasuries. The variance noted under Contracted services is mainly due to two contracts for Vehicle leases and Printing machines having to be stopped during the financial year and resulted in better rates negotiated. |
| Other expenditure items ⁴ | 45 311 | 37 890 | 61 556 | 162.5 | The municipality has attributed the over spending against Other expenditure items to errors on the submitted Section 71 reports. The municipality indicated that the errors will be rectified during the compilation of the 2016/17 Annual Financial Statements. |
| Total Operating Expenditure | 117 422 | 122 699 | 128 080 | 104.4 | |
| Operating surplus/(deficit) | 1 735 | 1 106 | 40 351 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.8 (q) Capital, Cash and Conditional grant Performance - Nkandla Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 39 795 | 39 795 | 38 715 | 97.3 | |
| Public contributions and donations | 3 507 | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | - | 2 807 | 32 | 1.1 | The municipality indicated that due to cash constraints and the subsequent implementation of cost cutting strategies, projects that were earmarked to be funded from Internally generated funds had to be deferred, hence the low spending under the Internally generated funds category. |
| Total Capital Revenue | 43 302 | 42 602 | 38 746 | 90.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 3 507 | 307 | 32 | 10.4 | The municipality indicated that due to cash constraints and the subsequent implementation of cost cutting strategies, projects that were earmarked to be funded from Internally generated funds had to be deferred. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | 39 795 | 42 295 | 38 714 | 91.5 | The variance under the Economic & Environmental services line item is due to Internally funded capital projects under Road transport being deferred due to cash constraints experienced by the municipality. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 43 302 | 42 602 | 38 746 | 90.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 9 051 | 4 482 | 4 482 | | |
| Cash/cash equiv. at the year end: | 8 585 | (7 435) | 2 556 | | |
| Net Increase/(Decrease) in cash held | (466) | (11 917) | (1 925) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 2 149 | 2 149 | 100.0% | - | |
| Municipal Infrastructure Grant | 21 795 | 21 795 | 100.0% | - | |

Table 4.8 (r) Trade and other receivables, Trade and other payables and Key ratios - Nkandla Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 19 084 | | |
| Debtors as at 30 June 2017 | 23 274 | | Reasons for the increase in Debtors as at 30 June 2017 were not provided by the municipality. Debtors have increased by R4.2 million from R19.1 million at the end of the 2015/16 financial year to R23.3 million at the end of the 2016/17 financial year. It appears that the municipality's Debtors are increasing, the municipality is advised to ensure that debt collection and credit control strategies as well as indigent policies are rigorously implemented and enforced. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 866 | 8.0% | |
| 31-60 days | 1 102 | 4.7% | |
| 61-90 days | 1 562 | 6.7% | |
| >90 days | 18 745 | 80.5% | The majority of the municipality's Debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long over due debt and this negatively impacts on the municipality's cash flow position. |
| Total by age analysis | 23 274 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 6 009 | 25.8% | |
| Commercial | 7 440 | 32.0% | |
| Households | 9 498 | 40.8% | A significant portion (R9.5 million or 40.8 percent) of debt owed to the municipality is owed by the Households customer group and a larger portion (R6.8 million or 72.1 percent) of this debt is outstanding for more than 90 days. The municipality is largely rural in nature and the majority of Households with outstanding balances appear to be indigent and should be classified accordingly by the municipality. |
| Other | 327 | 1.4% | |
| Total by customer group | 23 274 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 810 | 12.0% | |
| 31-60 days | 1 121 | 16.6% | |
| 61-90 days | 118 | 1.7% | |
| >90 days | 4 712 | 69.7% | As at the end of the financial year, the municipality reported creditors outstanding for a period greater than 30 days. The municipality is in contravention with Section 65(2)(e) of the MFMA by having Creditors more than 30 days and might attract interest charges which translates to Fruitless and wasteful expenditure. |
| Total by age analysis | 6 761 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 35.2% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.7% | Contracted services as a percentage of total operating expenditure amounts to 7.7 percent, this is in excess of the norm of 2 to 5 percent. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to Consultants or that Contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing reliance on Consultants. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 31.7% | The ratio indicates that the municipality is becoming increasingly dependant on grant funding. When compared to the ratio calculated at the end of the 2015/16 financial year (43.6 percent), it is evident that the municipality's grant dependency is growing. |
| Own funded capital expenditure | - | 0.1% | The municipality's capital expenditure was mainly funded from National and Provincial government grants and only 0.1 percent was funded from Internally generated funds. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to T total expenditure | 10% - 20% | 23.2% | Although the municipality's ratio of Capital expenditure to T total expenditure is above the norm of 10 percent to 20 percent, it suggests that the municipality is committed to improving infrastructure and the eradication of backlogs. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 24.0% | |

4.8.6 Analysis per municipality: King Cetshwayo District Municipality

Table 4.7 (j) Operating Revenue and Expenditure Performance - King Cetshwayo District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | – | – | – | – | |
| Service Charges ² | 75 834 | 66 212 | 65 157 | 98.4 | |
| Transfers recognised - operational | 472 693 | 472 693 | 461 917 | 97.7 | |
| Other sources of Revenue ³ | 90 539 | 159 100 | 105 377 | 66.2 | The municipality has indicated that the under spending noted is as a result of some revenue items that had been ring fenced from prior year's accumulated surpluses, which were included in the budget to fund expenditure. All municipalities have been encouraged at all times to enhance revenue generation and apply strategies that will improve in generating own revenue, however these strategies must be realistic, to ensure that the budgeted revenue is achieved. In this case accumulated surpluses cannot be collected or generated as these amounts do not get categorised as collectable revenue. |
| Total Operating Revenue | 639 065 | 698 005 | 632 451 | 90.6 | |
| Operating Expenditure | | | | | |
| Employee related costs | 190 458 | 182 254 | 161 701 | 88.7 | The municipality stated that the under spending was a result of numerous vacant posts that was budgeted for in the 2016/17 financial year, however the recruitment process were delayed for most posts and some were not filled at all. This variance was also due to vacant positions as a result of staff turnover. |
| Remuneration of councillors | 11 411 | 11 411 | 9 986 | 87.5 | The municipality has indicated that the low expenditure was attributable to the Local Government elections that took place in August, which resulted in the municipality having to apply to the MEC to have some councillors designated as full time. |
| Debt impairment | 3 834 | 12 522 | 12 522 | 100.0 | |
| Depreciation and asset impairment | 64 000 | 76 061 | 76 061 | 100.0 | |
| Bulk purchases | 48 010 | 50 939 | 50 319 | 98.8 | |
| Contracted services | 103 238 | 111 295 | 113 427 | 101.9 | The 2016/17 Adjusted Budget included Repairs and maintenance projects which were to be outsourced to various Contractors, however it appears as though the municipality's Unaudited actual of R113.4 million for Contracted services has exceeded the Adjustments Budget of R111.3 million. The Repairs and maintenance incurred was above the budgeted allocation. |
| Other expenditure items ⁴ | 248 533 | 306 473 | 257 592 | 84.1 | According to the district municipality, the main cause of the under spending is related to the grant funded operational projects which are funded from Water Services Infrastructure Grant (WSIG) where, as at 30 June 2017, there has been R14 million unspent under the WSIG grant. Furthermore, a motivation for a rollover application for the unspent portion is being prepared for submission to National Treasury. |
| Total Operating Expenditure | 669 484 | 750 955 | 681 608 | 90.8 | |
| Operating surplus/(deficit) | (30 419) | (52 950) | (49 156) | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.7 (k) Capital, Cash and Conditional grant Performance - King Cetshwayo District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 428 712 | 406 281 | 304 711 | 75.0 | The district municipality justified the variance of 25 percent by stating that some journal entries were passed during the preparation of the Annual Financial Statements (AFS) and the figures provided for Section 71 reports were provisional figures, pending the finalisation of the AFS, which will result in different figures being reported. |
| Public contributions and donations | 6 000 | - | - | - | |
| Borrowing | - | 969 | 29 | 3.0 | In the Adjustments Budget, the municipality added a Borrowing amounting to R969 000, which was initially not part of the Original budget. The district municipality did not substantiate what this amount pertains to as well as further details about the provider, whether it is secured and what are the terms and conditions of the Loan agreement. However, the municipality has reported that this amount has been fully spent and would be correctly reflected in the AFS. The Section 71 figures were not the final amounts for 2016/17. |
| Internally generated funds | 31 481 | 57 207 | 24 190 | 42.3 | According to the municipality, various projects that were in progress as at 30 June 2017 were not fully completed therefore not all funds were utilised from the Internally generated funds. |
| Total Capital Revenue | 466 192 | 464 457 | 328 930 | 70.8 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 10 900 | 13 370 | 4 470 | 33.4 | The under spending of 33.4 percent noted under Governance and administration is attributable to a delay in Supply Chain Management procedures, where various projects were not completed or not initiated on time. The municipality was to fund these projects through Internally generated funds, however, these projects will continue in the following financial year. |
| Community and Public Safety | 680 | 10 817 | 4 493 | 41.5 | The municipality has indicated that the low expenditure is attributable to a delay in Supply Chain Management procedures, where various projects were not completed or not initiated timeously. Delayed Capital projects will continue in the following financial year. |
| Eco. & Environmental Services | 100 | 227 | 98 | 43.2 | Under Economic and environmental services, the municipality has only reported 43.2 percent expenditure as at the end of June 2017, which is less than 50 percent, whilst at the end of the fourth quarter, the municipality is expected to have spent 100 percent of the approved Adjustments Budget. The municipality mentioned that the under spending was attributable to a delay in Supply Chain Management procedures. |
| Trading Services | 454 512 | 440 043 | 319 868 | 72.7 | As at 30 June 2017, all budget allocations are expected to be fully spent, especially for conditional grants related expenditure, as unspent grants must be returned to the National Revenue Fund if funds are unspent. As per the municipality, the under spending is partly due to the WSIG grant that was not fully spent at the end of the 2016/17 financial year, however, other infrastructure related grants such as Municipal Infrastructure Grant (MIG) and Regional Bulk Infrastructure Grant (RBIG) have been spent in full. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 466 192 | 464 457 | 328 930 | 70.8 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 345 808 | 422 557 | 82 533 | | Provincial Treasury has noted that the municipality has reflected Cash / cash equivalents at the beginning of the year amounting to R82.5 million in the Unaudited actuals, which is much lower than the R422.6 million in the approved Adjustments Budget. This is an indication that the municipality's cash flow position is deteriorating and may be at risk of facing cash flow challenges in the future. The municipality indicated that the reduction of Unaudited actual figures is due to the exclusion of invested funds, as the Section 71 reports do not cater for the inclusion of Investments. |
| Cash/cash equiv. at the year end: | 303 426 | 340 041 | 177 164 | | Although the municipality has reflected that the Cash flow has ended with a significant surplus in the 2016/17 financial year, it is still a concern that the surplus is decreasing, whilst in 2015/16, the audited closing balance was R422.6 million. The municipality is advised to ensure that the revenue generation is prioritised in order to boost the Cash flow and increase collection of outstanding debtors to avoid any liquidity issues. |
| Net Increase/(Decrease) in cash held | (42 382) | (82 516) | 94 631 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 5 466 | 5 466 | 100.0% | - | |
| Municipal Infrastructure Grant | 165 170 | 165 170 | 100.0% | - | |

Table 4.7 (I) Trade and other receivables, Trade and other payables and Key ratios - King Cetshwayo District Municipality

| | Amount | % of total debt / payables | Comments |
|---|---------------|----------------------------|--|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 159 966 | | |
| Debtors as at 30 June 2017 | 57 422 | | The municipality substantiated the decrease in Debtors by stating that the Aged Debtors return submitted for Month 12 amounting to R57.4 million only reported Trade Debtors and not all Debtors, as per the audited AFS, which is incorrect disclosure of Debtors, as the Aged Debtors should reflect all Debtors outstanding at the time of reporting. The municipality further stated that the Trade Debtors for the prior financial year amounted to R59.8 million. |
| By age analysis | | | |
| 0-30 days | 6 487 | 11.3% | |
| 31-60 days | 2 835 | 4.9% | |
| 61-90 days | 2 056 | 3.6% | |
| >90 days | 46 045 | 80.2% | As per the municipality, the outstanding debt owed to the municipality in the Over 90 days category, is an accumulation of debtors which could not be collected over several years. On average the municipality collects between 90 and 95 percent of all billable revenue. The 5 to 10 percent amounts not collected were predominantly from the poor rural communities where there is limited or no income. Furthermore the district municipality stated that Indigent policies are now in place to assist these consumers, however, even with the subsidised and free basic costs, consumers still cannot afford to honour the payments outstanding. The Municipality has been very conservative with the write off of debts in the past, and kept such to a minimum. The debts owed are however scrutinised and provided for as doubtful debts, thus fairly disclosing the Debtors in the AFS. Several mechanism and initiatives have been explored in the past few months to focus on curbing the growth of aging debtors, and these include Prepaid water meter systems, as well as Debtors training and analysis process, so as to determine if write offs may be required for certain Debtors / categories of Debtors. |
| Total by age analysis | 57 422 | 100.0% | |
| By customer group | | | |
| Organs of state | 5 976 | 10.4% | |
| Commercial | 6 401 | 11.1% | |
| Households | 45 045 | 78.4% | The municipality has indicated that this amount may be attributable to the households which are disadvantaged due to minimal income or no income at all. These types of households should be classified as Indigents and should not be billed. Moreover, the municipality should embark on a Debtor cleansing exercise where the long outstanding Debtors should be reviewed to ensure that Indigents are not being billed in error. The Indigents register must also be updated regularly. |
| Other | - | - | |
| Total by customer group | 57 422 | 100.0% | |
| Creditors | | | |
| By age analysis | | | |
| 0-30 days | 22 585 | 37.2% | |
| 31-60 days | 7 954 | 13.1% | |
| 61-90 days | 118 | 0.2% | |
| >90 days | 30 003 | 49.5% | |
| Total by age analysis | 60 660 | 100.0% | The district municipality has reported Creditors in the over 31 - 60 days category, at 13.1 percent, which is an indication that the municipality is not complying with Section 65(2)(e) of the MFMA, which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. The district municipality requested Provincial Treasury to note that these figures were provisional amounts which are pending the finalisation of the AFS, the final figures have changed since the date of reporting of the Section 71 reports and will be supplied once the AFS have been finalised. |
| Key Ratios | | | |
| | | Norm/ Range | % Actual |
| Expenditure management | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | | 25.2% |
| Contracted services as a % of Total operating expenditure | 2% - 5% | | 16.6% |
| Grant dependency | | | |
| Own sources of revenue to total operating revenue | - | | 27.0% |
| Own funded capital expenditure | - | | 7.4% |
| Asset Management | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | | 32.5% |
| Efficiency | | | |
| Net operating surplus margin | = or > 0% | | -7.8% |

4.9 iLembe District

iLembe District comprises of five municipalities, namely: Mandeni, KwaDukuza, Ndwedwe and Maphumulo Local Municipalities and iLembe District Municipality. iLembe District Municipality also has ownership of a municipal entity, namely, Enterprise iLembe which focuses on facilitating local economic development, in response to the high unemployment rate and the resultant high levels of poverty in the district.

The iLembe District Municipal area is amongst the many district areas within the province that are still severely affected by drought conditions and had to be declared a disaster area. All municipalities within the district are severely affected. The severe drought conditions particularly have affected the Agricultural sector and reportedly resulted in huge stock losses and crop losses for provincial farmers.

The iLembe District Municipal area lies on the east coast of KwaZulu-Natal (KZN), between the eThekweni Metro and the Tugela River mouth and is traversed by the N2. Covering an area of 3 269 km², and a population size of 606 809 as per the 2011 census, the district is located between Africa's two great ports, that is, Durban and Richards bay and is approximately 10km away from King Shaka International Airport. Despite its strategic location, iLembe District faces a number of challenges, such as high poverty in the rural inland areas and a high level of unemployment.

The iLembe District Municipality is responsible for the provision of *Water* and *Sanitation* services for the entire district. Mandeni and KwaDukuza Local Municipalities render *Electricity* and *Refuse removal* services while Ndwedwe and Maphumulo Local Municipalities do not render any trading services.

As at the end of the 2016/17 financial year, Ndwedwe, KwaDukuza and iLembe District Municipalities had permanent Municipal Manager (MM). The position of the MM in Ndwedwe Local Municipality was filled permanently on 03 April 2017. The MM at Mandeni Local Municipality has been in an acting position since 14 December 2016. The Maphumulo Local Municipality had an Acting MM for the entire 2016/17 financial year.

Mandeni, KwaDukuza and Ndwedwe Local Municipalities had permanent Chief Financial Officers (CFO) while iLembe District Municipality and Maphumulo Local Municipalities had Acting CFOs as at the end of 2016/17.

For the 2015/16 financial year, iLembe District Municipality and Mandeni Local Municipality had obtained financially unqualified audit opinions with no findings whilst KwaDukuza, Maphumulo and Ndwedwe Local Municipalities obtained financial unqualified opinions with findings.

4.9.1 Overview of iLembe District Performance

Table 4.9.1(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|--------------|------------------|------------------|------------------|-------------|
| Mandeni | 203 590 | 207 690 | 216 653 | 104.3 |
| KwaDukuza | 1 362 421 | 1 362 034 | 1 380 164 | 101.3 |
| Ndwedwe | 129 794 | 132 344 | 137 725 | 104.1 |
| Maphumulo | 105 873 | 108 486 | 107 316 | 98.9 |
| iLembe DM | 589 783 | 584 507 | 538 129 | 92.1 |
| Total | 2 391 461 | 2 395 061 | 2 379 986 | 99.4 |

Source: NT Igdatabase

Table 4.9.1(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|------------------|------------------|------------------|-------------|
| Mandeni | 203 740 | 207 240 | 219 364 | 105.9 |
| KwaDukuza | 1 338 193 | 1 361 454 | 1 306 283 | 95.9 |
| Ndwedwe | 127 457 | 132 152 | 110 697 | 83.8 |
| Maphumulo | 98 729 | 98 411 | 92 814 | 94.3 |
| iLembe DM | 579 600 | 584 381 | 546 978 | 93.6 |
| Total | 2 347 720 | 2 383 638 | 2 276 135 | 95.5 |

Source: NT Igdatabase

Table 4.9.1(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|--------------|-----------------|-----------------|------------------|--------------|
| Mandeni | 50 732 | 37 682 | 72 752 | 193.1 |
| KwaDukuza | 303 158 | 293 135 | 260 115 | 88.7 |
| Ndwedwe | - | 81 926 | 49 899 | 60.9 |
| Maphumulo | - | 24 697 | 29 360 | 118.9 |
| iLembe DM | 347 899 | 326 324 | 379 051 | 116.2 |
| Total | 701 789 | 763 764 | 791 177 | 103.6 |

Source: NT Igdatabase

Table 4.9.1(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|---------------|------------|---------------|------------|---------------|------------|----------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Mandeni | 294 | 0.2 | 5 757 | 3.9 | (4 403) | -3.0 | 144 364 | 98.9 | 146 012 |
| KwaDukuza | 31 711 | 18.0 | 30 190 | 17.2 | 8 546 | 4.9 | 105 386 | 59.9 | 175 832 |
| Ndwedwe | 357 | 3.2 | 316 | 2.8 | 316 | 2.8 | 10 137 | 91.1 | 11 126 |
| Maphumulo | 327 | 1.4 | 359 | 1.5 | 357 | 1.5 | 22 798 | 95.6 | 23 841 |
| iLembe DM | 11 681 | 4.6 | 7 933 | 3.1 | 7 296 | 2.9 | 224 968 | 89.3 | 251 879 |
| Total | 44 369 | 7.3 | 44 556 | 7.3 | 12 111 | 2.0 | 507 653 | 83.4 | 608 689 |

Source: NT Igdatabase

Table 4.9.1(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|--------------|-----------------|------------|----------------|-------------|----------------|-------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Mandeni | 2 368 | 1.6 | 57 472 | 39.4 | 86 032 | 58.9 | 140 | 0.1 | 146 012 |
| KwaDukuza | 11 290 | 6.4 | 32 404 | 18.4 | 105 162 | 59.8 | 26 977 | 15.3 | 175 832 |
| Ndwedwe | 3 318 | 29.8 | 5 825 | 52.4 | 1 391 | 12.5 | 592 | 5.3 | 11 126 |
| Maphumulo | 6 527 | 27.4 | 7 983 | 33.5 | 2 170 | 9.1 | 7 161 | 30.0 | 23 841 |
| iLembe DM | 10 586 | 4.2 | 6 080 | 2.4 | 214 431 | 85.1 | 20 782 | 8.3 | 251 879 |
| Total | 34 089 | 5.6 | 109 764 | 18.0 | 409 186 | 67.2 | 55 651 | 9.1 | 608 689 |

Source: NT Igdatabase

Table 4.9.1(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|--------------|----------------|-------------|---------------|-------------|---------------|------------|---------------|------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Mandeni | 7 278 | 91.2 | 699 | 8.8 | - | - | - | - | 7 977 |
| KwaDukuza | 182 235 | 96.3 | 4 763 | 2.5 | 937 | 0.5 | 1 305 | 0.7 | 189 240 |
| Ndwedwe | 9 | 2.1 | - | - | 23 | 5.0 | 422 | 92.9 | 454 |
| Maphumulo | 802 | 92.6 | 154 | 17.8 | (90) | -10.4 | - | - | 867 |
| iLembe DM | 62 422 | 46.7 | 33 016 | 24.7 | 14 062 | 10.5 | 24 207 | 18.1 | 133 707 |
| Total | 252 747 | 76.1 | 38 632 | 11.6 | 14 932 | 4.5 | 25 934 | 7.8 | 332 245 |

Source: NT Igdatabase

4.9.2 Analysis per municipality: Mandeni Local Municipality

Table 4.9 (g) Operating Revenue and Expenditure Performance - Mandeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| | | | | | The municipality experienced difficulties in extracting performance reports due to the upgrade of the municipality's financial system in May 2017. Thus, at the time of submitting of the Quarter 4 figures, many inaccuracies existed and are detailed in this report. During the preparation of the Annual Financial Statements (AFS), however, the performance reports subsequently retrieved from system backups were found to be more accurate. |
| Property Rates ¹ | 28 937 | 28 937 | 28 646 | 99.0 | |
| Service Charges ² | 20 156 | 25 106 | 17 550 | 69.9 | According to the municipality, the correct Unaudited Actual amount in respect of Service Charges amounts to R21.2 million which represents 84 percent of the Adjusted Budget amount of R25.1 million. The variance noted between the correct Unaudited Actual and Adjusted Budget is primarily attributable to the underperformance in respect of Service Charges- electricity. The municipality conceded that the budgeted revenue from Service Charges - electricity in the 2016/17 Adjustments Budget was inclusive of revenue anticipated from Umgeni Water Board, which was not billed to the extent as initially anticipated by the municipality. |
| Transfers recognised - operational | 139 308 | 139 308 | 158 941 | 114.1 | As per the municipality, the correct Unaudited Actual amount in respect of Transfers recognised- operational amounts to R145.3 million which represents 104 percent of the Adjusted Budget. The municipality attributed the performance in excess of the Adjusted Budget to the roll-over of the Massification and Integrated National Electrification Program grants from the 2015/16 financial year. The municipality should have adjusted their 2016/17 budget to include the approved rollovers as advised by Provincial Treasury in the assessment of the 2016/17 Adjustments Budget. It is further noted that the municipality did not separately report the expenditure incurred against the rolled-over amount in respect of the INEP grant in the additional Section 71 rolled-over |
| Other sources of Revenue ³ | 15 190 | 14 340 | 11 516 | 80.3 | The under-generation in comparison to the Adjusted Budget is attributable to items such as Fines and Interest on external investments, amongst others, which according to the municipality, were not raised as anticipated. |
| Total Operating Revenue | 203 590 | 207 690 | 216 653 | 104.3 | |
| Operating Expenditure | | | | | |
| Employee related costs | 67 960 | 67 960 | 69 681 | 102.5 | The municipality indicated that they had marginally under-budgeted for Employee related costs and had thus over-performed in respect of this line item. |
| Remuneration of councillors | 12 580 | 12 580 | 10 990 | 87.4 | The municipality conceded that they had over-budgeted for Remuneration of councillors and as a result, they have under-performed in comparison to the Adjustments Budget |
| Debt impairment | 3 629 | 3 629 | 1 869 | 51.5 | Debt impairment assessments are conducted bi-annually and as at the end of the 2016/17 financial year, the municipality had not completed the debt impairment assessment for the second half of the year, thus the Unaudited Actual amount is incomplete. |
| Depreciation and asset impairment | 21 000 | 21 000 | 18 504 | 88.1 | As per the municipality, the Unaudited Actual Amount is incorrect and should in fact be R24 million, representing 114 percent of the budgeted amount for Depreciation and asset impairment cost. The over-expenditure noted against this expenditure item is due to the municipality understating their budget for Depreciation and asset impairment based on the assumption that a significant number of assets would still be classified as Work In Progress at year-end. |
| Bulk purchases | 9 596 | 14 096 | 10 379 | 73.6 | Similar to Service Charges - Electricity revenue as noted above, the municipality conceded that the budgeted expenditure for Bulk purchases in the 2016/17 Adjustments Budget included Bulk purchases relating to the supply of electricity to Umgeni Water Board which did not fully materialise as anticipated. |
| Contracted services | 16 352 | 18 102 | 18 326 | 101.2 | |
| Other expenditure items ⁴ | 72 624 | 69 874 | 89 614 | 128.3 | The over-expenditure noted against this line item is primarily due to expenditure incurred against the Massification and INEP grants (Transfers and grants), rolled over from the 2015/16 financial year, which were not budgeted for, and also due to the municipality having under-budgeted for Repairs and maintenance under Other materials. |
| Total Operating Expenditure | 203 740 | 207 240 | 219 364 | 105.9 | |
| Operating surplus/(deficit) | (150) | 450 | (2 711) | | Considering the inaccurate reporting against the various line items noted above, the operating deficit of R2.7 million is not a true reflection of the municipality's actual performance as at the end of the 2016/17 financial year. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.9 (h) Capital, Cash and Conditional grant Performance - Mandeni Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 33 757 | 25 757 | 54 108 | 210.1 | As per the municipality, the correct Unaudited Actual amount in respect of Transfers recognised capital amounts to R34.2 million, which represents 133 percent of the Adjusted Budget. The municipality attributed the performance in excess of the Adjusted Budget to expenditure incurred relating to the Neighbourhood Development Partnership grant. The municipality had received an allocation of R13.4 million in respect of the Neighbourhood Development Partnership Grant (NDPG) in March 2017, subsequent to tabling their 2016/17 Adjustments Budget, but chose not to effect an adjustment to their 2016/17 Budget to reflect such, as they deemed it unlikely that they would be able to spend this allocation by the end of the 2016/17 financial year. Notwithstanding this, the municipality should have effected an Adjustments Budget to include the allocation relating to the NDPG in terms of Regulation 23 of the MBRR, which states that " If a National or Provincial adjustments budget allocates or transfer additional revenue to a Municipality, the Mayor of the Municipality must, at the next available Council meeting, but within 60 days of the approval of the relevant National or Provincial adjustment budget, table an adjustments budget referred to in Section 28(2)(b) of the MFMA in the Municipal council to appropriate these additional revenues". The municipality further indicated that R8.5 million of the NDPG allocation was spent in 2016/17 financial year. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 16 975 | 11 925 | 18 644 | 156.3 | The municipality indicated that the correct Unaudited Actual against Internally generated funds amounts to R11.9 million, which is in line with the Adjusted Budget. |
| Total Capital Revenue | 50 732 | 37 682 | 72 752 | 193.1 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 2 160 | 1 560 | 2 874 | 184.2 | |
| Community and Public Safety | 2 450 | 2 400 | 1 059 | 44.1 | |
| Eco. & Environmental Services | 44 622 | 32 222 | 50 648 | 157.2 | |
| Trading Services | 1 500 | 1 500 | 18 171 | 1 211.4 | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 50 732 | 37 682 | 72 752 | 193.1 | In addition to the municipality overstating the Capital revenue and expenditure reported as noted above, the municipality indicated that Capital expenditure had been misallocated amongst various departments (municipal standard classifications). This will be rectified in the 2016/17 Annual Financial Statements. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 70 701 | 27 749 | 29 057 | | Although the municipality correctly reflected the Adjusted Budget opening balance as per the Audited 2015/16 AFS (R27.7 million), they erroneously reflected R29.1 million in the Section 71 report. |
| Cash/cash equiv. at the year end: | 50 930 | 18 748 | 63 694 | | The projected Cash/cash equiv.at the year end as per the Adjusted Budget (Adopted B Schedule) is R18.7 million. Although the municipality confirmed that they had closed the financial year with R17 million (which does not agree to the Section 71 closing balance of R63.7 million), they have not submitted any supporting documentation to this effect. |
| Net Increase/(Decrease) in cash held | (19 771) | (9 001) | 34 637 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 2 055 | 1 946 | 94.7% | 109 | The municipality has confirmed that they had underspent on the EPWP due to delays in recruitment of supervisors in the EPWP program. The municipality intends to apply for a roll-over of the unspent amount. |
| Municipal Infrastructure Grant | 25 757 | 25 757 | 100.0% | - | |

Table 4.9 (i) Trade and other receivables, Trade and other payables and Key ratios - Mandeni Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 121 136 | | |
| Debtors as at 30 June 2017 | 146 012 | | Outstanding debtors have increased from R121.1 million in the 2015/16 financial year to R146 million in 2016/17, an increase of 21 percent (discussed below). |
| <u>By age analysis</u> | | | |
| 0-30 days | 294 | 0.2% | |
| 31-60 days | 5 757 | 3.9% | |
| 61-90 days | (4 403) | -3.0% | The municipality indicated that the negative debtors reflected in the 61-90 days ageing category are as a result of erroneously allocating debtor payments to this ageing category. This will be rectified in the 2016/17 Annual Financial Statements. |
| >90 days | 144 364 | 98.9% | Debtors outstanding for more than 90 days constitute the majority of the municipality's debtors balance. A significant number of non-paying debtors are Households (58.9 percent) as reflected below. The majority of Household debtors, whose Property Rates accounts are long outstanding, are debtors from the Sundumbili area whose electricity is supplied by Eskom. The municipality is therefore, unable to disconnect their electricity in an attempt to recover outstanding debt relating to Property rates. The municipality is however, currently in negotiations with Eskom to implement measures to enable the municipality to recover the outstanding debt from these Household debtors. The municipality further indicated that they are experiencing difficulties in collecting outstanding amounts from Commercial customers occupying Ingonyama Trust land. The municipality has instituted the assistance of their legal team to assist in the recovery of long outstanding debtor amounts. |
| Total by age analysis | 146 012 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 2 368 | 1.6% | |
| Commercial | 57 472 | 39.4% | |
| Households | 86 032 | 58.9% | |
| Other | 140 | 0.1% | |
| Total by customer group | 146 012 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 7 278 | 91.2% | |
| 31-60 days | 699 | 8.8% | As at the end of the financial year, the municipality reported creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. This was mainly due to slow payment of some creditor invoices as a result of late receipt of invoices from suppliers. |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 7 977 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 36.8% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 8.4% | The ratio in excess of the norm in respect of Contracted services as a percentage of Total Expenditure, could indicate that many functions are being outsourced to Contractors, or that Contracted Services are not effectively utilised, as per National Treasury Circular 71. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 26.6% | |
| Own funded capital expenditure | - | 25.6% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 24.9% | As noted under Capital revenue and expenditure under Table 4.9 (h), the municipality had erroneously overstated capital expenditure thus distorting this ratio accordingly. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -1.3% | The negative Net operating surplus margin reported is as a result of the municipality recording an unaudited deficit of R2.7 million for the 2016/17 financial year, which is not a true reflection of the municipality's actual performance as at the end of the 2016/17 financial year as discussed above. |

4.9.3 Analysis per municipality: KwaDukuza Local Municipality

Table 4.9 (j) Operating Revenue and Expenditure Performance - KwaDukuza Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|------------------|------------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 358 342 | 365 433 | 371 650 | 101.7 | |
| Service Charges ² | 748 700 | 748 071 | 771 019 | 103.1 | |
| Transfers recognised - operational | 130 488 | 128 286 | 127 252 | 99.2 | |
| Other sources of Revenue ³ | 124 890 | 120 244 | 110 242 | 91.7 | As per the Section 71 report, poor performance against Fines (R11.1 million or 52 percent of an Adjustments Budget of R21.5 million) is the main reason which resulted in the municipality reflecting low revenue against Other sources of revenue when compared to the budgeted revenue. Similar to prior years, the municipality has indicated that low revenue reflected against Fines is due to the municipality recognising revenue on a cash basis. Subsequent to submitting the Section 71 figures, the municipality has calculated the accrued revenue which amounts to R20.3 million or 94 percent of the Adjusted Budget as part of the preparation of the 2016/17 AFS. |
| Total Operating Revenue | 1 362 421 | 1 362 034 | 1 380 164 | 101.3 | |
| Operating Expenditure | | | | | |
| Employee related costs | 323 610 | 319 863 | 316 091 | 98.8 | |
| Remuneration of councillors | 21 235 | 18 835 | 18 910 | 100.4 | |
| Debt impairment | 35 977 | 36 977 | 10 481 | 28.3 | As per the municipality, the contribution reflected against Debt impairment was last updated at the end of Quarter 2 and the calculation was not finalised for the second half of the financial year when the Section 71 report as at the end of June 2017 was submitted. However, the municipality indicated that the final contribution for Debt impairment for the 2016/17 financial year will be reflected in the AFS. |
| Depreciation and asset impairment | 78 750 | 78 000 | 69 789 | 89.5 | As per the Section 52(d) report, the approved budget was based on estimated projects completion period being approximately January 2017. However, due to delays in the implementation of projects, the municipality only accounted for Depreciation on those capitalised projects for approximately one month although the budget estimates were between five and six months. |
| Bulk purchases | 528 514 | 530 314 | 552 551 | 104.2 | As per the municipality, energy losses have resulted in the higher than the budgeted expenditure. The municipality further indicated that there is a new development in KwaDukuza for which the provision of electricity was not budgeted for, however the provision of electricity was still made from the existing budget. |
| Contracted services | 30 297 | 31 307 | 29 020 | 92.7 | As per the Section 52(d) report, accruals of approximately R2 million relating to the asset management project were not taken into account during the submission of the Section 71 report. The municipality has also indicated that the variance will be minimal after including all the accruals as part of the preparation of the 2016/17 AFS. |
| Other expenditure items ⁴ | 319 811 | 346 158 | 309 441 | 89.4 | The main contributing factor to the low spending against Other expenditure is due to the municipality not recognising Contributions to provision during the Section 71 reporting, for example Retirement recognition amongst others, budgeted at R18 million. The municipality had also budgeted R13.9 million in respect of the Capital Redemption Reserve Fund where no contribution was recognised at the time of the Section 71 reporting. |
| Total Operating Expenditure | 1 338 193 | 1 361 454 | 1 306 283 | 95.9 | |
| Operating surplus/(deficit) | 24 227 | 580 | 73 881 | | The reported operating surplus of R73.9 million is questionable considering that the various expenditure items are yet to be finalised such as Debt impairment and Provisions under the Other expenditure line item, amongst others. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.9 (k) Capital, Cash and Conditional grant Performance - KwaDukuza Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 68 249 | 87 140 | 78 986 | 90.6 | As per the municipality, an unspent amount of R8 million as at June 2017 was reflected against the Integrated National Electrification Programme Grant. The municipality will be applying for a roll-over of the unspent amount in the 2017/18 financial year. |
| Public contributions and donations | – | 4 000 | 3 558 | 88.9 | An amount of R3 million funded by Balitto Junction was fully spent whilst R500 000 was spent from IFA - Tongaat funding and the unspent balance of R500 000 will be re-budgeted for in the 2017/18 financial year. The municipality has indicated that the reason for low expenditure was due to the fact that the IFA - Tongaat project was still at a planning and design phase and only Professional fees were paid out. |
| Borrowing | 2 186 | 10 000 | 4 260 | 42.6 | The municipality indicated that the Electrification projects budgeted to be funded by Borrowing is a multi year project and still in a planning phase. |
| Internally generated funds | 232 723 | 191 995 | 173 311 | 90.3 | Majority of projects budgeted to be funded from Internally generated funds relates to co-funding of grant funded projects. Due to delays in the implementation of these projects, this source of funding has also been affected. |
| Total Capital Revenue | 303 158 | 293 135 | 260 115 | 88.7 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 18 650 | 16 321 | 13 416 | 82.2 | |
| Community and Public Safety | 34 921 | 33 742 | 30 736 | 91.1 | |
| Eco. & Environmental Services | 192 679 | 186 518 | 182 473 | 97.8 | |
| Trading Services | 56 907 | 56 554 | 33 491 | 59.2 | As per the Section 52(d) report, reasons for poor performance against Trading services were due to the following: - Delay in obtaining design package approval from Eskom for the Electrification of additional households within Eskom Area supply which resulted in the delay in the preparation and signing of the Memorandum of Understanding and subsequent issuing of the invoice for the meters, - Slow progress in the hand over of Houses in the Groutville Priority 2 Housing Project which resulted in the delay on the Electrification of such houses as they can only be electrified once there is a beneficiary taking occupation of the house, and - Delay in the appointment of Electrical Contractors to execute Electrical Infrastructure Projects. |
| Other | – | – | – | – | |
| Total Capital Expenditure | 303 158 | 293 135 | 260 115 | 88.7 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 363 286 | 452 173 | 452 173 | | |
| Cash/cash equiv. at the year end: | 272 490 | 352 464 | 378 776 | | According to the municipality, the reconciled 2016/17 Cash and cash equivalent closing balance to be reflected in the 2016/17 AFS of R384 million is sufficient to cash back all unspent grants (incorrect amount of R378.8 million reflected in Section 71 reporting). |
| Net Increase/(Decrease) in cash held | (90 796) | (99 710) | (73 397) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 725 | 1 725 | 100.0% | – | |
| Expanded Public Works Programme Integrated Grant | 1 285 | 1 288 | 100.2% | (3) | |
| Municipal Infrastructure Grant | 61 330 | 61 330 | 100.0% | – | |

Table 4.9 (I) Trade and other receivables, Trade and other payables and Key ratios - KwaDukuza Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 286 269 | | |
| Debtors as at 30 June 2017 | 175 832 | | Similar to prior years, the significant decrease in Debtors in 2016/17 when compared to 2015/16 is due to the municipality still incorrectly reporting for Debtors on a net basis in the Section 71 report, while the 2015/16 debtors balance reflects gross debtors as per the 2015/16 Audited AFS. The analysis of Debtors is therefore based on the net debtors reported. |
| <u>By age analysis</u> | | | |
| 0-30 days | 31 711 | 18.0% | |
| 31-60 days | 30 190 | 17.2% | |
| 61-90 days | 8 546 | 4.9% | |
| >90 days | 105 386 | 59.9% | The municipality indicated that challenges encountered in recovering the outstanding debt emanates from the following category of debtors: - The outstanding arrear amount (Property rates) owed by unregistered indigent debtors; and - The outstanding debt owed by estate (late debtor) where Council is unable to commence legal action if the executor has not been appointed. In order to reduce the balance of debtors, the municipality continuously implement the following debt collection mechanism in order to recover the arrear debt - Disconnecting of credit electricity meters; - Blocking of Prepaid electricity meter; - Sending final letter of demands where it is impossible to restrict services (e.g. debts emanate from vacant land); and - If the three mentioned debt collection mechanisms are unsuccessful, Council will hand over debtors to a Panel of Attorneys. |
| Total by age analysis | 175 832 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 11 290 | 6.4% | |
| Commercial | 32 404 | 18.4% | |
| Households | 105 162 | 59.8% | The significant portion of outstanding debt falls within the Household category. The municipality indicated that this is due to a high number of unregistered indigents within the municipal area. |
| Other | 26 977 | 15.3% | |
| Total by customer group | 175 832 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 182 235 | 96.3% | |
| 31-60 days | 4 763 | 2.5% | |
| 61-90 days | 937 | 0.5% | |
| >90 days | 1 305 | 0.7% | |
| Total by age analysis | 189 240 | 100.0% | As at the end of the financial year, the municipality reported Creditors of R7 million outstanding for a period greater than 30 days which is contravention with Section 65(2) of the MFMA. The municipality indicated that this is due to late invoices received with queries. Furthermore, they have also indicated that internal challenges in respect of the availability of the budget within certain departments results in delays in the payment of invoices. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 25.6% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 2.2% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 90.8% | This ratio indicates that the municipality is to a large extent self sufficient. |
| Own funded capital expenditure | - | 66.6% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 16.6% | |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 5.4% | |

4.9.4 Analysis per municipality: Ndwedwe Local Municipality

Table 4.9 (m) Operating Revenue and Expenditure Performance - Ndwedwe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 9 837 | 9 837 | 9 352 | 95.1 | |
| Service Charges ² | - | - | - | - | |
| Transfers recognised - operational | 113 590 | 113 590 | 116 878 | 102.9 | The municipality has reported Transfers recognised - operational of R116.9 million, as at 30 June 2017, against an Adjusted Budget of R113.6 million, resulting in receiving Transfers amounting to 102.9 percent. This suggests that the municipality may have received additional funds. The municipality has mentioned that the excess is attributable to the approved rollover amount of R461 283 and an additional transfer received of R1.7 million for Integrated National Electrification Programme (INEP) grant. |
| Other sources of Revenue ³ | 6 367 | 8 917 | 11 494 | 128.9 | Other sources of revenue comprise of various sources of revenue. Rental of facilities and equipment generated revenue which was higher than anticipated for Hall and Plant hire; Sale of Tender documents resulted in a hike in revenue when compared to the Adjusted Budget, Tractor Loader Backhoe (TLB) hire, as well as Sale of Business licences for the Local Economic Development (LED) department, were also reflecting revenue which was higher than projected, as these line items are unpredictable and are based on demand. |
| Total Operating Revenue | 129 794 | 132 344 | 137 725 | 104.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 40 277 | 43 446 | 29 867 | 68.7 | The year to date expenditure for Employee related costs reflected relatively low expenditure of R29.9 million or 68.7 percent of the Adjusted Budget. The municipality stated that the under spending noted was as a result of numerous vacant posts that were budgeted for in the 2016/17 financial year, however, the Recruitment process was delayed for most positions and some were not filled at all. |
| Remuneration of councillors | 11 054 | - | 10 389 | - | The Original Budget amount of R11.1 million for Remuneration of councillors appears to have been removed in the Adjustments Budget due to the Adjustments Budget return being incorrectly populated. The municipality has since corrected the return and resubmitted the corrected return to the National Treasury database. The actual Year to date should be 94 percent, if the Adjusted Budget had been included in the return. |
| Debt impairment | 3 000 | 3 000 | 695 | 23.2 | The municipality indicated that Debt impairment is calculated twice a year, according to the municipality's policy. At the time of submitting the Section 71 reports for the financial year, the full expenditure incurred for the year had not been calculated as yet. The full year estimates indicated by Ndwedwe Local Municipality were approximately R2.8 million, which was almost aligned to the Adjusted Budget. |
| Depreciation and asset impairment | 16 000 | 18 000 | 7 906 | 43.9 | Depreciation and asset impairment reported was less than the Year to date actual, as it was also calculated bi-annually. When submission of Section 71 reports took place, only R7.9 million had been calculated. The municipality has indicated that the actual calculated Depreciation and asset impairment to date amounted to R17.7 million, which was almost 100 percent. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 14 160 | 11 650 | 7 790 | 66.9 | As per Ndwedwe Local Municipality, the 2016/17 Adjusted Budget for Contracted services included Repairs and maintenance projects which were to be outsourced to various contractors, however it appears as though the municipality reduced the Repairs and maintenance that should have been outsourced, as the municipality opted to utilise internal resources for maintenance, resulting in reduced expenditure for Contracted services. |
| Other expenditure items ⁴ | 42 966 | 56 056 | 54 050 | 96.4 | |
| Total Operating Expenditure | 127 457 | 132 152 | 110 697 | 83.8 | |
| Operating surplus/(deficit) | 2 337 | 192 | 27 028 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.9 (n) Capital, Cash and Conditional grant Performance - Ndwedwe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | – | 47 451 | 36 744 | 77.4 | Ndwedwe Local Municipality has indicated that in the 2016/17 financial year, National Treasury has withheld conditional grant amounts of R4.5 million for the Municipal Infrastructural Grant (MIG), as well as R3.9 million for the Neighbourhood Development Programme Grants (NPDG), after the approval of the Adjustments Budget, which has distorted the end result in terms of recording receipt of funds. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | – | 34 475 | 13 155 | 38.2 | The municipality had included various projects which were to be funded internally in the capital budget however, the majority of these projects were delayed due to a delay experienced in procurement procedures during the financial year, resulting in low revenue being utilised to fund capital projects from the municipality's own funding sources. Projects such as the construction of a Licence Testing Centre and Municipal Offices have only begun in the latter part of the financial year. |
| Total Capital Revenue | – | 81 926 | 49 899 | 60.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | – | 16 585 | 6 862 | 41.4 | With the capital budget under Governance and administration, the municipality had planned to utilise Internally generated funds to fund the Construction of municipal offices, which was delayed due to the delay in SCM procedures. The projected expenditure will be therefore be lower than anticipated. |
| Community and Public Safety | – | – | – | – | |
| Eco. & Environmental Services | – | 57 341 | 25 879 | 45.1 | The municipality had planned to purchase three 24 seater vehicles within the Economic and environmental services budget, however due to a delay in procurement procedures, the purchase did not take place. It has been included in the next financial year. Furthermore, National Treasury withheld amounts of R4.5 million from MIG, as well as R3.9 million from NPDG, after the approval of the Adjustments Budget, which has distorted the end result in terms of the budgeted amounts. The under spending noted under Road transport was due to a delay in the implementation of the planned capital projects. A rollover application has been compiled for amounts not spent, as funds are already committed. |
| Trading Services | – | 8 000 | 17 158 | 214.5 | Under Trading services, the municipality received an additional INEP grant allocation of R1.7 million, as well as an approved rollover amount of R461 283, which increased the grant funding to R10.2 million. The balance of R7 million reflected under the Year to date actual was funded through Internally generated funds. |
| Other | – | – | – | – | |
| Total Capital Expenditure | – | 81 926 | 49 899 | 60.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 84 616 | 109 | 109 380 | | There appears to be an error in the Adjustments Budget return figure, as the Unaudited actual agrees to the Approved B Schedule for 2016/17, as well as the Audited Annual Financial Statements (AFS). The Adjustments Budget return has been corrected after the Section 71 returns were submitted for the end of Quarter 4. Currently, it should reflect correctly on the National Treasury database. |
| Cash/cash equiv. at the year end: | 52 186 | 91 | 111 723 | | The Adjustments Budget figure has reflected an amount that differs to the Approved B Schedule, which should be reflecting a R36.2 million shortfall. This capturing error has been corrected in the Adjustments Budget return. The Unaudited actual figure reflects a surplus of R111.7 million, which is an improvement in the Cash flow at the end of the financial year, when compared to the Adjustments Budget. |
| Net Increase/(Decrease) in cash held | (32 430) | (18) | 2 344 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 821 | 99.8% | 4 | The minimal amount of R4 000 outstanding on the returns upon submission was due to journal entries which had not been processed yet at the time of reporting, which have been included in the final figure for the Financial Management Grant, which will result in 100% spending, as per the conditions. |
| Expanded Public Works Programme Integrated Grant | 1 791 | 1 791 | 100.0% | – | |
| Municipal Infrastructure Grant | 23 951 | 20 112 | 84.0% | 3 839 | The under spending noted of R3.8 million for MIG was due to a delay in Supply Chain Management procedures, where MIG Projects were implemented late in the financial year. The municipality has applied for a rollover on the balance of the outstanding amount, as the MIG projects have already been committed. |

Table 4.9 (o) Trade and other receivables, Trade and other payables and Key ratios - Ndwedwe Local Municipality

| | Amount | % of total debt / payables | Comments |
|---|-------------------|----------------------------|---|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 17 890 | | |
| Debtors as at 30 June 2017 | 11 126 | | It is commendable to note that at the end of June 2017, the outstanding Debtors balance has decreased from R17.9 million in 2015/16 to R11.1 million in 2016/17. That means the municipality has reduced the risk of tying up current assets into inaccessible cash, which will assist in boosting the Cash flow position of the municipality. |
| <u>By age analysis</u> | | | |
| 0-30 days | 357 | 3.2% | |
| 31-60 days | 316 | 2.8% | |
| 61-90 days | 316 | 2.8% | |
| >90 days | 10 137 | 91.1% | It is a concern that the municipality has long outstanding Debtors amounting to R10.1 million under the Over 90 days category, which represents a majority of 91.1 percent of the outstanding Debtors. The municipality has indicated that the historical debt relates to National departments as well as Business rate payers which have been outstanding for a lengthy period of time. The municipality has implemented initiatives to discuss and resolve any issues that may be contributing to the non-payment for Rates, hoping the outcome will be positive. |
| Total by age analysis | 11 126 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 3 318 | 29.8% | |
| Commercial | 5 825 | 52.4% | Of the total outstanding Debtors, the Commercial customer group represents 52.4 percent of the outstanding Debtors, which is the highest percentage when compared to other customer groups. Initiatives have been put in place to meet with the business clients to gather information on the challenges they may be experiencing and to arrange repayment plans in order to recover the outstanding debts. |
| Households | 1 391 | 12.5% | |
| Other | 592 | 5.3% | |
| Total by customer group | 11 126 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 9 | 2.1% | |
| 31-60 days | - | - | |
| 61-90 days | 23 | 5.0% | |
| >90 days | 422 | 92.9% | Creditors' payments which were not honoured by the municipality are predominantly in the Over 90 days category, at 92.9 percent of the total outstanding Creditors. The municipality did indicate that the delay in payments was attributable to invoices being submitted late by vendors and service providers. The municipal system captures the payments as per the invoice dates, which delays the payment process. |
| Total by age analysis | 454 | 100.0% | |
| Key Ratios | | | |
| | Norm/Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 36.4% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.0% | The Contracted services budget had been provided for according to new contracts that were entered into in 2016/17, resulting in a higher percentage, as reflected in this ratio. Contracted services includes Repairs and maintenance which had not been a part of the Contracted services budget previously. However, going forward the municipality has initiated some Repairs and maintenance projects to be carried out internally by the municipality, which will reduce costs. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 15.1% | The low percentage of 15.1 percent is as a result of the municipality being grant reliant, as the municipality's revenue base is minimal as the municipality has no service charges and the geographical area does not have any businesses or major developments which could assist in attracting revenue injectors and business. The municipality relies on Property rates and Other revenue such as Rentals and Fines which contribute to revenue. |
| Own funded capital expenditure | - | 26.4% | The budget for Own funded capital expenditure amounts to R34.5 million however, the usage of own funds for Capital projects has reflected a lower Unaudited actual amount of R13.2 million, due to delayed projects. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 31.1% | The increase in Capital projects and purchase of Property, plant and equipment has resulted in a higher percentage of Capital expenditure in comparison to Total expenditure. This is a clear indication that the municipality is investing in Infrastructure which will positively affect service delivery and increase the lifespan of existing assets. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 19.6% | |

4.9.5 Analysis per municipality: Maphumulo Local Municipality

Table 4.9 (p) Operating Revenue and Expenditure Performance - Maphumulo Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 10 658 | 13 525 | 12 632 | 93.4 | The municipality stated that the variance was due to the Adjustments Budget of R13.5 million being marginally overstated during the 2016/17 Adjustments Budget process. |
| Service Charges ² | - | - | - | - | |
| Transfers recognised - operational | 89 590 | 89 756 | 89 736 | 100.0 | |
| Other sources of Revenue ³ | 5 626 | 5 204 | 4 948 | 95.1 | |
| Total Operating Revenue | 105 873 | 108 486 | 107 316 | 98.9 | |
| Operating Expenditure | | | | | |
| Employee related costs | 26 666 | 27 592 | 26 853 | 97.3 | |
| Remuneration of councillors | 6 882 | 6 882 | 6 578 | 95.6 | |
| Debt impairment | 750 | 1 500 | 2 | 0.2 | The municipality did not report on Debt impairment in the 2016/17 financial year, despite Provincial Treasury's advice and the municipality's commitment to do so during the mid-year performance engagement. |
| Depreciation and asset impairment | 13 810 | 12 959 | 11 428 | 88.2 | As per the municipality, the amount of R11.4 million reflected for Depreciation and asset impairment is incomplete as they are still in the process of finalising the amount as part of the AFS preparation process. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 10 327 | 9 326 | 5 703 | 61.2 | The municipality explained, that the low expenditure in respect of Contracted services is due to budgeted maintenance not taking place as anticipated, primarily as a result of the municipality not having a Capital Asset Maintenance Plan during the 2016/17 financial year. |
| Other expenditure items ⁴ | 40 294 | 40 151 | 42 249 | 105.2 | The municipality conceded that they had exceeded the budget for Other Expenditure. The municipality thus potentially incurred unauthorised expenditure. |
| Total Operating Expenditure | 98 729 | 98 411 | 92 814 | 94.3 | |
| Operating surplus/(deficit) | 7 145 | 10 075 | 14 502 | | The reported surplus of R14.5 million does not reflect the true operating performance of the municipality as at the end of the 2016/17 financial year due to the incomplete reporting of Debt impairment and Depreciation and asset impairment and the under-expenditure against Contracted services, amongst others. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.9 (q) Capital, Cash and Conditional grant Performance - Maphumulo Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | – | 21 301 | 23 757 | 111.5 | The municipality's Original Budget Capital Acquisition (CA) return was submitted subsequent to the closing of the National Treasury Local Government, thus, no amounts are reflected in the Original Budget column of Table 4.9 (q). The municipality conceded that they had erroneously reported R23.8 million in respect of Transfers recognised - capital whilst R21.3 million should have been reported, representing 100 percent of the MIG transfer spent. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | – | 3 396 | 5 603 | 165.0 | The variance in respect of this line-item, as per the municipality, is as a result of the municipality having implemented Capital projects (Roads and Community Halls) above the budgeted amount using Internally generated funding, which could potentially be unauthorised expenditure. |
| Total Capital Revenue | – | 24 697 | 29 360 | 118.9 | |
| Capital Expenditure | | | | | |
| Governance and Administration | – | 3 321 | 2 412 | 72.6 | |
| Community and Public Safety | – | 10 | 43 | 425.3 | |
| Eco. & Environmental Services | – | 21 366 | 26 906 | 125.9 | As indicated above, the municipality implemented capital projects in excess of what were budgeted for in the Adjustments Budget. The municipality further indicated that expenditure relating to Governance and Administration was misallocated to the Community and Public Safety and Eco. & Environmental Services. This expenditure will be accurately reflected in the 2016/17 AFS. |
| Trading Services | – | – | – | – | |
| Other | – | – | – | – | |
| Total Capital Expenditure | – | 24 697 | 29 360 | 118.9 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 25 260 | 22 797 | 22 797 | | |
| Cash/cash equiv. at the year end: | 25 885 | 22 000 | 32 052 | | The municipality confirmed that they have ended the 2016/17 financial year with a positive cash balance of R32.1 million which is sufficient to cover the Unspent Provincial grants amounting to R16.7 million (Corridor Development, Small Town Rehabilitation, Titanium Mining and Sports Maintenance). |
| Net Increase/(Decrease) in cash held | 625 | (797) | 9 256 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 877 | 102.8% | (52) | The over-expenditure of R52 000 is due to the municipality incorrectly reporting expenditure for roll-over against the 2016/17 allocation of R1.8 million. |
| Expanded Public Works Programme Integrated Grant | 1 261 | 1 261 | 100.0% | – | |
| Municipal Infrastructure Grant | 21 301 | 21 301 | 100.0% | – | |

Table 4.9 (r) Trade and other receivables, Trade and other payables and Key ratios - Maphumulo Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 19 279 | | |
| Debtors as at 30 June 2017 | 23 841 | | The municipality's debtors has increased by 24 percent from 2015/16 to the 2016/17 financial year. Similar to prior periods, this is mainly due to the continued billing of indigents and the Ingonyama Trust Board where outstanding debt has been difficult to collect. |
| <u>By age analysis</u> | | | |
| 0-30 days | 327 | 1.4% | |
| 31-60 days | 359 | 1.5% | |
| 61-90 days | 357 | 1.5% | |
| >90 days | 22 798 | 95.6% | The municipality indicated that the debt reflected against this category includes amounts relating to the Ingonyama Trust Board where outstanding debt has been difficult to collect and Commercial customers that have been slow to pay outstanding Property rates due to the fact that the municipality does not render any municipal services in the area. Ongoing meetings are being held between the municipality and Commercial customers to help them understand the importance of paying rates in terms of the Municipal Property Rates Act. |
| Total by age analysis | 23 841 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 6 527 | 27.4% | This category of debt constitutes outstanding Property Rates relating to the Department of Rural Development and the Department of Correctional Services. The municipality has been in discussions with these departments regarding the settlement of the outstanding amounts. |
| Commercial | 7 983 | 33.5% | |
| Households | 2 170 | 9.1% | |
| Other | 7 161 | 30.0% | |
| Total by customer group | 23 841 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 802 | 92.6% | |
| 31-60 days | 154 | 17.8% | As at the end of the financial year, the municipality reported creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. This was mainly due to slow payment of some creditor invoices as a result of often receiving creditor invoices late. |
| 61-90 days | (90) | -10.4% | The municipality indicated that the negative creditors reflected in the 61-90 days ageing category are as a result of erroneously allocating payments to this ageing category. This will be rectified in the 2016/17 AFS. |
| >90 days | - | - | |
| Total by age analysis | 867 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 36.0% | Although the ratio is still within the norm range of 25 percent to 40 percent, as stated in MFMA Circular No. 71 and considering the municipality does not render any municipal services, the ratio appears high. If the ratio exceeds the norm, it might be an indication of inefficiencies, overstaffing and incorrect focus due to misdirected expenditure to non-essential and non-service delivery related expenditure. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.1% | |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 16.4% | |
| Own funded capital expenditure | - | 19.1% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 24.0% | As a result of the municipality not recognising the full Debt impairment and Depreciation and asset impairment expense in the Operating statement, which understates their Total operating expenditure, the high percentage reflected against this ratio may be distorted. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 13.5% | |

4.9.6 Analysis per municipality: iLembe District Municipality

Table 4.9 (s) Operating Revenue and Expenditure Performance - iLembe District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | - | - | - | - | |
| Service Charges ² | 138 776 | 151 004 | 136 040 | 90.1 | As per the municipality, the under performance against Service charges - water is mainly due to areas which were previously on metered water which were changed to prepaid meters. As a result of the change, there was no basic charge that could be raised against these consumers, which was budgeted for. Furthermore, the variance is also as a result of the budget for Service charges - sanitation revenue that was increased during the Adjustments Budget. However, it was subsequently identified that certain areas would not be billed for sanitation as these areas have VIP toilets rather than waterborne toilets. |
| Transfers recognised - operational | 396 961 | 390 531 | 374 859 | 96.0 | |
| Other sources of Revenue ³ | 54 046 | 42 972 | 27 230 | 63.4 | The year-to-date expenditure reported in the Section 71 report is not a consolidated figure thus the Quarter 4 performance reflected against Other sources of revenue is incomplete. As per the municipality, when taking into account the entity's figure for Other revenue the consolidated revenue amounts to R36 million. This is equivalent to 80 percent of the budgeted amount of R42.97 million, and the resulting variance is mainly due to low revenue generation against Agency services fee, Shared services revenue not recognised and Clearance certificates not issued as anticipated. |
| Total Operating Revenue | 589 783 | 584 507 | 538 129 | 92.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 178 075 | 183 526 | 171 154 | 93.3 | According to the municipality, the under-expenditure is not a true reflection of the municipality's performance against Employee related costs. Section 71 figures at the time of reporting for Quarter 4 did not include the municipal entity figures. The consolidated figure is R183.5 million as per the latest available information. |
| Remuneration of councillors | 11 043 | 11 043 | 7 983 | 72.3 | Poor performance reflected against the Remuneration of councillors is attributable to the exemption of Mayor, Deputy Mayor, Speaker and EXCO from receiving an increment in the 2016/17 financial year. The municipality also indicated that the expenditure reflected did not include Entity's board of directors fees for Quarter 4. |
| Debt impairment | 55 763 | 41 466 | 41 466 | 100.0 | |
| Depreciation and asset impairment | 65 868 | 72 402 | 68 808 | 95.0 | |
| Bulk purchases | 74 318 | 74 318 | 75 464 | 101.5 | The municipality will be processing a virement in order to eliminate the over expenditure against Bulk purchases. |
| Contracted services | 36 634 | 40 714 | 34 640 | 85.1 | The variance against Contracted services is due to the municipality not reflecting the consolidated amount as at Quarter 4. According to the municipality, the performance will be updated in the 2016/17 AFS. |
| Other expenditure items ⁴ | 157 900 | 160 913 | 147 463 | 91.6 | The municipality indicated that the variance against Other expenditure items is due to the municipality not reflecting the consolidated amount as at Quarter 4. The municipality has also indicated that the other contributor to the variance is the implementation of austerity measures which affected most of the individual sub-line items under Other Expenditure as they are funded internally. |
| Total Operating Expenditure | 579 600 | 584 381 | 546 978 | 93.6 | |
| Operating surplus/(deficit) | 10 182 | 126 | (8 849) | | Considering that the municipality did not report on the consolidated figures for Quarter 4, the municipality's deficit of R8.8 million does not reflect the true operating performance of the municipality as at 30 June 2017. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.9 (t) Capital, Cash and Conditional grant Performance - iLembe District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 209 954 | 222 149 | 255 741 | 115.1 | The municipality incurred unauthorised expenditure against Transfer recognised - capital by approximately R23 million (lower than the amount reflected in the Section 71 report) in the 2016/17 financial year. As per the municipality, this was due to implementation of multi-year projects. The municipality had indicated that the over expenditure will be funded from VAT refunds claimed from SARS. |
| Public contributions and donations | 112 510 | 86 047 | 117 381 | 136.4 | The Regional Bulk Infrastructure Grant allocation was adjusted downwards by the funder (DWSA) during the 2016/17 financial year. Considering that the municipality had already committed into multi year projects, they were not in a position to delay the implementation of the projects as it would have been more expensive to de-establish the project site and re-establish it again when the 2017/18 funding would be available. The municipality has indicated that the over expenditure will be disclosed as unauthorised expenditure in the 2016/17 AFS and that an item will be tabled at Council scheduled to take place on 29 August 2017. |
| Borrowing | - | - | - | - | |
| Internally generated funds | 25 435 | 18 128 | 5 929 | 32.7 | Majority of the internally funded capital projects which relates to projects budgeted under Governance and Administration were suspended as a result of the implementation of austerity measures due to financial constraints faced by the municipality. |
| Total Capital Revenue | 347 899 | 326 324 | 379 051 | 116.2 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 22 535 | 15 628 | 7 858 | 50.3 | As per the municipality, the majority of the projects budgeted against Governance and Administration are funded through Council and as indicated above, internally funded projects were suspended due to the implementation of austerity measures. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | - | - | - | - | |
| Trading Services | 325 364 | 310 696 | 371 193 | 119.5 | The municipality has indicated that the main reason for the variance is due to the municipality incurring over expenditure against projects funded by Regional Bulk Infrastructure Grant. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 347 899 | 326 324 | 379 051 | 116.2 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 55 940 | 36 143 | 36 143 | | |
| Cash/cash equiv. at the year end: | 111 808 | 17 214 | 5 374 | | As per the supporting documents submitted by the municipality, the municipality's Cash and cash equivalents at year end is R4.7 million as opposed to the incorrect closing balance of R5.4 million as reflected in the Section 71 report. |
| Net Increase/(Decrease) in cash held | 55 869 | (18 929) | (30 769) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 250 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 850 | 1 850 | 100.0% | - | |
| Municipal Infrastructure Grant | 186 984 | 186 984 | 100.0% | - | |

Table 4.9 (u) Trade and other receivables, Trade and other payables and Key ratios - iLembe District Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 391 228 | | |
| Debtors as at 30 June 2017 | 251 879 | | It should be noted that the figure reflected for debtors in the Section 71 report excludes items such as VAT and other Trade and other receivables from non-exchange transactions and thus appear to be understated. Notwithstanding the above, an increase has been noted with regards to Consumer debtors from the 2015/16 financial year. The municipality has indicated that the increase noted are due to the following: - There are two new areas which the municipality only started billing in the third quarter of 2016/17 where consumers have been slow in paying for their accounts; and - There are consumer accounts where basic charge has been raised as per the Credit Control Policy but due to the fact that some of the consumers have not been receiving water consistently, they have not been forthcoming with payments. |
| <u>By age analysis</u> | | | |
| 0-30 days | 11 681 | 4.6% | |
| 31-60 days | 7 933 | 3.1% | |
| 61-90 days | 7 296 | 2.9% | |
| >90 days | 224 968 | 89.3% | The municipality indicated that the collection of old debt is slower than anticipated. As a result of this, the municipality did not hand over more debtors to the debt collector as they are encountering challenges in the collection of prior debtors handed over. |
| Total by age analysis | 251 879 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 10 586 | 4.2% | |
| Commercial | 6 080 | 2.4% | |
| Households | 214 431 | 85.1% | Similar to prior periods, the most significant portion of debt outstanding to the municipality falls within the Households category. This category of debtors has historically provided the greatest challenge in collecting municipal debt. As per the municipality, 23 percent of this category of debt has been handed over to debt collectors. |
| Other | 20 782 | 8.3% | |
| Total by customer group | 251 879 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 62 422 | 46.7% | |
| 31-60 days | 33 016 | 24.7% | Creditors above 30 days have been reported by the municipality as at 30 June 2017 which is in contravention with Section 65 of the MFMA. As per the municipality, the cash flow position continues to be constrained given the persistent poor collection rate particularly from historic debt. Management and Council are working vigorously to turn the situation around. This includes the following, amongst other things, strengthening of credit control and collection measures, building cash reserves by ring-fencing VAT Refunds, and cutting back on unnecessary operational budget. |
| 61-90 days | 14 062 | 10.5% | |
| >90 days | 24 207 | 18.1% | |
| Total by age analysis | 133 707 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 32.8% | |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.3% | As noted above, the total operating expenditure of the municipality is understated due to the municipality not reporting on consolidated figures as at Quarter 4. Hence, the ratio of 6.3 percent is not a true reflection of Contracted services as a percentage of total expenditure. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 30.3% | |
| Own funded capital expenditure | - | 1.6% | |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 40.9% | The ratio is above the norm which is due to the municipality overspending on their budgeted Capital expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -1.6% | The ratio is less than zero which is an indication that the municipality is operating at a deficit, however, it is noted that the municipality's Section 71 report for Quarter 4 was not consolidated, thus, distorting the ratio. |

4.10 Harry Gwala District

The Harry Gwala District is located to the South West of the KwaZulu-Natal province. Its population is sparsely spread throughout a largely rural area of 10 386 km². The district forms part of the border between KwaZulu-Natal and the Eastern Cape Province and is comprised of five municipalities namely: Harry Gwala District Municipality and the following local municipalities, Dr Nkosazana Dlamini Zuma, Greater Kokstad, uBuhlebezwe, uMzimkhulu. The Greater Kokstad Local Municipality functions as the district node and the dominant commercial centre in the Harry Gwala District. The Ingonyama Trust land makes up a significant part of the district.

The Dr Nkosazana Dlamini Zuma Local Municipality was formed in August 2016 after the merger of the former Ingwe Local Municipality and Kwa Sani Local Municipality following the redetermination of municipal boundaries by the Demarcation Board.

The core function of the Harry Gwala District Municipality is the provision of *Water and Sanitation* services. The Greater Kokstad Local Municipality provides *Electricity* and *Refuse removal services*, whilst the Dr Nkosazana Dlamini Zuma, uBuhlebezwe and uMzimkhulu Local Municipalities provide *Refuse removal services*.

At the end the 2016/17 financial year, the uBuhlebezwe Local Municipality had an Acting Chief Financial Officer whereas in the Harry Gwala District Municipality, the position of Director: Project Management Unit was vacant as from 06 March 2017. The Municipal Manager and Chief Financial Officer positions were filled in all other local municipalities within the Harry Gwala District.

All the municipalities in the Harry Gwala District obtained unqualified audit opinions with other matters for the 2015/16 financial year including the former Ingwe and Kwa Sani Local Municipalities which merged in August 2016 to form the Dr Nkosazana Dlamini Zuma Local Municipality.

The Harry Gwala District Municipality within the district is currently experiencing cash flow difficulties. Unspent conditional grants of R54.7 million as per the Grant register as at 30 June 2017 do not appear to be sufficiently cash backed as the total Cash and cash equivalents as at 30 June 2017 amounts to R24.4 million as per the bank reconciliation and the investment register received from the municipality. It should however be noted that the Grant register is still being finalised therefore the Net cash position may change.

4.10.1 Overview of the Harry Gwala District Performance

Table 4.10(a) Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated |
|---------------------------|------------------|------------------|------------------|-------------|
| Greater Kokstad | 322 232 | 319 667 | 296 805 | 92.8 |
| uBuhlebezwe | 122 091 | 120 501 | 125 406 | 104.1 |
| uMzimkhulu | 204 882 | 184 954 | 185 952 | 100.5 |
| Dr Nkosazana Dlamini Zuma | 156 200 | 189 582 | 145 514 | 76.8 |
| Harry Gwala DM | 361 426 | 380 623 | 361 410 | 95.0 |
| Total | 1 166 832 | 1 195 327 | 1 115 088 | 93.3 |

Source: NT Igdatabase

Table 4.10(b) Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|---------------------------|------------------|------------------|------------------|-------------|
| Greater Kokstad | 374 138 | 368 561 | 298 565 | 81.0 |
| uBuhlebezwe | 134 696 | 130 414 | 113 090 | 86.7 |
| uMzimkhulu | 242 639 | 221 549 | 190 342 | 85.9 |
| Dr Nkosazana Dlamini Zuma | 141 997 | 137 858 | 120 381 | 87.3 |
| Harry Gwala DM | 393 941 | 440 103 | 339 905 | 77.2 |
| Total | 1 287 411 | 1 298 485 | 1 062 284 | 81.8 |

Source: NT Igdatabase

Table 4.10(c) Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent |
|---------------------------|-----------------|-----------------|------------------|-------------|
| Greater Kokstad | 45 225 | 65 712 | 37 633 | 57.3 |
| uBuhlebezwe | 65 912 | 70 745 | 55 689 | 78.7 |
| uMzimkhulu | 57 350 | 82 269 | 59 009 | 71.7 |
| Dr Nkosazana Dlamini Zuma | 62 210 | 93 233 | 79 929 | 85.7 |
| Harry Gwala DM | 350 299 | 313 344 | 149 771 | 47.8 |
| Total | 580 997 | 625 303 | 382 031 | 61.1 |

Source: NT Igdatabase

Table 4.10(d) Debtors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|---------------------------|---------------|------------|--------------|------------|--------------|------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Greater Kokstad | 11 378 | 23.9 | 4 212 | 8.8 | 2 224 | 4.7 | 29 798 | 62.6 | 47 612 |
| uBuhlebezwe | (2 541) | -8.6 | 664 | 2.2 | 635 | 2.1 | 30 905 | 104.2 | 29 664 |
| uMzimkhulu | 290 | 4.0 | 156 | 2.2 | 131 | 1.8 | 6 589 | 91.9 | 7 166 |
| Dr Nkosazana Dlamini Zuma | 1 509 | 4.4 | 328 | 1.0 | 626 | 1.8 | 31 918 | 92.8 | 34 382 |
| Harry Gwala DM | - | - | - | - | - | - | - | - | - |
| Total | 10 636 | 9.0 | 5 361 | 4.5 | 3 616 | 3.0 | 99 211 | 83.5 | 118 823 |

Source: NT Igdatabase

Table 4.10(e) Debtors by Customer Group (Total)

| R'000 | Organs of State | | Commercial | | Household | | Other | | Total |
|---------------------------|-----------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|----------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Greater Kokstad | 1 071 | 2.2 | 9 753 | 20.5 | 25 297 | 53.1 | 11 490 | 24.1 | 47 612 |
| uBuhlebezwe | 8 633 | 29.1 | 11 954 | 40.3 | 9 075 | 30.6 | 2 | 0.0 | 29 664 |
| uMzimkhulu | 2 404 | 33.5 | 1 171 | 16.3 | 3 591 | 50.1 | - | - | 7 166 |
| Dr Nkosazana Dlamini Zuma | 8 335 | 24.2 | 3 690 | 10.7 | 7 478 | 21.7 | 14 879 | 43.3 | 34 382 |
| Harry Gwala DM | - | - | - | - | - | - | - | - | - |
| Total | 20 443 | 17.2 | 26 568 | 22.4 | 45 440 | 38.2 | 26 371 | 22.2 | 118 823 |

Source: NT Igdatabase

Table 4.10(f) Creditors Age Analysis (Total)

| R'000 | 0 - 30 Days | | 31 - 60 Days | | 61 - 90 Days | | Over 90 Days | | Total |
|---------------------------|---------------|-------------|--------------|------------|--------------|----------|--------------|----------|---------------|
| | Total | % | Total | % | Total | % | Total | % | |
| Greater Kokstad | 359 | 87.8 | 50 | 12.2 | - | - | - | - | 409 |
| uBuhlebezwe | 0 | 100 | - | - | - | - | - | - | 0 |
| uMzimkhulu | 23 616 | 100 | - | - | - | - | - | - | 23 616 |
| Dr Nkosazana Dlamini Zuma | - | - | - | - | - | - | - | - | - |
| Harry Gwala DM | - | - | - | - | - | - | - | - | - |
| Total | 23 976 | 99.8 | 50 | 0.2 | - | - | - | - | 24 026 |

Source: NT Igdatabase

4.10.2 Analysis per municipality: Greater Kokstad Local Municipality

Table 4.10 (g) Operating Revenue and Expenditure Performance - Greater Kokstad Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 97 002 | 96 409 | 94 611 | 98.1 | |
| Service Charges ² | 143 675 | 143 676 | 127 754 | 88.9 | The under performance noted was mainly due to Service charges - electricity. The municipality had budgeted for R116.2 million however, R101.1 million was generated resulting in a variance of R15.1 million. The municipality indicated that due to the increasing cost of Electricity, customers are exploring alternative means of generating energy hence Electricity sales have gone down. |
| Transfers recognised - operational | 62 303 | 58 816 | 54 152 | 92.1 | An unspent grant amounting to R2.8 million for Energy Efficiency and Demand Side Management Grant (EEDG) was paid back from the Equitable Share to the National Revenue Fund which partly reduced the amount received for Transfers recognised - operational. |
| Other sources of Revenue ³ | 19 252 | 20 766 | 20 287 | 97.7 | The following under and over generation was noted on Other revenue sources: - Rental of facilities and equipment - 58 percent; The municipality indicated that there were delays in signing of new leases which affected Rental of facilities revenue anticipated. - Interest earned - external investments - 151.9 percent; The municipality did not indicate reasons for exceeding the budget for Interest on investments by 51.9 percent. - Fines - 26 percent; The municipality indicated that the contract for the service provider providing speed cameras was not renewed therefore a large percentage of revenue budgeted for Fines could not be generated. - Other own revenue - 77.9 percent. The municipality did not provide reasons for under generating on Other own revenue by 22.1 percent. |
| Total Operating Revenue | 322 232 | 319 667 | 296 805 | 92.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 114 433 | 110 744 | 95 489 | 86.2 | The budget for Employee related costs was reduced in the Adjustments Budget from R114.4 million to R110.7 million due to low performance at midyear however, low performance was still reported at year end. The municipality referred to recruitment process delays to fill up new positions and to replace employees who had resigned as reasons for under spending on Employee related costs. |
| Remuneration of councillors | 6 937 | 6 937 | 6 089 | 87.8 | The municipality referred to the death and resignation of two councillors which were not replaced till year end as one of the reasons for low expenditure on Remuneration of councillors. |
| Debt impairment | 9 500 | 8 907 | 9 140 | 102.6 | |
| Depreciation and asset impairment | 73 138 | 63 138 | 35 790 | 56.7 | The budget for Depreciation and asset impairment was adjusted downwards in the Adjustments Budget however, low expenditure was reported at year end. The municipality indicated that as at the end of June 2017, Depreciation on most of the 2016/17 asset additions was not reported in the monthly reports hence only 56.7 percent was reported. Depreciation figures will be finalised during the compilation of the 2016/17 Annual Financial Statements (AFS). |
| Bulk purchases | 94 536 | 94 536 | 80 967 | 85.6 | Under spending noted on Bulk purchases of R13.6 million appears to correlate with the under generation of R15.1 million noted on Service charges - electricity revenue. |
| Contracted services | 28 282 | 31 479 | 29 312 | 93.1 | The municipality adjusted the budget for Contracted services upwards in the Adjustments Budget however, the municipality only spent 93.1 percent of the budget at the end of June 2017. The municipality indicated that prudent fiscal spending was exercised during the financial year hence the budget for Contracted services was not fully spent. |
| Other expenditure items ⁴ | 47 312 | 52 820 | 41 776 | 79.1 | The following under and over spending was noted on Other expenditure items: - Finance charges - 71.1 percent - Transfers and grants - 106.9 percent - Other expenditure - 70.8 percent The municipality indicated that prudent fiscal spending was exercised during the financial year hence only 70.8 percent of the budget for Other expenditure was spent. It was noted that Other expenditure reflected by the municipality in the Section 71 Report for the 2016/17 Original Budget was understated by R3.7 million when compared to the Approved Budget which reflects R51 million. |
| Total Operating Expenditure | 374 138 | 368 561 | 298 565 | 81.0 | |
| Operating surplus/(deficit) | (51 906) | (48 894) | (1 760) | | The unaudited actual indicates that the municipality had an Operating deficit amounting to R1.8 million at the end of June 2017. The deficit is expected to increase as Depreciation and asset impairment was not fully accounted for. The 2016/17 Original Budget deficit is understated by R3.7 million when compared to the Approved Budget which reflects a deficit of R55.6 million. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.10 (h) Capital, Cash and Conditional grant Performance - Greater Kokstad Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|---|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 31 525 | 31 526 | 19 820 | 62.9 | The Municipal Infrastructure Grant (MIG) for the municipality was reduced by R10 million in March 2017 due to non performance therefore the budget for Transfers recognised - capital should have been adjusted to R21.5 million. The reported amount of R19.8 million is not in line with the amount reported for MIG under grants expenditure which is R21.5 million. It was also noted that the municipality reported an amount of R390 000 under Provincial Government grants which was not included in the Adjustments Budget. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 13 700 | 34 186 | 17 813 | 52.1 | Delays emanating from SCM processes were referred to as the reason for the poor performance on capital projects financed internally. |
| Total Capital Revenue | 45 225 | 65 712 | 37 633 | 57.3 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 3 050 | 6 050 | 4 622 | 76.4 | |
| Community and Public Safety | - | - | 1 582 | - | |
| Eco. & Environmental Services | 32 675 | 40 562 | 21 363 | 52.7 | |
| Trading Services | 9 500 | 19 100 | 10 066 | 52.7 | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 45 225 | 65 712 | 37 633 | 57.3 | Provincial Treasury has noted with concern the poor spending on the capital budget as reported at the end of June 2017. Poor performance was mainly on capital projects funded internally. The municipality indicated that a number of invoices were still pending at the end of June 2017 which will be captured as accruals. The municipality did not adjust the budget subsequent to the R10 million for MIG which was stopped due to poor performance affecting the overall performance at the end of the financial year. Expenditure amounting to R1.6 million was reported under Community and public safety at the end of June 2017 which was not budgeted for in the 2016/17 Adjustments Budget. The municipality indicated that the amount was misallocated. |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 43 401 | 88 367 | 88 367 | | |
| Cash/cash equiv. at the year end: | 43 696 | 62 698 | 140 545 | | The Unaudited actual cash of R140.5 million at year end as per Section 71 Report appears to be overstated when compared to R128.1 million as per the Bank reconciliation and Investments register as at 30 June 2017. The municipality submitted an incorrect cash flow return for the month of June 2017 therefore cash inflows and outflows for June 2017 were not accepted by the database which affected the Cash and cash equivalents at year end. The Net cash position at 30 June 2017 as per the Bank reconciliation, Investments register and Unspent grants register as at 30 June 2017 amounts to R112.5 million. Unspent conditional grants amounting to R15.6 million as per Grants register as at 30 June 2017 therefore appears to be sufficiently cash backed. The Cash coverage is 6 months which is above the recommended norm of 3 months. Despite the cash flow of the municipality not reflecting figures in June 2017, the following which do not appear to be correct were noted in various categories of cash inflows and outflows reported by the municipality: - Other revenue was budgeted at R10.3 million and R22.4 million cash inflow was reported; - Government - operating was budgeted at R62.3 million and R40.2 million was reported; - Government - capital was budgeted at R31.5 million and R36 million was reported; - Finance charges were budgeted at R1.8 million and R34.4 million was reported; and - Repayment of borrowing was budgeted at R1.1 million and an outflow of R1.5 was reported. |
| Net Increase/(Decrease) in cash held | 294 | (25 669) | 52 178 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 725 | 1 917 | 111.1% | (192) | It was noted that the municipality spent R192 000 or 11.1 percent in excess of the grant allocation of R1.7 million. The municipality funded the difference internally. |
| Expanded Public Works Programme Integrated Grant | 1 619 | 1 621 | 100.1% | (2) | |
| Municipal Infrastructure Grant | 21 525 | 21 525 | 100.0% | 0 | |

Table 4.10 (i) Trade and other receivables, Trade and other payables and Key ratios - Greater Kokstad Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 73 992 | | |
| Debtors as at 30 June 2017 | 47 612 | | Debtors have decreased by R26.4 million as compared to 30 June 2016 however, it appears that the municipality did not report on other debtors in 2017 which has resulted in the decrease. The municipality should ensure that all debtors are reported on going forward. |
| <u>By age analysis</u> | | | |
| 0-30 days | 11 378 | 23.9% | |
| 31-60 days | 4 212 | 8.8% | |
| 61-90 days | 2 224 | 4.7% | |
| >90 days | 29 798 | 62.6% | It was noted that of the R47.6 million reported as total outstanding debtors, R29.8 million or 62.6 percent is outstanding for longer than 90 days. The significant portion of outstanding debtors relates to unpaid Property rates by farmers and other households where the usual debt collection measures such as cutting of electricity are impossible to implement however, the municipality has taken a resolution to issue summons to the farmers. The process will be fully implemented in the 2017/18 financial year. Debtors collection rate is 23 percent and revenue collection rate amounts to 103 percent at the end of June 2017 indicating that the municipality is still experiencing challenges with collecting old debt. Provincial Treasury is concerned that a large amount of outstanding debtors relates to Property rates as the revenue category is highly significant for the sustainability of the municipality which is not grant dependent. |
| Total by age analysis | 47 612 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 1 071 | 2.2% | |
| Commercial | 9 753 | 20.5% | |
| Households | 25 297 | 53.1% | |
| Other | 11 490 | 24.1% | |
| Total by customer group | 47 612 | 100.0% | Households (R25.3 million or 53.1 percent) and Other (R11.5 million or 24.1 percent) constitute a significant portion of outstanding debtors. |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 359 | 87.8% | |
| 31-60 days | 50 | 12.2% | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 409 | 100.0% | Creditors outstanding for longer than 30 days is in contravention of Section 65(2)(e) of the MFMA irrespective of the materiality of the outstanding amount. Furthermore, the Creditors total submitted as at 30 June 2017 of R409 131 appears to be significantly understated in comparison with a Trade and other payables total of R49.8 million as per the audited 2015/16 AFS and suggests that the municipality excluded a number of Trade and other payables categories when they submitted their Trade and other payables return for June 2017. |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 34.0% | The ratio appears to be within the norm however, total Operating expenditure is understated due to low expenditure reported on Depreciation, Bulk purchases and Other expenditure. The ratio is therefore not a true reflection of the actual performance. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 9.8% | The ratio is above the norm of 5 percent however, total Operating expenditure is understated due to low expenditure reported on Depreciation, Bulk purchases and Other expenditure. The ratio is therefore distorted and not a true reflection of the actual performance. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 81.8% | The ratio of 81.8 percent indicates that the municipality does not depend on grants to fund its Operating expenditure. |
| Own funded capital expenditure | - | 47.3% | The ratio of 47.3 percent indicates that the municipality is dependent on grants to fund Capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 11.2% | The ratio of 11.2 percent is within the acceptable norm however, the ratio could be overstated as a result of the understatement of Total operating expenditure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -0.6% | The ratio assesses the extent to which the municipality generates operating Surplus. The negative ratio of 0.6 percent is as a result of the municipality recording an Unaudited deficit of R1.8 million for the 2016/17 financial year. The municipality needs to implement measures to address the failure to recover the operational costs for the services delivered in order to ensure sustainable service delivery. |

4. 10.3 Analysis per municipality: uBuhlebezwe Local Municipality

Table 4.10 (j) Operating Revenue and Expenditure Performance - uBuhlebezwe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | 15 754 | 10 898 | 11 474 | 105.3 | The following were noted in the assessment of Property rates revenue generated: - A significant amount of R14.9 million which exceeded the budget was billed in July 2016. There were no billing figures reported in the months of August 2016, February 2017, March 2017, April 2017 and June 2017. Negative billing figures were reported in September 2016, December 2016, January 2017 and May 2017. During the 2016/17 financial year, Provincial Treasury continuously alerted the municipality of the above during the assessment of the Section 71 and 72 Reports however, the municipality did not correct the errors. |
| Service Charges ² | 1 991 | 1 691 | 1 228 | 72.6 | Under performance of 72.6 percent reported against the Adjustments Budget of R1.7 million could be due to the following: - The municipality did not submit working papers on calculation of Service charges therefore the basis for projecting the budget could be incorrect - Significant fluctuations were noted in the reported figures during the financial year. On average, the municipality projected to bill above R140 000 per month on Service charges - refuse however, it was noted that in December 2016, February 2017, March 2017, May 2017 and June 2017, the billing was less than R50 000 in each month which does not appear to be correct. |
| Transfers recognised - operational | 95 039 | 95 039 | 97 728 | 102.8 | The municipality reported R97.7 million or 102.8 percent against the Adjustments Budget of R95 million for Transfers recognised - operational which does not appear to be correct. It was noted that in the month of November 2016, the municipality recorded a negative amount of R699 000. The municipality did not provide reasons for reporting grants in excess of what was allocated as per the 2016 DoRA and the Provincial Gazette. |
| Other sources of Revenue ³ | 9 307 | 12 874 | 14 976 | 116.3 | The following were noted in the assessment of Other sources of revenue: - Revenue generated from Rental of facilities and equipment exceeded the Adjustments Budget by 42.4 percent. It was also noted that the municipality reported a negative figure of R211 000 in December 2016. - The budget for Interest earned external investments was exceeded by R1.7 million or 22.2 percent. - The budget for Fines was exceeded by R33 000 or 13.3 percent. It was also noted that the municipality reported a negative figure of R436 000 in December 2016. - The municipality generated 83.4 percent revenue on Licences and permits. - The budget for Other revenue was exceeded by R758 000 or 237.1 percent. It was also noted that negative figures were reported in August 2016, December 2016 and March 2017. The municipality did not provide reasons for the variances noted above. |
| Total Operating Revenue | 122 091 | 120 501 | 125 406 | 104.1 | |
| Operating Expenditure | | | | | |
| Employee related costs | 60 566 | 56 496 | 51 965 | 92.0 | The municipality indicated that there were delays in the recruitment processes to fill up vacant positions to replace employees who had resigned which resulted in the under utilisation of the budgeted amount. |
| Remuneration of councillors | 9 855 | 9 855 | 8 379 | 85.0 | The municipality did not provide reasons for under spending the budget for Remuneration of councillors. It was noted that expenditure amounting to R727 00 reported in June 2017 was significantly lower than the projection of R1.7 million as per Table SB14 in the Adjustments Budget. It appears that the municipality incorrectly over budgeted for Remuneration of councillors in June 2017 in Table SB14. |
| Debt impairment | 1 900 | 1 900 | - | - | The municipality reported nil expenditure for the year for Debt impairment despite being encouraged during the financial year to report Debt impairment on a monthly basis. As per Table SB14 in the Adjustments Budget, the municipality budgeted to recognise all expenditure in June 2017 which was not done. |
| Depreciation and asset impairment | 19 000 | 19 000 | 18 266 | 96.1 | Table SB14 in the Adjustments Budget reflects that a significant expenditure for Depreciation will be incurred in June 2017 however, the municipality only reported R1.7 million in June 2017 which does not appear to be accurate. It appears that the municipality incorrectly over budgeted for Depreciation and asset impairment in June 2017 in Table SB14. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 6 484 | 6 286 | 5 573 | 88.7 | The municipality referred to the implementation of cost cutting measures as the reason for under spending the budget for Contracted services by 11.3 percent. |
| Other expenditure items ⁴ | 36 891 | 36 877 | 28 908 | 78.4 | The following were noted in the assessment of Other expenditure items: - The municipality did not budget for Finance charges in 2016/17 but has recorded expenditure amounting to R3 million. The municipality indicated that expenditure was misallocated. - The municipality under spent the budget for Other materials by 18.1 percent, Transfers and grants by 11.5 percent and Other expenditure by 33.7 percent. The municipality referred to the implementation of cost cutting measures as the reason for under spending on Other materials and Other expenditure. There was no reason provided for the under spending on Transfers and grants. - The municipality also reported an amount of R53 001 as Loss on disposal of assets which was not budgeted for in the 2016/17 Adjustments Budget. |
| Total Operating Expenditure | 134 696 | 130 414 | 113 090 | 86.7 | |
| Operating surplus/(deficit) | (12 605) | (9 913) | 12 316 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.10 (k) Capital, Cash and Conditional grant Performance - uBuhlebezwe Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 54 706 | 54 706 | 46 469 | 84.9 | The Grants register as at 30 June 2017 reflected that all allocated capital grants were fully spent at the end of June 2017 therefore it does not appear to be correct that the municipality recognised 84.9 percent of the grants in the capital budget. |
| Public contributions and donations | – | – | – | – | |
| Borrowing | – | – | – | – | |
| Internally generated funds | 11 207 | 16 039 | 9 219 | 57.5 | The municipality did not indicate the reasons for failing to fully spend the budgeted amount. Significant under spending was noted in Community and public safety and Economic and environmental services. The cash position as per Bank reconciliation and Investments register as at 30 June 2017 appeared to be favourable during the entire year therefore availability of cash could not be the underlying cause for poor capital spending by the municipality. |
| Total Capital Revenue | 65 912 | 70 745 | 55 689 | 78.7 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 2 270 | 2 809 | 2 752 | 97.9 | |
| Community and Public Safety | 19 174 | 20 365 | 14 389 | 70.7 | The municipality did not provide reasons for poor capital spending on Community and public safety. |
| Eco. & Environmental Services | 44 469 | 47 571 | 38 548 | 81.0 | The municipality did not provide reasons for poor capital spending on Economic and environmental services. |
| Trading Services | – | – | – | – | |
| Other | – | – | – | – | |
| Total Capital Expenditure | 65 912 | 70 745 | 55 689 | 78.7 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 53 172 | 53 172 | 144 865 | | The Cash and cash equivalents at the beginning of the year of R144.9 million does not agree to the 2015/16 Annual Financial Statements (AFS) which reflects R103.2 million. |
| Cash/cash equiv. at the year end: | 87 969 | 83 136 | 136 122 | | The Unaudited actual cash of R136.1 million at year end as per the Section 71 Report appears to be overstated when compared to R119.3 million as per the Bank reconciliation and Investments register as at 30 June 2017. The Net cash position as per Bank reconciliation, Investments register and Unspent grants register as at 30 June 2017 amounts to R115.2 million. Unspent conditional grants amounting to R4.1 million as per Grants register as at 30 June 2017 therefore appears to be sufficiently cash backed. The following were noted in the cash flow reported by the municipality as at the end of June 2017: - The cash flow budget for Property rates was incorrectly captured as R41.2 million which was above the billed revenue as per Table B4 in the Adjustments Budget; - Negative figures for Service charges were reported in July to September 2016; November to December 2016; March to April 2017 and June 2017; - Other revenue was budgeted at R9.5 million and a cash inflow of R53.2 million was reported; - Government - operating was budgeted at R95 million and a cash inflow of R92.3 million was reported; - Government - capital was budgeted at R58.3 million and a cash inflow of R24.1 million was reported; - Suppliers and employees were budgeted at R109.4 million and a cash outflow of R184.9 million which exceeded the budget was reported; - Cash in flow from Proceeds on disposal of PPE amounting to R5.6 million which was not budgeted for was reported by the municipality; and - Payments for Capital assets were not reported in the cash flow. |
| Net Increase/(Decrease) in cash held | 34 796 | 29 963 | (8 743) | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | 0 | |
| Expanded Public Works Programme Integrated Grant | 1 985 | 1 985 | 100.0% | 0 | |
| Municipal Infrastructure Grant | 24 057 | 24 056 | 100.0% | 1 | |

Table 4.10 (I) Trade and other receivables, Trade and other payables and Key ratios - uBuhlebezwe Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 37 248 | | |
| Debtors as at 30 June 2017 | 29 664 | | Debtors have decreased by R7.6 million as compared to 30 June 2016 however, it appears that the municipality did not report on Other debtors in 2017 which has resulted in the decrease. The municipality should ensure that all debtors are reported on going forward. |
| <u>By age analysis</u> | | | |
| 0-30 days | (2 541) | -8.6% | The municipality has not indicated reasons for capturing debtors in the 0-30 days category as negative figures. |
| 31-60 days | 664 | 2.2% | |
| 61-90 days | 635 | 2.1% | |
| >90 days | 30 905 | 104.2% | A significant portion of debtors amounting to R30.9 million was reported by the municipality as outstanding for more than 90 days however, the amount appears to be distorted due to the municipality reporting negative figures in the 0-30 days category. It appears that the municipality is failing to implement the Credit Control Policy in order to recover long outstanding debtors. The largest portion of outstanding debt relates of Property rates. |
| Total by age analysis | 29 664 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 8 633 | 29.1% | |
| Commercial | 11 954 | 40.3% | |
| Households | 9 075 | 30.6% | |
| Other | 2 | 0.0% | |
| Total by customer group | 29 664 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 0 | 100.0% | The municipality reported Creditors amounting to R120 in the Section 71 Report as at 30 June 2017 which appears to be significantly understated in comparison to Trade and other payables of R24.8 million as per 2015/16 AFS and suggests that the municipality excluded a number of Trade and other payables categories when they submitted their Trade and other payables return for June 2017. |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 0 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 53.4% | The ratio may be distorted and might not be the true reflection of the municipality's performance due to low expenditure on items such as Contracted services and Other expenditure. Moreover, Debt impairment was not reported at the end of June 2017. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 4.9% | The ratio appears to be within the norm however, total Operating expenditure is low due to low expenditure reported on Contracted services and Other expenditure. Moreover, Debt impairment was not reported at the end of June 2017. The ratio is therefore not a true reflection of the actual performance. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 22.1% | The ratio of 22.1 percent indicates that the municipality is highly reliant on grants to finance its Operating expenditure however, a number of errors were noted in the total Operating revenue reported as the end of June 2017 therefore the ratio may be distorted. |
| Own funded capital expenditure | - | 16.6% | The ratio of 16.6 percent indicates that the municipality is highly reliant on grants to finance its Capital expenditure however, a number of errors were noted in the total Operating revenue reported as the end of June 2017 therefore the ratio may be distorted. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 33.0% | The ratio of Capital expenditure to Total expenditure is above the norm of 10 - 20 percent as capital expenditure was increased in the Adjustments Budget. Moreover, Operating expenditure reported was low therefore the ratio may be distorted. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 9.8% | The ratio assesses the extent to which the municipality generates operating surplus. The 9.8 percent Net operating surplus margin could be overstated due to low expenditure reported on Contracted services, Other expenditure and Debt impairment. Moreover, numerous errors were noted in the Operating revenue reported as at the end of June 2017 therefore the ratio may be distorted. |

4.10.4 Analysis per municipality: uMzimkhulu Local Municipality

Table 4.10 (m) Operating Revenue and Expenditure Performance - uMzimkhulu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 11 119 | 9 913 | 9 895 | 99.8 | |
| Service Charges ² | 880 | 880 | 914 | 103.9 | |
| Transfers recognised - operational | 183 438 | 158 438 | 156 782 | 99.0 | |
| Other sources of Revenue ³ | 9 445 | 15 723 | 18 362 | 116.8 | The variance of 16.8 percent noted on Other sources of Revenue is mainly a result of the over performance on other Own Revenue due to under budgeting by the municipality. |
| Total Operating Revenue | 204 882 | 184 954 | 185 952 | 100.5 | |
| Operating Expenditure | | | | | |
| Employee related costs | 61 527 | 63 017 | 61 917 | 98.3 | |
| Remuneration of councillors | 15 712 | 17 936 | 16 670 | 92.9 | The Remuneration of councillors expenditure for the financial year ended 30 June 2017 is 7.1 percent less than the 2016/17 Adjustments Budget amount of R17.9 million due to the municipality losing three councillors towards the end of the financial year. |
| Debt impairment | 3 000 | 3 000 | - | - | The municipality has not reported any expenditure against Debt impairment which is due to the municipality only accounting for debt impairment only at the end of the financial year. The municipality is encouraged to account for debt impairment on a monthly basis in order to avoid the possibility of understatements or unauthorised expenditure at the end of the financial year. |
| Depreciation and asset impairment | 41 811 | 51 016 | 46 634 | 91.4 | The municipality reported an expenditure of 91.4 percent against the Adjustments Budget for Depreciation and asset impairment for the year ended 30 June 2017. During the Adjustments Budget period, the municipality anticipated to capitalise more assets before June 2017. The municipality was unable to capitalise assets as anticipated which contributed to the low performance on Depreciation and asset impairment. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 6 874 | 7 171 | 6 138 | 85.6 | The Contracted services expenditure incurred is R6.1 million which is 14.4 percent below the Adjustments Budget of R7.2 million. The actual expenditure is also 10.7 percent below the Original Budget of R6.9 million therefore the 2016/17 Adjustments Budget increase does not seem to have been justified. The municipality indicated that the security company was not paid for May and June 2017 due to failure by the security company to submit the invoices. |
| Other expenditure items ⁴ | 113 715 | 79 410 | 58 983 | 74.3 | The 25.7 percent under performance on Other expenditure items is mainly due to the under performance on Other expenditure and Finance charges. The municipality started reporting expenditure on Finance charges in January 2017. The first six months have zero expenditure for Finance charges which does not appear to be correct as bank charges should be captured monthly as and when it is incurred. Furthermore, it was noted that the Adjusted Budget of R79.4 million does not agree to the Approved Adjustments Budget which reflects R78.6 million. |
| Total Operating Expenditure | 242 639 | 221 549 | 190 342 | 85.9 | |
| Operating surplus/(deficit) | (37 757) | (36 595) | (4 390) | | The Operating deficit as per the Adjusted Budget of R36.6 million is overstated by R802 000 due to the incorrect expenditure from Operating expenditure. The Operating deficit is R35.8 million as per the Approved Adjustments Budget. |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.10 (n) Capital, Cash and Conditional grant Performance - uMzimkhulu Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 39 743 | 66 743 | 55 382 | 83.0 | The municipality reported the recognition of Capital revenue from capital expenditure of R55.4 million however the R55.4 million was inconsistent with the capital expenditure as per Grant register as at 30 June 2017 of R60.5 million. The municipality indicated that the balance as per Grants register of R60.5 million is the correct figure which will be correctly disclosed in the 2016/17 Annual Financial Statements (AFS). Furthermore, it was noted that the Adjusted Budget amount of R66.7 million does not agree to the Approved Adjustments Budget which reflects R64.7 million. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 17 607 | 15 526 | 3 627 | 23.4 | The municipality significantly under utilised the 2016/17 Adjustments Budget of R15.5 million which might affect service delivery as capital projects will be delayed. The 2016/17 Adjustments Budget appears to have been overstated in relation to the R3.6 million utilised. The municipality indicated that the bidders were not meeting the Supply Chain Management (SCM) requirements which delayed the projects that were budgeted for. The municipality was only able to appoint service providers in the last quarter of the financial year and as a result most of the invoices were received in July 2017. Furthermore, it was noted that the Adjusted Budget amount of R15.5 million does not agree to the Approved Adjustments Budget which reflects R17.5 million. |
| Total Capital Revenue | 57 350 | 82 269 | 59 009 | 71.7 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 3 657 | 2 832 | 983 | 34.7 | The under spending on Governance and administration was mainly because of the under performance on Executive and council and Corporate services. The municipality indicated that the bidders were not meeting the SCM requirements which delayed the projects that were budgeted for. The municipality was only able to appoint in the last quarter of the financial year and as a result most of the invoices were received in July 2017. |
| Community and Public Safety | 1 000 | 3 000 | 120 | 4.0 | The significant under spending on Community and Public Safety was due to the under performance on Community and social services. The municipality increased the budget during the Adjustments Budget by 300 percent from the Original Budget but only spent 4 percent of the Adjustments Budget. The municipality indicated that the bidders were not meeting the SCM requirements which delayed the projects that were budgeted for. The municipality was only able to appoint the contractors in the last quarter of the financial year and as a result most of the invoices were received in July 2017. |
| Eco. & Environmental Services | 52 693 | 76 437 | 57 906 | 75.8 | The under spending on Economic and Environmental Services was due to the under performance on Planning and Development and Road transport. The municipality indicated that the bidders were not meeting the SCM requirements which delayed the projects that were budgeted for. The municipality was only able to appoint service providers in the last quarter of the financial year and as a result most of the invoices were received in July 2017. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 57 350 | 82 269 | 59 009 | 71.7 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 83 394 | 111 745 | 111 745 | | The unaudited actual cash of R172.1 million at year end as per the Section 71 Report appears to be understated when compared to R175.6 million as per the Bank reconciliation and Investments register as at 30 June 2017. The Net cash position at 30 June 2017 as per the Bank reconciliation, Investments register and Unspent conditional grants register as at 30 June 2017 amounts to R133 million. Unspent conditional grants amounting to R42.6 million as per Grants register as at 30 June 2017 therefore appears to be sufficiently cash backed. Furthermore, it was noted that Adjusted Budget of R117.7 million is understated by R56 000 as compared to the Approved Adjustments Budget. |
| Cash/cash equiv. at the year end: | 75 463 | 117 684 | 172 128 | | |
| Net Increase/(Decrease) in cash held | (7 931) | 5 939 | 60 383 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 825 | 1 825 | 100.0% | - | |
| Expanded Public Works Programme Integrated Grant | 1 299 | 1 299 | 100.0% | - | |
| Municipal Infrastructure Grant | 41 399 | 41 399 | 100.0% | - | |

Table 4.10 (o) Trade and other receivables, Trade and other payables and Key ratios - uMzimkhulu Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|--------------------|----------------------------|--|
| Debtors | | | |
| Debtors as at 30 June 2016 | 11 150 | | |
| Debtors as at 30 June 2017 | 7 166 | | Debtors as at 30 June 2017 have decreased by R4 million as compared to 30 June 2016. The municipality attributed the decrease in debtors to increased recovery of outstanding debtors in the 2016/17 financial year, especially the long outstanding amounts from National Public Works. |
| <u>By age analysis</u> | | | |
| 0-30 days | 290 | 4.0% | |
| 31-60 days | 156 | 2.2% | |
| 61-90 days | 131 | 1.8% | |
| >90 days | 6 589 | 91.9% | A significant portion of total outstanding debtors of R7.2 million, R6.6 million or 91.9 percent is outstanding for longer than 90 days which implies that even though the municipality indicated an improvement in recovery of outstanding debtors in the 2016/17 financial year, the municipality is still struggling to effectively recover debtors older than 90 days. The municipality indicated that the historic debt from National Public Works has reduced, however there is still historic amounts that are outstanding from National Public Works. There are also debts outstanding as from the 2015/16 financial year related to Section 14 schools. |
| Total by age analysis | 7 166 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 2 404 | 33.5% | |
| Commercial | 1 171 | 16.3% | |
| Households | 3 591 | 50.1% | The portion of total outstanding debtors that relates to Household increased from being 37.2 percent of total outstanding debtors as per the 2015/16 Quarter 4 National Treasury report to 50.1 percent of total outstanding debtors in the 2016/17 Quarter 4 National Treasury report. The municipality's debt management seems to be failing to bear the required results. The increase could also be attributed to the poor payment culture from the households that are amongst other factors affected by the high unemployment rate. |
| Other | - | - | |
| Total by customer group | 7 166 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | 23 616 | 100.0% | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | 23 616 | 100.0% | |
| Key Ratios | | | |
| | Norm/ Range | % Actual | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 41.3% | This ratio measures the extent of Remuneration to Total operating expenditure. The ratio of 41.3 percent is above the norm. The municipality has indicated that due to the reduction in the number of consultants, the Employee related costs have significantly increased. Furthermore, the Total operating expenditure is currently understated as a result of reporting nil debt impairment expenditure which has resulted in a distorted ratio. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 3.2% | This ratio measures the extent to which the municipality's resources are committed towards Contracted services to perform municipal related functions. The ratio of 3.2 percent is within the norm, however, the ratio is distorted by the understated Total operating expenditure. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 15.7% | This ratio assesses the extent of Own Source Revenue to Total operating revenue, including agency revenue hence self sufficiency. The ratio of 15.7 percent indicates that although the municipality can finance some of its operating activities through own sources of revenue, it is still highly reliant on grant funding. |
| Own funded capital expenditure | - | 6.1% | This ratio measures the extent to which Total capital expenditure of the municipality is funded through Internally generated funds. The ratio of 6.1 percent shows that the municipality is heavily reliant on grants to fund capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 23.7% | This ratio indicates the prioritisation of expenditure towards current operations versus future capacity in terms of municipal services. The ratio of 23.7 percent reflects higher spending on infrastructure and acceleration in service delivery. The higher spending on infrastructure could also increase financial sustainability risks if the infrastructure does not include revenue generating infrastructure. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | -2.4% | This ratio assesses the extent to which the municipality generates Operating Surpluses. The negative 2.4 percent ratio is a result of the municipality reporting an unaudited deficit of R4.4 million for the 2016/17 financial year. The municipality needs to implement measures to address the failure to recover the operational costs for the services that the municipality delivers in order to ensure sustainable service delivery. |

4.10.5 Analysis per municipality: Dr Nkosazana Dlamini Zuma Local Municipality

Table 4.10 (p) Operating Revenue and Expenditure Performance - Dr Nkosazana Dlamini Zuma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|--|
| Operating Revenue | | | | | |
| Property Rates ¹ | 20 968 | 15 240 | 15 941 | 104.6 | Property rates revenue generated exceeded the budget by 4.6 percent. It was noted that in January 2017 and May 2017 the municipality reported negative figures which does not appear to be correct. Revenue generated on Property rates penalties and collection charges was only reported in July 2016, September 2016, January 2017, March 2017 and June 2017. It was further noted that in March 2017 and June 2017, the municipality reported negative figures. The significant fluctuations in revenue reported creates doubt over the credibility of the performance reported for the year. |
| Service Charges ² | 2 963 | 3 535 | 2 872 | 81.3 | Significant fluctuation of reported revenue (billing) was noted in Service charges - refuse. The municipality did not report billed revenue for Refuse in August 2016, December 2016 and January to May 2017. Moreover, the municipality reported a negative figure in June 2017. It was also noted that the municipality erroneously reported revenue under Service charges - other which was not budgeted for during August 2016, December 2016, and January to May 2017. |
| Transfers recognised - operational | 112 159 | 126 137 | 111 173 | 88.1 | The municipality indicated that they received a number of operating grants from the Provincial Government which were not spent at the end of June 2017 hence 88.1 percent was recognised under Transfers recognised - operational. Rollover applications have been submitted to the relevant transferring departments. |
| Other sources of Revenue ³ | 20 110 | 44 671 | 15 528 | 34.8 | The following were noted in the assessment of Other sources of revenue: - Rental of facilities and equipment - 161 percent of the Adjustments Budget was generated - Interest earned external investments - 91.7 percent of the Adjustments Budget was generated. It was noted that the reported amount of R5.2 million as per the Section 71 Report differs from the amount reflected in the Investments register of R5.5 million submitted by the municipality. - The municipality did not budget for Interest on outstanding debtors in the Adjustments Budget which is not in line with the Credit Control Policy which indicates that interest will be charged on all overdue accounts. - Fines - 1291.5 percent of the Adjustments Budget was generated. - Licences and permits - 94.1 percent of the Adjustments Budget was generated. - Other own revenue - 21.8 percent of the Adjustments Budget was generated. The municipality attributed over and under generation noted above to incorrect budgeting. |
| Total Operating Revenue | 156 200 | 189 582 | 145 514 | 76.8 | |
| Operating Expenditure | | | | | |
| Employee related costs | 58 298 | 53 551 | 43 712 | 81.6 | The municipality indicated that a number of vacant positions which were budgeted for could not be filled in the 2016/17 financial year. Furthermore, reporting errors were noted in the months of May and June 2017 wherein the municipality reported below average figures of R2 million and R1.3 million for the two months, respectively. |
| Remuneration of councillors | 10 836 | 8 662 | 6 868 | 79.3 | The municipality indicated that the budget for Remuneration of councillors was fully spent and attributed the low spending recorded to an error in reporting. During the month of May 2017, below average expenditure of R200 000 was reported by the municipality and in June a negative figure of R1.2 million was reported. |
| Debt impairment | 561 | 561 | 1 583 | 282.1 | The municipality indicated that Debt impairment was under budgeted hence the budget was exceeded by 182.1 percent |
| Depreciation and asset impairment | 12 227 | 14 443 | 16 285 | 112.8 | The budget for Depreciation was increased in the Adjustments Budget however, the expenditure reported by the municipality still exceeded the budget. The municipality could incur unauthorized expenditure if the expenditure reported is correct. Furthermore, it was noted that in the month of March 2017, the municipality reported a negative figure of R5.1 million. The correction of the error could further increase the expenditure incurred above the budget. |
| Bulk purchases | - | - | - | - | |
| Contracted services | 11 365 | 13 420 | 8 718 | 65.0 | The municipality indicated that a number of projects initially intended to be outsourced were done internally hence the low expenditure reported at the end June 2017. A negative figure of R2.5 million was reported in the month of January 2017 which could have affected the unaudited actual. |
| Other expenditure items ⁴ | 48 710 | 47 221 | 43 215 | 91.5 | The following were noted in the assessment of Other expenditure items: - Finance charges - 74.8 percent of the Adjustments Budget was spent - Transfers and grants - 115.7 percent of the Adjustments Budget was spent - Other expenditure - 91 percent of the Adjustments Budget was spent The municipality indicated that Repairs and maintenance projects were delayed during the year which affected the overall expenditure reported under Other expenditure. The reasons for under spending on Finance charges and over spending on Transfers and grants were not provided by the municipality. |
| Total Operating Expenditure | 141 997 | 137 858 | 120 381 | 87.3 | |
| Operating surplus/(deficit) | 14 203 | 51 724 | 25 133 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.10 (q) Capital, Cash and Conditional grant Performance - Dr Nkosazana Dlamini Zuma Local Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 48 014 | 41 513 | 43 972 | 105.9 | Expenditure relating to the Bulwer Community Centre which was funded through Transfers recognised - capital and Internally generated funds was erroneously recognised under Transfers recognised - capital alone therefore the municipality appears to have recognised more than the R41.5 million as per the Adjustments Budget. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 14 196 | 51 720 | 35 957 | 69.5 | The municipality prioritised capital expenditure financed from conditional grants to avoid unspent funds being paid back to the National Revenue Fund therefore internally funded projects were delayed. Furthermore, the error in recognition of Bulwer Community Centre expenditure which was misallocated to Transfers recognised - capital resulted in Internally generated funds being understated. |
| Total Capital Revenue | 62 210 | 93 233 | 79 929 | 85.7 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 2 602 | 3 439 | 3 032 | 88.2 | The municipality indicated office furniture budgeted for new employees was not purchased therefore low expenditure was incurred on Governance and Administration. |
| Community and Public Safety | 470 | 1 524 | 2 964 | 194.4 | The municipality did not indicate the reasons for exceeding the budget for Community and public safety. |
| Eco. & Environmental Services | 59 138 | 88 269 | 73 933 | 83.8 | Delays in the Electrification projects were referred to as the reason for the municipality's poor performance in Economic and environmental services. Furthermore, the budget for Electrification was incorrectly captured under Planning and development. |
| Trading Services | - | - | - | - | |
| Other | - | - | - | - | |
| Total Capital Expenditure | 62 210 | 93 233 | 79 929 | 85.7 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 21 980 | 93 745 | 83 325 | | The opening Cash and cash equivalents amount of R83.3 million appears to be understated when compared to the 2015/16 Annual Financial Statements (AFS) for KwaSani (R15.1 million) and Ingwe (R69.1 million). |
| Cash/cash equiv. at the year end: | 22 879 | 81 634 | 99 152 | | <p>The unaudited actual cash of R99.2 million at year end as per the Section 71 Report appears to be overstated when compared to R91.7 million as per the Bank statement and Investments register as at 30 June 2017. The municipality did not submit the Bank reconciliation at at 30 June 2017 therefore the Bank balance of R6.9 million as at 30 June 2017 is unreconciled.</p> <p>The Net cash position at 30 June 2017 as per the Bank statement, Investments register and Unspent grants register as at 30 June 2017 amounts to R63 million therefore, Unspent conditional grants amounting to R28.7 million as per Grants register as at 30 June 2017 appears to be sufficiently cash backed.</p> <p>The following which could have affected the Cash and cash equivalents at year end were noted in different categories of cash inflows and outflows in the Section 71 Report</p> <ul style="list-style-type: none"> - Other revenue was budgeted at R36.9 million and a cash inflow of R12.5 million was reported; - Government - operating was budgeted at R113.6 million and a cash inflow of R114.1 million was reported; - Finance charges were budgeted at R551 000 and a cash outflow of R24 000 was reported; - There was no cash outflow reported on Transfers and grants against a budget of R1.3 million and Repayment of borrowing against a budget of R613 000. |
| Net Increase/(Decrease) in cash held | 899 | (12 111) | 15 827 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 3 650 | 3 650 | 100.0% | 0 | |
| Expanded Public Works Programme Integrated Grant | 2 191 | 2 191 | 100.0% | (0) | |
| Municipal Infrastructure Grant | 29 513 | 29 513 | 100.0% | - | |

Table 4.10 (r) Trade and other receivables, Trade and other payables and Key ratios - Dr Nkosazana Dlamini Zuma Local Municipality

| R'000 | Amount | % of total debt / payables | Comments |
|---|---------------|----------------------------|---|
| Debtors | | | |
| Debtors as at 30 June 2016 | 37 089 | | |
| Debtors as at 30 June 2017 | 34 382 | | Debtors have decreased by R2.7 million as compared to 30 June 2016 however, it appears that the municipality did not report on other debtors in 2017 which has resulted in the decrease. The municipality should ensure that all debtors are reported on going forward. |
| <u>By age analysis</u> | | | |
| 0-30 days | 1 509 | 4.4% | |
| 31-60 days | 328 | 1.0% | |
| 61-90 days | 626 | 1.8% | |
| >90 days | 31 918 | 92.8% | Debtors outstanding for longer than 90 days amount to R31.9 million or 92.8 percent of Total debtors. It appears that the municipality is failing to implement the Credit Control Policy in order to recover long outstanding debtors. Debtors collection rate is 4 percent and revenue collection rate amounts to 204 percent at the end of June 2017 indicating that the municipality is experiencing challenges with collecting old debt. Provincial Treasury is concerned that a large amount of outstanding debtors relates to Property rates and is classified as Other. The municipality did not provide a detailed breakdown of what constitutes Other debtors. |
| Total by age analysis | 34 382 | 100.0% | |
| <u>By customer group</u> | | | |
| Organs of state | 8 335 | 24.2% | |
| Commercial | 3 690 | 10.7% | |
| Households | 7 478 | 21.7% | |
| Other | 14 879 | 43.3% | |
| Total by customer group | 34 382 | 100.0% | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | Total creditors reported by the municipality as at the end of June 2017 amounted to R11.3 million as per Section 71 Report however, it was noted that the return was captured incorrectly resulting in the database reading it as a nil return. The municipality appears to have significantly understated Trade and other payables in comparison to a balance of R33.9 million as per 2015/16 AFS of KwaSani Municipality (R14.9 million) and Ingwe Municipality (R19 million). |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 42.0% | The ratio appears to be above the norm however, a number of errors were noted in the Operating expenditure reported. The ratio is therefore not a true reflection of the actual performance and may be distorted. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 7.2% | The ratio appears to be above the norm however, a number of errors were noted in the Operating expenditure reported. The ratio is therefore not a true reflection of the actual performance and may be distorted. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 23.6% | The ratio of 23.6 percent indicates that although the municipality can finance some of the operating activities through own sources of revenue, it is still highly reliant on grant funding however, a number of errors were noted in the Operating revenue reported therefore the ratio may be distorted. |
| Own funded capital expenditure | - | 45.0% | The ratio of 45 percent indicates that the municipality is dependent on grants to fund Capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 39.9% | The ratio of 39.9 percent is above the acceptable norm however, the ratio may be distorted due to errors noted in the Total operating expenditure reported. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 17.3% | The ratio assesses the extent to which the municipality generates operating Surplus. The ratio of 17.3 percent is as a result of the municipality recording an unaudited surplus of R25.1 million for the 2016/17 financial year. The ratio could be distorted due to matters raised in the Operating revenue and expenditure sections. |

4.10.6 Analysis per municipality: Harry Gwala District Municipality

Table 4.10 (s) Operating Revenue and Expenditure Performance - Harry Gwala District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|---------------------------------------|-----------------|-----------------|------------------|-------------------------------|---|
| Operating Revenue | | | | | |
| Property Rates ¹ | - | - | - | - | |
| Service Charges ² | 60 553 | 33 447 | 73 997 | 221.2 | The municipality indicated that Service charges - water revenue reported contained errors in February, March and April 2017 which resulted in overstatement of revenue from Service charges. The errors identified will be corrected during the finalisation of the 2016/17 Annual Financial Statements (AFS). |
| Transfers recognised - operational | 288 059 | 324 383 | 265 513 | 81.9 | The municipality indicated that at the time of the preparation of the Section 71 Report, the grants performance was incomplete which will be corrected during the finalisation of the Grants register and the 2016/17 AFS. |
| Other sources of Revenue ³ | 12 814 | 22 793 | 21 900 | 96.1 | |
| Total Operating Revenue | 361 426 | 380 623 | 361 410 | 95.0 | |
| Operating Expenditure | | | | | |
| Employee related costs | 137 950 | 147 159 | 121 988 | 82.9 | The municipality decided to put on hold the filling of some vacant funded positions which were not considered to be critical to the operations of the municipality due to cost containment measures. The municipality has a Remuneration to Total operating expenditure ratio of 35 percent as per the 2016/17 Adjustments Budget therefore non critical positions were put on hold to control the Remuneration expense so that the ratio does not exceed the norm range of 25 to 40 percent. |
| Remuneration of councillors | 7 906 | 7 906 | 5 010 | 63.4 | The under spending on Remuneration of councillors is attributable to inaccurate budgeting by the municipality as the Adjustments Budget was not adjusted downwards in line with the spending trend and actual performance as at 31 December 2016. |
| Debt impairment | 26 044 | 26 044 | - | - | Debt impairment was not reported on a monthly basis by the municipality for the 2016/17 financial year. This was despite the municipality being advised by Provincial Treasury to report expenditure on a monthly basis as reporting only at the end of the year could result in misstatements or unauthorised expenditure. |
| Depreciation and asset impairment | 31 874 | 42 844 | 36 956 | 86.3 | The municipality indicated that Depreciation and asset impairment was not fully reported in the Section 71 Report as at 30 June 2017 which will be corrected during the finalisation of the 2016/17 AFS. The Depreciation and asset impairment reported by the municipality is therefore understated. |
| Bulk purchases | 10 709 | 10 709 | 5 909 | 55.2 | The municipality indicated that the under performance was due to the severe drought in the district which resulted in the water supply and consumption to be significantly less than the projected consumption. The municipality should have adjusted budget downwards in the Adjustments Budget based on the decrease in the projected consumption. |
| Contracted services | 44 923 | 28 075 | 21 917 | 78.1 | The municipality did not provide the reasons for the under spending on Contracted services. |
| Other expenditure items ⁴ | 134 535 | 177 367 | 148 126 | 83.5 | The municipality did not provide the reasons for the under spending on Other expenditure items. |
| Total Operating Expenditure | 393 941 | 440 103 | 339 905 | 77.2 | |
| Operating surplus/(deficit) | (32 515) | (59 480) | 21 505 | | |

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

2 Includes Services Charges - electricity, water, sanitation, refuse and other

3 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

4 Includes Finance charges, Transfers and grants, Other material, Other expenditure and Loss on disposal of PPE

Table 4.10 (t) Capital, Cash and Conditional grant Performance - Harry Gwala District Municipality

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % of Budget Generated / Spent | Comments |
|--|-----------------------------|---|------------------|------------------------------------|--|
| Capital Revenue | | | | | |
| Transfers recognised - capital | 335 772 | 309 101 | 148 813 | 48.1 | The municipality indicated that due to the financial system challenges experienced during the financial year on reporting of grant performance, the figures reported do not appear to be accurate. The Grants register as at 30 June 2017 is being finalised and accurate information will be reported during the compilation of the 2016/17 AFS. |
| Public contributions and donations | - | - | - | - | |
| Borrowing | - | - | - | - | |
| Internally generated funds | 14 527 | 4 243 | 958 | 22.6 | The municipality did not provide reasons for the under performance on Internally generated funds. |
| Total Capital Revenue | 350 299 | 313 344 | 149 771 | 47.8 | |
| Capital Expenditure | | | | | |
| Governance and Administration | 4 624 | 2 732 | 958 | 35.1 | The municipality indicated that due to the financial system challenges experienced during the financial year on reporting of grant performance, the figures reported for Capital expenditure do not appear to be accurate. The Grants register as at 30 June 2017 is being finalised and accurate information will be reported during the compilation of the 2016/17 AFS. |
| Community and Public Safety | - | - | - | - | |
| Eco. & Environmental Services | 3 362 | 1 511 | - | - | The municipality indicated that due to the financial system challenges experienced during the financial year on reporting of grant performance, the figures reported for Capital expenditure do not appear to be accurate. The Grants register as at 30 June 2017 is being finalised and accurate information will be reported during the compilation of the 2016/17 AFS. |
| Trading Services | 342 314 | 309 101 | 148 813 | 48.1 | The municipality indicated that due to the financial system challenges experienced during the financial year on reporting of grant performance, the figures reported for Capital expenditure do not appear to be accurate. The Grants register as at 30 June 2017 is being finalised and accurate information will be reported during the compilation of the 2016/17 AFS. |
| Other | - | - | - | - | |
| Total Capital Expenditure | 350 299 | 313 344 | 149 771 | 47.8 | |
| Cash Receipts and Payments | | | | | |
| Cash/cash equiv. at the year begin: | 19 877 | 5 819 | 5 819 | | |
| Cash/cash equiv. at the year end: | 32 877 | (2 005) | 41 214 | | Cash and cash equivalents balance of R41.2 million at year end does not appear to be accurate in comparison to Investments of R22.7 million and a main bank account balance of R1.8 million as per the Investments register and Bank reconciliation respectively at 30 June 2017. Unspent conditional grants of R54.7 million as per the Grant register as at 30 June 2017 do not appear to be sufficiently cash backed as the total Cash and cash equivalents as at 30 June 2017 amounts to R24.4 million. It should however be noted that the Grant register is still being finalised therefore the Net cash position may change. The municipality's cash coverage at the end of the financial year could not be calculated as the Trial balance as at 30 June 2017 was not submitted by the municipality. |
| Net Increase/(Decrease) in cash held | 13 000 | (7 824) | 35 395 | | |
| National Conditional Grant | | | | | |
| | Total Avail. 2016/17 | Unaudited Actual expenditure by munis. | % Spent | Amount Unspent/ (Overspent) | |
| Financial Management Grant | 1 250 | 1 181 | 94.4% | 69 | According to the municipality's Grants register as at 30 June 2017, the balance of the unspent Financial Management Grant is zero which means that the municipality has achieved a 100 percent spending on this grant and the Section 71 Report was inaccurate. It should however be noted that the Grant register is still being finalised therefore the 100 percent spending rate may change. |
| Expanded Public Works Programme Integrated Grant | 3 364 | 1 770 | 52.6% | 1 594 | According to the municipality's Grants register as at 30 June 2017, the balance of the unspent Expanded Public Works Programme Integrated Grant is zero which means that the municipality has achieved a 100 percent spending on this grant and the Section 71 Report was inaccurate. It should however be noted that the Grant register is still being finalised therefore the 100 percent spending rate may change. |
| Municipal Infrastructure Grant | 191 067 | 98 687 | 51.7% | 92 380 | According to the municipality's Grants register as at 30 June 2017, the balance of the unspent Municipal Infrastructure Grant is zero which means that the municipality has achieved a 100 percent spending on this grant and the Section 71 Report was inaccurate. It should however be noted that the Grant register is still being finalised therefore the 100 percent spending rate may change. |

Table 4.10 (u) Trade and other receivables, Trade and other payables and Key ratios - Harry Gwala District Municipality

| | Amount | % of total debt / payables | Comments |
|---|-----------|----------------------------|---|
| R'000 | | | |
| Debtors | | | |
| Debtors as at 30 June 2016 | 169 427 | | |
| Debtors as at 30 June 2017 | - | | The municipality indicated that they did not submit the relevant Month 12 return before the database was closed therefore the Section 71 Report reflects a nil balance. The debtors' balance as at 30 June 2017 could therefore not be analysed due to the lack of information. |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | |
| <u>By customer group</u> | | | |
| Organs of state | - | - | |
| Commercial | - | - | |
| Households | - | - | |
| Other | - | - | |
| Total by customer group | - | - | |
| Creditors | | | |
| <u>By age analysis</u> | | | |
| 0-30 days | - | - | |
| 31-60 days | - | - | |
| 61-90 days | - | - | |
| >90 days | - | - | |
| Total by age analysis | - | - | The municipality indicated that they did not submit the relevant month 12 return therefore the Section 71 Report reflects a nil balance. The creditors' age analysis at 30 June 2017 could therefore not be analysed due to the lack of information. It should however be noted that creditors have shown an increasing trend as per the 2014/15 and 2015/16 AFS which reflects R152.3 million and R211.8 million respectively. |
| Key Ratios | | | |
| <u>Expenditure management</u> | | | |
| Remuneration as a % of Total operating expenditure | 25% - 40% | 37.4% | Total operating expenditure is understated as expenditure such as Debt impairment and Depreciation and assets impairment have not been fully accounted for therefore the ratio is distorted. |
| Contracted services as a % of Total operating expenditure | 2% - 5% | 6.4% | It was noted that the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the ratio is distorted as Total operating expenditure is understated. |
| <u>Grant dependency</u> | | | |
| Own sources of revenue to total operating revenue | - | 26.5% | The municipality appears to be significantly reliant on grant funding as only 26.5 percent of the annual operating revenue is generated from the municipality's own sources of revenue. The ratio is however not a true reflection of the municipality's performance due to the concerns raised in the operating revenue section. |
| Own funded capital expenditure | - | 0.6% | The ratio appears to be distorted as grant capital expenditure has not been reported in full although the municipality is significantly grant reliant for capital expenditure. |
| <u>Asset Management</u> | | | |
| Capital Expenditure to Total expenditure | 10% - 20% | 30.6% | The ratio appears to be distorted due to a number of concerns raised in the operating income, operating expenditure and capital expenditure sections relating to incomplete reporting. |
| <u>Efficiency</u> | | | |
| Net operating surplus margin | = or > 0% | 6.0% | The ratio appears to be distorted due to a number of concerns raised in the operating income and the operating expenditure sections relating to incomplete reporting therefore the positive ratio of 6 percent is not a true reflection of the municipality's efficiency. |

Chapter 5: MFMA Implementation

5.1 2016/17 Mid-Year Budget and Performance Assessment Reports and Adjustments Budgets

5.1.1 Background

Section 72(1)(a) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) states that *the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year.* Section 72(3) of the MFMA further requires that *the accounting officer must, as part of the review, make recommendations as to whether an Adjustments Budget is necessary.* Section 28(1) of the MFMA states that *a municipality may revise an approved annual budget through an Adjustments Budget.* Section 28(2)(a-g) of the MFMA provides scenarios for which municipalities would need to adjust their annual budget.

To ensure compliance with the requirements of the MFMA as well as the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular TC/RM 4 of 2016/17 on 7 December 2016 to all delegated municipalities providing guidance on the following:

- Preparation of the 2016/17 Mid-Year Budget and Performance Assessment Report;
- Format for the Mid-Year Budget and Performance Assessment Report;
- Engagements with municipalities on the Mid-Year Budget and Performance Assessment Reports;
- 2016/17 Adjustments Budget Process;
- Adjusted Allocations;
- Separation of tabling dates for the Mid-Year Budget and Performance Assessment Report and the Adjustments Budget;
- Submission of the 2016/17 Mid-Year Budget and Performance Assessment Report and the 2016/17 Adjustments Budget; and
- Publication of the 2016/17 Mid-Year Budget and Performance Assessment Report and the 2016/17 Adjustments Budget.

Subsequently, in January 2017, Provincial Treasury provided municipalities with a checklist in order to assist the municipalities in the preparation of their Section 72 Mid-Year Budget and Performance Report as well as the Adjustments Budget.

5.1.2 Process for the submission, tabling and assessment of the 2016/17 Mid-Year Budget and Performance Assessment Reports

Submission of the 2016/17 Mid-Year Budget and Performance Assessment Reports

As at 25 January 2017, 48 of the 51 delegated municipalities had submitted their 2016/17 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury. Three municipalities as listed in Table 5.1, did not submit their 2016/17 Mid-Year Budget and Performance Assessments Reports to Provincial Treasury, thereby contravening Section 72(1)(b)(iii) of the MFMA. Letters for non-compliance were sent to two of the three municipalities. A non-compliance letter was not issued to the Mthonjaneni Local Municipality as their 2016/17 Mid-Year Budget and Performance Assessment Report was submitted to Provincial Treasury timeously.

Table 5.1: List of municipalities that did not submit their 2016/17 Mid-Year Budget and Performance Assessment Reports Provincial Treasury by 25 January 2017

| No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|
| 1 | Nquthu | 3 | Mthonjaneni |
| 2 | Dannhauser | | |

Source: KZN Provincial Treasury

The three defaulting municipalities subsequently submitted their 2016/17 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury.

Tabling of the 2016/17 Mid-Year Budget and performance Assessment Reports

With the exception of the five municipalities listed in Table 5.2, all delegated municipalities tabled their 2016/17 Mid-Year Budget and Performance Assessments to Council by 31 January 2017 as required by Section 54(1)(f) of the MFMA.

Table 5.2: List of municipalities that did not table their 2016/17 Mid-Year Budget and Performance Assessment Reports to Council by 31 January 2017

| No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|
| 1 | Ugu DM | 4 | uMzinyathi DM |
| 2 | eNdumeni | 5 | eMadlangeni |
| 3 | Nquthu | | |

Source: KZN Provincial Treasury

The 2016/17 Mid-Year Budget and Performance Assessment Report for the eNdumeni and eMadlangeni Local Municipalities as well as the Ugu District Municipality were subsequently tabled on 7 February 2017, 8 February 2017 and 23 February 2017 respectively.

The KZN Department of Co-operative Governance and Traditional Affairs (CoGTA) had moved to dissolve the Nquthu Council elected in the 2016 Local Government elections because of a failure by the elected Council to elect municipal office bearers, which also affected the proportionate representation of the Nquthu Local Municipality at the uMzinyathi District Municipality level. The Nquthu Local Municipality and the uMzinyathi District Municipality could therefore not table their 2016/17 Mid-Year ad Performance Assessment Reports as they had no Council in place.

Uploading of the 2015/16 Mid-Year Budget and performance Assessment Reports onto municipal website

The six municipalities listed in Table 5.3 did not upload their 2016/17 Mid-Year Budget and Performance Assessments Reports on their municipal websites within 5 days of 25 January 2017, thereby contravening Regulation 34(1) of the MBRR as well as Section 75(2) of the MFMA.

Table 5.3: List of the municipalities which did not upload their 2016/17 Mid -Year Budget and Performance Assessments Reports on their websites within 5 working days of 25 January 2017

| No | Name of Municipality | No | Name of Municipality | No | Name of Municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | Ugu DM | 3 | uMlalazi | 5 | Richmond |
| 2 | uThukela DM | 4 | Greater Kokstad | 6 | uMhlabuyalingana |

Source: KZN Provincial Treasury

Non-compliance letters were not issued to the Richmond and uMhlabuyalingana Local Municipalities as their websites were not operational therefore the municipalities did not upload their 2016/17 Mid-Year Budget and Performance Assessments Reports on their municipal websites within 5 working days of 25 January 2017. A letter was issued to the uMhlabuyalingana Local Municipality to acknowledge that the website was not operational in line with the correspondence received from the municipality and

also to inform the municipality that they were in non-compliance with Regulation 34(1) of the MBRR and Section 75(2) of the MFMA.

Tabling of the 2016/17 Mid-Year Budget and Performance Assessment Report together with the 2016/17 Adjustments Budget

As per Provincial Treasury Circular TC/RM 4 of 2016/17, municipalities were requested not to table their 2016/17 Mid-Year Budget and Performance Assessment Reports together with their 2016/17 Adjustments Budgets. This arrangement allowed Provincial Treasury to have sufficient time to assess the Mid-Year Budget and Performance Assessment Reports with a view of Provincial Treasury providing comments on the Mid-Year Reports which would influence the 2016/17 Adjustments Budgets.

Despite this request, the uMzumbe Local Municipality tabled their 2016/17 Mid-Year Budget and Performance Assessment Report together with their 2016/17 Adjustments Budget. Therefore, Provincial Treasury was unable to conduct a comprehensive assessment for the municipality and thus, a high level assessment highlighting the main issues was undertaken and communicated to the municipality.

Engagements on the 2016/17 Mid-Year Budget and Performance Assessments Reports

In line with the monitoring and oversight roles in terms of Section 5 of the MFMA, Provincial Treasury conducted bi-lateral engagements with the delegated municipalities on their 2016/17 Mid-Year Budget and Performance Assessment Reports. The aim of engagements was to assess and review the progress made on the implementation of 2016/17 Budgets as well as to influence the 2016/17 Adjustments Budget process.

In order to improve on the quality of bilateral engagements with the municipalities, the Supply Chain Management (SCM) Unit was invited to participate at the engagements. Due to the large number of municipalities in the province, it was not feasible to conduct joint engagements with all municipalities but rather to select those to be visited for the joint engagements. The 13 municipalities indicated in Table 5.4 were selected for joint engagements on their 2016/17 Mid-Year Budget and Performance Assessment Reports in order to assess the SCM compliance as at Mid-Year. Four of the 13 municipalities were engaged by the SCM Unit (namely, the Harry Gwala District Municipality, the iMpindle, Greater Kokstad and uMfolozi Local Municipalities). Provincial Treasury Municipal Finance could not engage nine municipalities jointly with the SCM Unit due to the unavailability of the relevant municipal officials and numerous changes to the engagement dates.

Table 5.4: Municipalities selected for joint engagements on their 2016/17 Mid-Year Budget and Performance Assessments

| No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | iMpindle | 6 | eNdumeni | 11 | Big Five Hlabisa |
| 2 | Harry Gwala DM | 7 | uMzinyathi DM | 12 | Mtubatuba |
| 3 | Greater Kokstad | 8 | uMvoti | 13 | Jozini |
| 4 | uMfolozi | 9 | Amajuba DM | | |
| 5 | Mpofana | 10 | AbaQulusi | | |

Source: KZN Provincial Treasury

The following key focus areas were on the agenda for the engagements, amongst others:

- The actual mid-year results for the 2016/17 financial year;
- Cash Flow Position and projections for the 2016/17 financial year;

- Infrastructure delivery achievements against the Infrastructure Plan of the municipality for the 2016/17 financial year;
- Performance and spending of all National and Provincial conditional grants and progress made in achieving the grant conditions for the 2016/17 financial year;
- The preparation of the 2016/17 Adjustments Budget and inputs thereto;
- Progress made on the preparation of the 2016/17 Revised Procurement Plan;
- Progress made on the preparation of the 2017/18 Procurement Plan; and
- Progress made in achieving the milestones and timelines specified in the approved 2017/18 Budget, IDP and Schedule of Key Deadlines.

In total, engagements on the 2016/17 Mid-Year Budget and Performance Assessments Reports were conducted with 37 municipalities including the four municipalities where joint engagements with the SCM Unit were held. Table 5.5 lists the 37 municipalities which were engaged on their 2016/17 Mid-Year Budget and Performance Assessments Reports.

Table 5.5: List of the 37 Municipalities which were engaged on their 2016/17 Mid Year Budget and Performance Assessments

| No | Name of municipality | Date of Engagement | No | Name of municipality | Date of Engagement | No | Name of municipality | Date of Engagement |
|----|----------------------|--------------------|----|----------------------|--------------------|----|----------------------------|--------------------|
| 1 | uMdoni | 17-Feb-17 | 14 | uThukela DM | 13-Feb-17 | 27 | uMfolozi | 16-Feb-17 |
| 2 | Ray Nkonyeni | 09-Feb-17 | 15 | eNdumeni | 09-Feb-17 | 28 | Mthonjaneni | 10-Feb-17 |
| 3 | Ugu DM | 07-Feb-17 | 16 | Nquthu | 22-Feb-17 | 29 | Nkandla | 15-Feb-17 |
| 4 | uMshwathi | 21-Feb-17 | 17 | uMsinga | 15-Feb-17 | 30 | Ndwedwe | 13-Feb-17 |
| 5 | uMngeni | 09-Feb-17 | 18 | uMvoti | 17-Feb-17 | 31 | Maphumulo | 14-Feb-17 |
| 6 | Mpofana | 03-Mar-17 | 19 | eMadlangeni | 16-Feb-17 | 32 | iLembe DM | 09-Feb-17 |
| 7 | iMpendle | 14-Feb-17 | 20 | Amajuba DM | 15-Feb-17 | 33 | Greater Kokstad | 21-Feb-17 |
| 8 | Mkhambathini | 16-Feb-17 | 21 | Ulundi | 22-Feb-17 | 34 | uBuhlebezwe | 16-Feb-17 |
| 9 | Richmond | 16-Feb-17 | 22 | Zululand DM | 17-Feb-17 | 35 | uMzimkhulu | 08-Feb-17 |
| 10 | uMgungundlovu DM | 20-Feb-17 | 23 | uMhlabuyalingana | 17-Feb-17 | 36 | Dr. Nkosazana Dlamini Zuma | 17-Feb-17 |
| 11 | Okhahlamba | 20-Feb-17 | 24 | Jozini | 07-Feb-17 | 37 | Harry Gwala DM | 16-Feb-17 |
| 12 | iNkosi Langelibalele | 15-Feb-17 | 25 | Mtubatuba | 08-Feb-17 | | | |
| 13 | Alfred Duma | 07-Feb-17 | 26 | uMkhanyakude DM | 15-Feb-17 | | | |

Source: KZN Provincial Treasury

The remaining municipalities were not engaged due to the following:

- Tabling the 2016/17 Mid-Year Budget and Performance Assessment Report together with the 2016/17 Adjustments Budget; and
- Unavailability of municipal officials on proposed engagements dates despite Provincial Treasury providing them with alternative dates.

5.1.3 Process for the submission, tabling and assessment of the 2016/17 Adjustments Budget

When the annual budget has been adjusted, the municipality is required to table their Adjustments Budget to Council at any time after the Mid-Year Budget and Performance Assessment has been tabled in Council but not later than 28 February of the current year as required by Regulation 23(1) of the MBRR.

Tabling of the 2016/17 Adjustments Budget

As at 28 February 2017, 48 of the 51 delegated municipalities tabled their 2016/17 Adjustments Budgets in Council.

The uMvoti Local Municipality applied for an extension to the legislated date of 28 February 2017 due to unanticipated commitments of both the Chair and Deputy Chairpersons of the Budget Steering Committee and EXCO Committee which was approved by the KwaZulu-Natal MEC for Finance on 3 March 2017.

The 2016/17 Adjustments Budgets for the Nquthu Local Municipality and the uMzinyathi District Municipality were approved by the administrators on 21 February 2017 and 28 February 2017 respectively as the municipal Council was dissolved for the Nquthu Local Municipality resulting in an incomplete Council for the uMzinyathi District Municipality as the proportional representation for the Nquthu Local Municipality no longer existed.

Submission of the 2016/17 Adjustments Budget

As a result of the delays mentioned in the preceding paragraph, the uMvoti Local Municipality is the only municipality that submitted their 2016/17 Adjustments Budget after the legislated deadline of 10 working days after tabling in Council. As a result of the approval of extension of the tabling date, a non-compliance letter was not issued to the municipality.

Assessment of the 2016/17 Adjustments Budget

The tabled Adjustments Budgets for the 14 municipalities listed in Table 5.6 were assessed by Provincial Treasury to be unfunded budgets.

The Nkandla Local Municipality as well as the uThukela District Municipality and the uMkhanyakude District Municipality subsequently resubmitted their Adjustments Budgets on 30 March 2017, 31 March 2017 and 26 April 2017 respectively. However, the resubmitted Adjustments Budgets still appeared to be unfunded.

As at 26 May 2017, the remaining 11 municipalities had not re-submitted funded Adjustments Budgets to Provincial Treasury as requested.

Table 5.6: Unfunded 2016/17 Adjustments Budget

| No | Name of municipality | No | Name of municipality | No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------|----|----------------------|----|----------------------|
| 1 | Mpořana | 4 | uThukela DM | 7 | eDumbe | 10 | Zululand DM | 13 | Nkandla |
| 2 | Okhahlamba | 5 | Newcastle | 8 | uPhongolo | 11 | Big Five Hlabisa | 14 | Harry Gwala DM |
| 3 | iNkosi Langalibalele | 6 | Anejuba DM | 9 | AbaQulusi | 12 | uMkhanyakude DM | | |

Source: KZN Provincial Treasury

Provincial Treasury could not determine the true funding position of the uMngeni Local Municipality due to the poor population of Cash Flow Tables B7 and B8. The municipality did not resubmit a funded Adjustments Budget within 7 working days as requested by Provincial Treasury.

5.2 2017/18 Budget Evaluation Process

5.2.1 Annual Budget Process

The annual municipal budget cycle is shown in Figure 16 while Figure 17 illustrates timeframes in the Budget Process Cycle. The cycle starts in July when the municipalities prepare their budget times schedule outlining key deadlines which sets out the key actions and timeframes required to ensure that the annual budget process and the review of the Integrated Development Plan (IDP) are completed

before the start of the next budget year. The key milestones in the municipal budget cycle are the tabling of the budget in Council by 31 March, the subsequent public participation process, the consideration of the budget for approval in Council by 31 May and the approval of the budget by Council on or before 30 June.

Figure 16

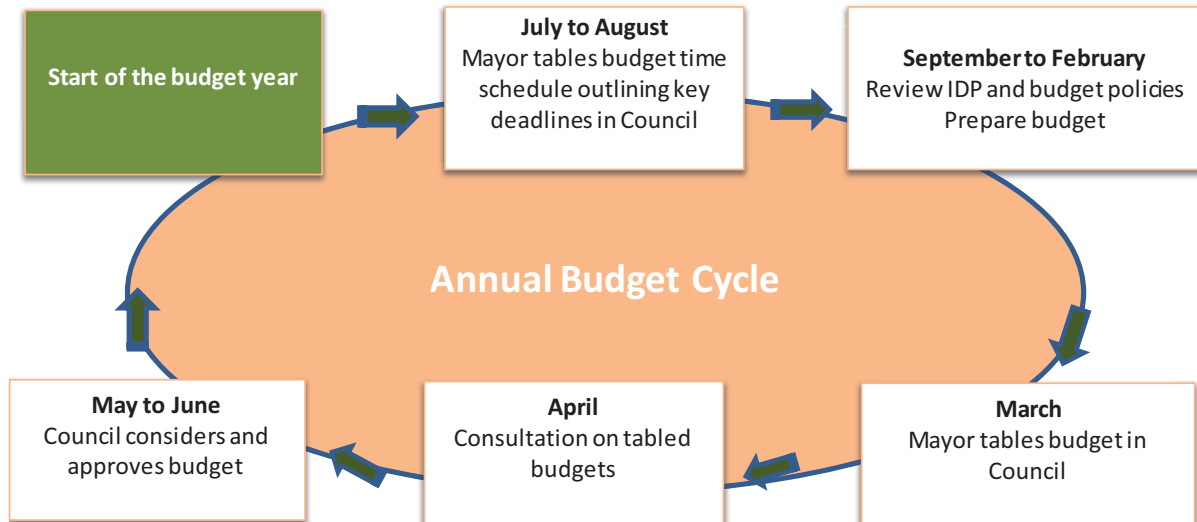


Figure 17

The illustrative time frames in the Budget Process Cycle

| | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|-------------------|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Preparation Phase | Mayor tables Budget Timetable | █ | █ | | | | | | | | | | |
| | Mayor reviews IDP and previous Annual Report | █ | █ | █ | █ | █ | | | | | | | |
| | Review financial policies, e.g. rates, tariffs etc. | █ | █ | █ | █ | █ | | | | | | | |
| | Refine Tabled Budget before adoption by Council | | | | | | | | █ | █ | | | |
| Tabling of Budget | Opex and Capex Budget tabled in Council | | | | | | | | █ | █ | | | |
| | Stakeholders consultation process | | | | | | | | | | █ | | |
| Approving Budget | Finalise and approve financial policies | | | | | | | | | | █ | | |
| | Approve business plans, prepare SDBIP and performance contracts | | | | | | | | | | █ | | |
| | Council approves Budget and IDP revisions | | | | | | | | | | █ | █ | |
| | Council publishes new tariff structures | | | | | | | | | | █ | █ | |
| | Approved Budget made public and posted on website | | | | | | | | | | | █ | █ |
| | Mayor approves SDBIP and performance agreements are concluded | | | | | | | | | | | █ | █ |
| Reporting | IDP Report to MEC: Local Government | | | | | | | | | | █ | | █ |
| | Submission of Tabled Budget to Provincial/National Treasury | | | | | | | | | | | | █ |
| | Submission of Approval Budget to Provincial/National Treasury | | | | | | | | | | | | █ |

In this regard, 34 of the 51 delegated municipalities timeously tabled their *Time schedule outlining key deadlines* by 31 August 2016 as per the requirements of the MFMA. Table 5.7 shows the municipalities which did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2016. The MEC for Finance sent non-compliance letters to the Mayors of these municipalities.

Table 5.7: Municipalities which tabled their 2017/18 Time schedules outlining key deadlines after 31 August 2016

| No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | uThukela DM | 7 | Nquthu | 13 | eMadlangeni |
| 2 | eNdumeni | 8 | Mthonjaneni | 14 | Maphumulo |
| 3 | Amajuba DM | 9 | uMfolozi | 15 | Mtubatuba |
| 4 | New castle | 10 | Zululand DM | 16 | uMngeni |
| 5 | uMzinyathi DM | 11 | uPhongolo | 17 | uMgungundlovu DM |
| 6 | uMvoti | 12 | eDumbe | | |

Source: KZN Provincial Treasury

Only the Nquthu Local Municipality did not subsequently table their *Time schedule outlining key deadlines* in Council due to the political instability at the municipality.

As a pilot project, Provincial Treasury conducted a high level review on the *Time schedule outlining key deadlines*. Of the 51 delegated municipalities, gaps were identified for 6 municipalities reflected in Table 5.8, which were then communicated to the municipalities in writing.

Table 5.8: Municipalities where gaps were identified in their 2017/18 Time schedules outlining key deadlines

| No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | uMvoti | 3 | Mthonjaneni | 5 | Mandeni |
| 2 | uPhongolo | 4 | Big Five Hlabisa | 6 | uMdoni |

Source: KZN Provincial Treasury

5.2.2 Budget preparation

Section 5(4)(a)(ii) of the MFMA states that *to the extent necessary to comply with subsection (3), a Provincial Treasury must monitor the preparation by municipalities in the province of their budgets*. Furthermore, Section 5(4)(b) of the MFMA states that *a Provincial Treasury may assist municipalities in the province in the preparation of their budgets*.

As part of the budget preparation process, all municipalities supplying electricity are expected to submit their applications for a tariff increase in line with Section 43 of the MFMA to the National Energy Regulator of South Africa (NERSA). To ensure improvement in the quality of the tariff increase application by municipalities, NERSA together with Provincial Treasury conducted a two day workshop from 20 to 21 September 2016 in Pietermaritzburg. The purpose of the workshop was mainly to highlight the correct process of completing and submitting the relevant application forms as well as meeting the deadlines for various processes. The workshop was conducted for all delegated and non-delegated municipalities which are licensed to supply electricity. Ninety six (96) municipal officials from 25 municipalities attended the workshop, which is an improvement in the number of attendees as compared to the 76 municipal officials who attended the workshop held in October 2015.

Furthermore, Provincial Treasury provided on-site technical support to a number of delegated municipalities with a view of ensuring, amongst others:

- The correct Versions 2.8 and 6.1 of the prescribed Schedule A1 was used in the preparation of their 2017/18 Medium term Revenue & Expenditure Framework (MTREF) Budget;
- The Annual Budget returns were correctly captured and reconciled to original sources of budget documents;
- The 2017/18 MTREF budgets incorporated the requirements of the latest budget circulars, namely, MFMA Circulars No. 85 and 86; and
- The applications forms for the increase of electricity tariffs which are lodged with NERSA were completed.

Technical support for the preparation of the 2017/18 Budget was provided to the 16 municipalities shown in Table 5.9 at their request:

Table 5.9: On-site technical support to municipalities on the 2017/18 budget preparation process

| No | Name of municipality | No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------|----|----------------------|
| 1 | uMdoni | 5 | uMgungundlovu DM | 9 | Mtubatuba | 13 | Mthonjaneni |
| 2 | uMzambe | 6 | Nquthu | 10 | Big Five Hlabisa | 14 | Nkandla |
| 3 | uMuziwabantu | 7 | eDumbe | 11 | uMkhanyakude DM | 15 | Ndwedwe |
| 4 | uMngeni | 8 | ULundi | 12 | uMlalazi | 16 | Maphumulo |

Source: KZN Provincial Treasury

To further guide all 51 delegated municipalities with the preparation of their 2017/18 budgets as well as to monitor compliance with the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 06 of 2016/17 dated 24 February 2017 to municipalities. The circular covered the following areas relating to the Budget preparation process:

- Preparation of the 2017/18 MTREF Municipal Budgets;
- Format Requirements for the 2017/18 MTREF Municipal Budgets;
- Funding Position of the 2017/18 MTREF Municipal Budgets;
- Assessment of the 2017/18 Draft Budget and Engagement with municipalities;
- Submission of the 2017/18 MTREF Municipal Budgets;
- Publication of the 2017/18 MTREF Municipal Budgets;
- 2017/18 MTREF Municipal Budget Verification Process;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- Provincial and National Transfers to municipalities; and
- Further matters for consideration in the 2017/18 MTREF Municipal Budget Process.

The PT Circular included some of the areas of weaknesses and common mistakes identified by both Provincial and National Treasury in prior years that should be considered and addressed (where applicable) by municipalities when preparing their 2017/18 MTREF budgets.

Section 23(2) of the MFMA states that *after considering all budget submissions, the Council must give the Mayor an opportunity to respond to the submissions; and if necessary, to revise the budget and table amendments for consideration by the Council.* In an attempt to assist municipalities in complying with Section 23(2) of the MFMA, a section was provided in the Budget assessment feedback report for the respective municipalities to provide responses to Provincial Treasury's comments with the submission of their Approved Budget Documents in accordance to Regulation 20 of the MBRR. In this regard, 11 municipalities as shown in Table 5.10 provided responses in the required format.

Table 5.10: Municipalities that provided formal responses to Provincial Treasury's comments

| No | Name of municipality | No | Name of municipality | No | Name of municipality |
|----|----------------------|----|----------------------|----|----------------------------|
| 1 | Richmond | 5 | Kong Cetshwayo DM | 9 | uMzinkhulu |
| 2 | Okhahlamba | 6 | Mandeni | 10 | Dr. Nkosazana Dlamini Zuma |
| 3 | Alfred Duma | 7 | iLembe DM | 11 | Harry Gwala DM |
| 4 | eMadlangeni | 8 | Greater Kokstad | | |

Source: KZN Provincial Treasury

5.2.3 2017/18 Budget Evaluations

Tabling of the 2017/18 Budgets

Section 16(2) of the MFMA states that *the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.*

With the exception of the eNdumeni and eDumbe Local Municipalities, all the delegated municipalities tabled their 2017/18 Budgets in Council by 31 March 2017. The uMzinyathi District Municipality and the Nquthu Local Municipality, both tabled their 2017/18 Budgets to their respective Administrators.

The eNdumeni and eDumbe Local Municipalities did not request an extension for the late tabling of their 2017/18 Budget in line with Section 27(1) of the MFMA from the MEC for Finance. As a result, non-compliance letters from the MEC's office were issued to the two errant municipalities. Subsequently, the eNdumeni and eDumbe Local Municipalities tabled their 2017/18 Budgets on 3 April and 7 April 2017, respectively.

Submission of the 2017/18 Tabled Budgets

Section 22(b)(i) of the MFMA requires that *immediately* after an annual budget is tabled in a municipal Council, the annual budget must be submitted to National and Provincial Treasury in both printed and electronic format. Only the uMshwathi Local Municipality did not timeously submit their 2017/18 Tabled Budget to Provincial Treasury and a non-compliance letter was issued to them in this respect.

Status of the 2017/18 Budget Evaluations

Upon the receipt of the tabled 2017/18 Budgets, Provincial Treasury undertook an assessment of the Tabled Budget and provided comments to the respective municipalities as per the requirements of Section 23(1) of the MFMA which states that *when the annual budget has been tabled, the Municipal Manager must consider any views of (a) the local community and (b) the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.* The assessment process also included compliance checks on all Tabled Budgets received to establish the level of compliance with the requirements of the MFMA and MBRR in general and to verify amongst others, whether:

- The Tabled Budgets submitted were in the correct version (versions 2.8 and 6.1 of Schedule A1) of the prescribed format (A Schedule);
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconcile to the electronic budget returns submitted to lgdatabase@treasury.gov.za; and
- The information is sufficient to enable the assessments of the Tabled Budgets.

Provincial Treasury established that the 2017/18 Tabled Budgets for all delegated municipalities were in the correct format of versions 2.8 and 6.1 of Schedule A1 and the Tabled Budgets provided a reasonable basis for assessments and comments.

Of the 51 budgets assessed in respect of the delegated municipalities, Provincial Treasury determined that only 24 Tabled Budgets were Funded, 13 were Unfunded and it could not determine whether the Tabled Budgets for the remaining 14 municipalities were Funded or Unfunded.

In a bid to improve the funding positions and overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities throughout the 2017/18 Budget preparation process. The support included bilateral engagements with the municipalities.

The MEC for Finance also corresponded with the Mayors of 13 municipalities as their 2017/18 Tabled Budgets were deemed Unfunded. The Mayors were requested to ensure that the 2017/18 Budgets to be

approved by their Council in terms of Section 24(1) of the MFMA were Funded. The 14 municipalities whose budget funding position could not be determined, were also requested through the Provincial Treasury's comments letters to ensure that the 2017/18 Budgets to be approved by their Council in terms of Section 24(1) of the MFMA were Funded.

5.2.4 High Level Assessment of 2017/18 Approved Budgets

As per Section 24(1) of the MFMA, the municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget, while Section 25(1) of the MFMA stipulates that if a municipal Council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the Council meeting that failed to approve the budget.

With exception of the eDumbe Local Municipality, all the delegated municipalities tabled their 2017/18 Budgets for consideration 30 days before the start of the budget year. A corresponding non-compliance letter was sent to the eDumbe Local Municipality in this respect. The Dr. Nkosazana Dlamini Zuma Local Municipality, uMzinyathi District Municipality and Nquthu Local Municipality considered their budget by 31 May 2017. However, they approved their budget on 6 June 2017, 21 June 2017 and 23 June 2017, respectively. The remaining budgets were approved as per Section 24(2) of the MFMA on the same day of tabling for consideration. The eDumbe Local Municipality considered and approved their 2017/18 Budget on 7 June 2017.

Provincial Treasury conducted a high level assessment of the 2017/18 Approved Budgets of the 51 KZN delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury were considered in their 2017/18 Approved Budgets. Municipalities with Unfunded Budgets and whereby the funding position could not be determined were requested to re-table and approve a funded budget before the start of the financial year (by 30 June 2017).

The eDumbe Local Municipality re-tabled their budgets before the start of the financial year, as requested. With the assistance of Provincial Treasury, the Nkandla and Big Five Hlabisa Local Municipalities also tabled and approved funded budgets before the start of the financial year. The remaining municipalities with unfunded budgets as well as the municipalities whose funding position of the budget could not be determined were advised to adjust their budgets during the Adjustments Budget process, failing which, the MEC for Finance in the Province will report the errant municipalities to National Treasury to consider the stopping of their Equitable Share transfers in terms of Section 38 of the MFMA.

5.2.5 Summary of 2017/18 Budget Process

A summary of the outcome on the 2017/18 municipal budget assessment process and the funding position of the Approved Budgets is shown in Table 5.11:

Table 5.11: Summary of the outcomes on the 2017/18 Budget Assessment Process

| | No. of Budgets | Name of municipality |
|--|----------------|----------------------|
| <u>2017/18 Tabled Budgets</u> | | |
| Budgets tabled late (after 31 March 2017) | 2 | eNdumeni and eDumbe |
| Budgets received (electronic and printed copies) | 51 | |
| Budgets Assessed | 51 | |
| Budgets Tabled in correct formats | 51 | |
| Funded Budgets | 24 | |
| Unfunded Budgets | 13 | |
| Undetermined Funding Position | 14 | |
| <u>2017/18 Approved Budgets</u> | | |
| Budgets not considered for Approval by 31 May 2017 | 1 | eDumbe |
| Budgets approved in correct formats | 51 | |
| Budgets received (electronic and printed copies) | 51 | |
| High level assessments conducted on Approved Budgets | 51 | |
| Funded Budgets | 37 | |
| Unfunded Budgets | 13 | |
| Undetermined Funding Position | 1 | |

Source: KZN Provincial Treasury

Table 5.12 shows the funding positions of the 2017/18 Tabled and Adopted Budgets of all delegated municipalities. The table shows that initially there were only 24 Tabled Budgets which were Funded, 13 were Unfunded while the funding position for 14 municipalities could not be determined mainly due to incomplete information. However, through further engagement and support to municipalities by the KZN Provincial Treasury, the funding position of the Approved Budgets improved. Table 5.12 shows that 37 of the Approved Budgets were Funded, 13 were Unfunded while the funding position of only 1 municipality could not be determined.

Table 5.12: Funding Position of 2017/18 Tabled and Adopted Budgets as per Provincial Treasury's assessments

| No. | Name of Municipality | 2017/18 Tabled Budget | 2017/18 Adopted Budget |
|-----|---------------------------|-----------------------|------------------------|
| 1 | uMdoni | Funded | Funded |
| 2 | uMzumbe | Funded | Funded |
| 3 | uMuziwabantu | Funded | Funded |
| 4 | Ray Nkonyeni | Undetermined | Funded |
| 5 | Ugu | Funded | Funded |
| 6 | uMshwathi | Funded | Funded |
| 7 | uMngeni | Funded | Funded |
| 8 | Mpofana | Unfunded | Unfunded |
| 9 | iMpendle | Unfunded | Funded |
| 10 | Mkhambathini | Funded | Funded |
| 11 | Richmond | Funded | Funded |
| 12 | uMgungundlovu | Funded | Funded |
| 13 | Okhahlamba | Unfunded | Funded |
| 14 | iNkosi Langalibalele | Unfunded | Unfunded |
| 15 | Alfred Duma | Funded | Funded |
| 16 | uThukela | Unfunded | Unfunded |
| 17 | Endumeni | Unfunded | Unfunded |
| 18 | Nquthu | Undetermined | Funded |
| 19 | uMsinga | Undetermined | Undetermined |
| 20 | uMvoti | Unfunded | Unfunded |
| 21 | uMzinyathi | Unfunded | Funded |
| 22 | New castle | Funded | Unfunded |
| 23 | eMadlangeni | Funded | Funded |
| 24 | Dannhauser | Funded | Funded |
| 25 | Amajuba | Unfunded | Unfunded |
| 26 | eDumbe | Unfunded | Unfunded |
| 27 | uPhongolo | Undetermined | Funded |
| 28 | AbaQulusi | Undetermined | Funded |
| 29 | Nongoma | Undetermined | Funded |
| 30 | Ulundi | Unfunded | Unfunded |
| 31 | Zululand | Undetermined | Unfunded |
| 32 | uMhlabuyalingana | Undetermined | Funded |
| 33 | Jozini | Undetermined | Funded |
| 34 | Mtubatuba | Funded | Funded |
| 35 | The New Big 5 False Bay | Unfunded | Funded |
| 36 | uMkhanyakude | Unfunded | Unfunded |
| 37 | uMfolozi | Undetermined | Unfunded |
| 38 | uMlalazi | Funded | Funded |
| 39 | Mthonjaneni | Undetermined | Funded |
| 40 | Nkandla | Undetermined | Funded |
| 41 | King Cetshwayo | Funded | Funded |
| 42 | Mandeni | Funded | Funded |
| 43 | KwaDukuza | Funded | Funded |
| 44 | Ndwedwe | Funded | Funded |
| 45 | Maphumulo | Undetermined | Funded |
| 46 | iLembe | Funded | Funded |
| 47 | Greater Kokstad | Funded | Funded |
| 48 | uBuhlebezwe | Funded | Funded |
| 49 | uMzimkhulu | Funded | Funded |
| 50 | Dr Nkosazana Dlamini Zuma | Funded | Funded |
| 51 | Harry Gwala | Unfunded | Unfunded |

Source: KZN Provincial Treasury

5.3 Non Compliance with the Division of Revenue Act and the Municipal Finance Management Act Reporting Requirements

Municipalities are required to comply with the Division of Revenue Act, Act No. 1 of 2016 (DoRA) and the Municipal Finance Management Act, Act 56 of 2003 (MFMA) reporting requirements. The MEC for Finance issues circulars to Mayors regarding non-compliance with the MFMA and the DoRA bi-annually. Despite the issuing of non-compliance circulars in prior years, it is of serious concern that a number of municipalities in KwaZulu-Natal are still not fully complying with all the reporting requirements of the MFMA and the DoRA.

Following the reports submitted for the fourth quarter of the 2016/17 financial year, it emerged that a number of municipalities in the province are either failing to comply with **ALL** the reporting requirements as set out in the different sections of the MFMA and the DoRA and/or are submitting reports for compliance purposes only without ensuring the accuracy of the information submitted.

Both the National and Provincial Treasuries have provided support and training to assist municipalities in meeting their reporting requirements and can no longer allow any deliberate or inadvertent non-compliance with the law by municipalities.

During the 2016/17 financial year, Provincial Treasury reported non-compliance with both the MFMA and the DoRA reporting requirements to the KwaZulu-Natal Provincial Legislature on a quarterly basis through the MFMA Section 71(7) Reports, where the MEC for Finance is required to submit a consolidated statement on the state of municipalities' budgets.

The tables below show some of the important MFMA and DoRA reporting requirements that have not been complied with by municipalities together with a list of those municipalities who did not fully comply with these reporting requirements as noted in Provincial Treasury Circular TC/RM 3 of 2017/18 issued on 8 August 2017.

5.3.1 MFMA Implementation Plan

National Treasury issued MFMA Circular No. 7 "MFMA Implementation Plan Template" on 23 September 2004. All municipalities are required to prepare and submit their MFMA Implementation Plan indicating how they will implement the MFMA reforms. The MFMA Implementation Plan should be used by municipalities to enable them to achieve compliance with the relevant legislation. Municipalities are required to establish a steering committee to manage and oversee, inter alia their MFMA Implementation Plan. The MFMA Implementation Plan for the 2016/17 financial year was due on 31 October 2016.

As at 31 July 2017, the municipalities shown in Table 5.13 below had still not submitted their 2016/17 MFMA Implementation Plans.

Table 5.13: List of municipalities that did not submit their MFMA implementation plan for the 2016/17 financial year

| Non - Compliant Municipalities | Non - Compliant Municipalities | Non - Compliant Municipalities |
|--------------------------------|--------------------------------|--------------------------------|
| Amajuba DM | uMngeni | Nquthu |
| Dannhauser | uMgungundlovu DM | Alfred Duma |
| eMadlangeni | Nongoma | iNkosi Langalibalele |
| Harry Gwala DM | Maphumulo | AbaQulusi |
| Jozini | Ndwedwe | eDumbe |
| uMsinga | Ulundi | |

Source: Local Government Database

5.3.2 2016/17 Budget Returns (Appendix B) and Annual Returns

In terms of Section 22(b) of the MFMA, *the accounting officer of the municipality must submit the annual budget -*

- (i) *in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and*
- (ii) *in either format to any prescribed national or provincial organs of the state and to other municipalities affected by the budget.”*

The budget figures from Appendix B: Budget Returns Forms is utilised by National Treasury for their quarterly publications on municipal financial performance. National Treasury further hosts the LG Database to which municipalities submit various other monthly, quarterly and annual returns, as the department endeavours to maintain accurate and complete financial information on all municipalities for planning, reporting and decision making purposes. Table 5.14 shows the municipalities that had not uploaded/submitted their relevant return forms to the LG Database. The non-compliant municipalities have been identified from the National Treasury database report dated 31 July 2017.

Table 5.14: List of municipalities that have not submitted the Appendix B Budget Returns Forms and Annual Returns as at 31 July 2017

| Name of Return | Period | Non - Compliant Municipalities |
|------------------------------|---------|---|
| Grant and Subsidies Given | 2016/17 | Ugu DM, uMdoni |
| Grant and Subsidies Received | 2016/17 | Ugu DM, uMdoni |
| IDP to Budget | 2016/17 | Dannhauser, eNdumeni, uMsinga, Alfred Duma, eDumbe, Mthonjaneni, uMdoni |
| Age Creditors Audited | 2015/16 | Dannhauser, Harry Gwala DM, Hlabisa, The Big Five Hlabisa, Imbabazane, Umtshezi, Ntambanana |
| Age Debtors Audited | 2015/16 | Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana |
| Capital Acquisition Audited | 2015/16 | Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana |
| Cash Flow Audited | 2015/16 | Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana |
| Financial Position Audited | 2015/16 | Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana |
| Financial Perform Audited | 2015/16 | Hlabisa, The Big Five False Bay, Imbabazane, Umtshezi, Ntambanana |
| Asset Management Audited | 2015/16 | Dannhauser, Harry Gwala DM, Hlabisa, Jozini, The Big False Bay, Nquthu, Imbabazane, Umtshezi, Nongoma, Ntambanana |

Source: Local Government Database

5.3.3 2016/17 Section 71 Monthly Returns

In terms of Section 71(1) of the MFMA, *the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant Provincial Treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for that month and for the financial year up to the end of that month:*

- (a) *actual revenue, per revenue source;*
- (b) *actual borrowings;*
- (c) *actual expenditure, per vote;*
- (d) *actual capital expenditure, per vote;*
- (e) *the amount of any allocations received; and*
- (f) *actual expenditure of those allocations, excluding expenditure on-*
 - (i) *its share of the local government equitable share; and*

(ii) allocations exempted by the annual Division of Revenue Act from compliance with this paragraph.

As at 31 July 2017, the monthly returns shown in Table 5.15 had not been submitted to the local government database.

Table 5.15: List of municipalities that did not submit the monthly returns

| Name of Return | Period | Non - Compliant Municipalities |
|------------------------------|---------------|--|
| Age Creditors | April 2017 | Jozini |
| | May 2017 | Dannhauser and Harry Gwala DM |
| | June 2017 | Harry Gwala DM |
| Age Debtors | May 2017 | AbaQulusi and eMadlangeni |
| | June 2017 | Harry Gwala DM and Mpfana |
| Financial Position | October 2016 | Dannhauser |
| | April 2017 | Harry Gwala DM, uThukela DM, AbaQulusi and Nongoma |
| | May 2017 | Amajuba DM, Dannhauser, Nquthu, uThukela DM, AbaQulusi and Nongoma |
| | June 2017 | Nongoma, uThukela DM, Nquthu, Harry Gwala DM and Amajuba DM |
| Financial Performance | December 2016 | Inkosi Langalibalele |
| | April 2017 | Inkosi Langalibalele and AbaQulusi |
| | May 2017 | AbaQulusi |
| | June 2017 | Harry Gwala DM, Ray Nkonyeni and AbaQulusi |
| Capital Acquisitions Actuals | April 2017 | AbaQulusi |
| | May 2017 | Dannhauser, Mtubatuba, Big Five Hlabisa, Nquthu, uMvoti and AbaQulusi |
| | June 2017 | Amajuba DM, Harry Gwala DM, Ray Nkonyeni, Jozini, Nquthu and AbaQulusi |
| Cash Flow Actuals | April 2017 | Dannhauser and AbaQulusi |
| | May 2017 | Mpfana, Nquthu and Dannhauser |
| | June 2017 | Dannhauser, Harry Gwala DM, Ray Nkonyeni, Nquthu, AbaQulusi, Ulundi, Mpfana and uMfolozi |
| Repairs and Maintenance | June 2017 | Harry Gwala DM, Ray Nkonyeni and AbaQulusi |

Source: Local Government Database

5.3.4 2016/17 Quarterly Returns

Section D: 2016/17 Quarterly Returns

Section 74(1) of the MFMA states that *the accounting officer of a municipality must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.*

National Treasury has prescribed that the quarterly returns must be submitted on borrowings, investments, long term contracts, municipal entities, the implementation of the MFMA priorities (as specified in MFMA Circular No. 38) and public-private partnerships. Table 5.16 shows the list of municipalities that did not submit the required quarterly returns for 2016/17 as at 31 July 2017.

It should be noted that Table 5.16 also includes municipalities that do not have municipal entities, however were still required to submit a MFMA Municipal Entity return with nil information.

Table 5.16: List of municipalities that did not submit the different quarterly returns for the 2016/17 financial year

| Quarter | Borrowings Monitoring | MFMA Long Term Contracts | MFMA Municipal Entity | MFMA Implementation Priorities | Investment Monitoring |
|-----------|---|---|---|--|--|
| Quarter 1 | Nongoma | Big Five Hlabisa AbaQulusi Nongoma Ndwedwe | Dannhauser uMsinga uMvoti iNkosi Langalibalele Nongoma Ndwedwe | eDumbe | Nquthu eDumbe Nongoma |
| Quarter 2 | Jozini Nquthu Nongoma | Amajuba DM Jozini AbaQulusi Nongoma Ndwedwe | Amajuba DM Dannhauser Jozini uMsinga uMvoti iNkosi Langalibalele Nongoma Ndwedwe | eDumbe | Jozini Nquthu eDumbe |
| Quarter 3 | eMadlangeni uMkhanyakude DM Nongoma | eMadlangeni Jozini Mtubatuba Big Five Hlabisa uMvoti AbaQulusi Nongoma Ndwedwe Mthonjaneni | Dannhauser eMadlangeni Jozini Mtubatuba Big Five Hlabisa uMkhanyakude DM uMsinga uMvoti iNkosi Langalibalele Nongoma Ndwedwe | eMadlangeni Mtubatuba | Amajuba DM eMadlangeni Nquthu Nongoma |
| Quarter 4 | Dannhauser Harry Gwala DM Jozini Mtubatuba uMkhanyakude DM Nquthu Nongoma uMfolozi | Dannhauser eMadlangeni New castle Harry Gwala DM Ugu DM uMzumbe Jozini Mtubatuba Big Five Hlabisa uMkhanyakude DM Nquthu uMvoti iNkosi Langalibalele uThukela DM AbaQulusi Nongoma Ulundi Maphumulo Ndwedwe iMpendle uMfolozi | Dannhauser eMadlangeni New castle Harry Gwala DM uMzumbe Jozini Mtubatuba Big Five Hlabisa uMkhanyakude DM uMsinga Nquthu uMvoti iNkosi Langalibalele uThukela DM AbaQulusi Nongoma Ndwedwe iMpendle uMfolozi | Dannhauser eMadlangeni New castle Harry Gwala DM Jozini Mtubatuba uMkhanyakude DM Nquthu AbaQulusi Nongoma uMgungundlovu DM uMngeni uMfolozi | Dannhauser New castle Harry Gwala DM Jozini Mtubatuba uMkhanyakude DM Nquthu eDumbe Nongoma Mpofana uMfolozi |

Source: Local Government Database

5.3.5 2016/17 Conditional Grants Returns

In terms of Section 12(2) (b) of the 2016 DoRA, a municipality must, as part of the report required in terms of Section 71 of the MFMA, report on their grant expenditure to the relevant Provincial Treasury, the National Treasury and the relevant transferring officer.

Section 12(4) of the 2016 DoRA further specifies that *a report for a municipality in terms of subsection (2)(b) must set out for the month in question and for the 2016/17 financial year up to the end of the month—*

- (a) *the amount received by the municipality;*
- (b) *the amount of funds stopped or withheld in terms of section 18 or 19 and the reason for the stopping or withholding;*
- (c) *the extent of compliance with this Act and with the conditions of the allocation or part of the allocation provided for in its framework;*
- (d) *an explanation of any material problems experienced by the municipality regarding an allocation which has been received and a summary of the steps taken to deal with such problems;*
- (e) *any matter or information that may be determined in the framework for the allocation; and*
- (f) *such other matters and information as the National Treasury may determine.*

As at 31 July 2017, the conditional grant returns shown in Table 5.17 had not been submitted to the Local Government Database.

Table 5.17: List of municipalities that did not submit the monthly conditional grants returns for the 2016/17 financial year

| Name of Return | Period | Non-Compliant Municipalities |
|---|---------------|--|
| Energy Efficiency And Demand Management Grant | June 2017 | Harry Gwala DM |
| Finance Management Grant | July 2016 | AbaQulusi |
| | January 2017 | AbaQulusi |
| | February 2017 | Dannhauser |
| | March 2017 | Dannhauser |
| | April 2017 | Dannhauser |
| | May 2017 | Dannhauser and AbaQulusi |
| | June 2017 | Dannhauser and Harry Gwala DM |
| Integrated National Electrification Programme | June 2017 | Ray Nkonyeni and AbaQulusi |
| Municipal Demarcation Transition Grant | November 2016 | Alfred Duma |
| | December 2016 | Alfred Duma |
| | January 2017 | Alfred Duma |
| | February 2017 | Alfred Duma |
| | March 2017 | Alfred Duma |
| | April 2017 | Alfred Duma |
| | May 2017 | Alfred Duma |
| | June 2017 | Alfred Duma |
| Municipal Infrastructure Grant | June 2017 | Harry Gwala DM, Ray Nkonyeni and AbaQulusi |
| Expanded Public Works Programme Grant | February 2017 | Jozini |
| | March 2017 | Jozini |
| | April 2017 | Jozini |
| | May 2017 | Dannhauser and Nquthu |
| | June 2017 | Harry Gwala DM, Nquthu and AbaQulusi |
| Regional Bulk Infrastructure Grant | June 2017 | Harry Gwala DM |
| Rural Roads Asset Management Systems Grant | June 2017 | Harry Gwala DM |

Source: Local Government Database

5.3.6 2016/17 Verification of Figures for Quarter 4

Provincial Treasury is concerned about the reliability of budget and expenditure figures published by National Treasury. It was noted in the past that there has been discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that the figures published by National

Treasury are reliable, it is imperative that municipalities scrutinise, verify and sign-off the verifications schedules sent to them by National Treasury on a quarterly basis.

There are four quarterly verification schedules, namely:

- (a) Statement of Operating and Capital Expenditure (Section 71 Verification);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule (Grant Verification);
- (c) Borrowing Monitoring Schedule; and
- (d) Investment Monitoring Schedule.

As at 1 August 2017, the signed Quarter 4 verifications shown in Table 5.18 had not been submitted to the Local Government Database.

Table 5.18: List of municipalities that did not submit their Quarter 4 signed verifications to National Treasury by 01 August 2017

| Section 71 | Conditional Grants | Borrowing Monitoring | Investment Monitoring |
|----------------------|----------------------|----------------------|-----------------------|
| Ray Nkonyeni | Ray Nkonyeni | Ulundi | Mpofana |
| Mpofana | Mpofana | Mpofana | iNkosi Langelibalele |
| iNkosi Langelibalele | iNkosi Langelibalele | iNkosi Langelibalele | New castle |
| New castle | New castle | New castle | eMadlangeni |
| eMadlangeni | eMadlangeni | eMadlangeni | Dannhauser |
| Dannhauser | Dannhauser | Dannhauser | Amajuba DM |
| Amajuba DM | Amajuba DM | Amajuba DM | eDumbe |
| eDumbe | eDumbe | eDumbe | AbaQulusi |
| AbaQulusi | AbaQulusi | AbaQulusi | Nongoma |
| Nongoma | Nongoma | Nongoma | uMfolozi |
| uMfolozi | uMfolozi | uMfolozi | Maphumulo |
| Greater Kokstad | Greater Kokstad | Greater Kokstad | Greater Kokstad |
| | | Big Five Hlabisa | uMkhanyakude DM |
| | | uMkhanyakude DM | Ndwedwe |
| | | Nkandla | |
| | | Ndwedwe | |

Source: KZN Provincial Treasury

5.3.7 Publication of Section 75 Information on Municipal Websites

In terms of Section 75(1) of the MFMA, municipalities are required to place the following documents on their municipal websites:

- a) *The annual and adjustments budgets and all budget-related documents;*
- b) *All budget-related policies;*
- c) *The annual report;*
- d) *All performance agreements required in terms of Section 57(1)(b) of the Municipal Systems Act;*
- e) *All service delivery agreements;*
- f) *All long-term borrowing contracts;*
- g) *All supply chain management contracts above a prescribed value;*
- h) *An information statement containing a list of assets over a prescribed value that have been disposed of in terms of Section 14(2) or (4) during the previous quarter;*
- i) *Contracts to which subsection (1) of Section 33 apply, subject to Subsection (3) of that Section;*

- j) *Public-private partnership agreements referred to in Section 120;*
- k) *All quarterly reports tabled in the council in terms of Section 52(d); and*
- l) *Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.*

Section 75(2) of the MFMA further requires that documents *must be placed on the website not later than 5 working days after its tabling in the Council, or on the date on which it must be made public, whichever-ever occurs first.*

As at 31 July 2017, the municipalities shown in Table 5.19 had not placed the majority of the required documents on their websites.

Table 5.19: List of municipalities that did not place majority of the required documents on their websites

| Non Compliant Municipalities | Non Compliant Municipalities | Non Compliant Municipalities |
|------------------------------|------------------------------|------------------------------|
| uMuziwabantu | Richmond | Greater Kokstad |
| Ray Nkonyeni | Nkandla | |

Source: Municipal Websites

5.3.8 Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns

In terms of the Financial Management Grant (FMG) conditions published in the 2016 DoRA, the grant may be utilised for amongst others, the establishment of a Budget and Treasury Office with positions filled by appropriately qualified personnel and appointment of a minimum of five interns over a multi-year period.

As at 31 July 2017, the municipalities shown in Table 5.20 have not appointed five interns.

Table 5.20: List of municipalities that did not appoint five interns

| Non Compliant Municipalities | Non Compliant Municipalities |
|------------------------------|------------------------------|
| Richmond | uMgungundlovu DM |
| Alfred Duma | iNkosi Langalibalele |
| uMvoti | eMadlangeni |
| Dannhauser | Zululand DM |
| uMkhanyakude DM | Maphumulo |

Source: KZN Provincial Treasury

5.3.9 2016/17 MFMA Competency Level Return (S1 and S2)

Regulation 14(1) of the Municipal Regulations on Minimum Competency Levels states that *the municipal manager of a municipality and chief executive officer of a municipal entity must monitor and take any necessary steps to ensure compliance, with the prescribed minimum competency levels for financial officials and supply chain management officials within the timeframes set out in regulation 15.*

Regulation 14(2) further states that such information must be reported to National Treasury and the relevant Provincial Treasury by 30 January and 30 July of each year.

As at 31 July 2017, municipalities shown in Table 5.21 had not submitted the relevant return pertaining to the minimum competency levels for the first half of the 2016/17 financial year, which was due on 30 January 2017.

Table 5.21: List of municipalities that have not submitted the minimum competency levels return for the first half of 2016/17 financial year (S1)

| Non Compliant Municipalities | Non Compliant Municipalities |
|------------------------------|------------------------------|
| Amajuba DM | eDumbe |
| Jozini | Nongoma |
| Okhahlamba | Maphumulo |
| uMngeni | |

Source: Local Government Database

As at 31 July 2017, municipalities shown in Table 5.22 had not submitted the relevant return pertaining to the minimum competency levels for the second half of the 2016/17 financial year, which were due on 30 July 2017.

Table 5.22: List of municipalities that have not submitted the minimum competency levels return for the second half of the 2016/17 financial year (S2)

| Non Compliant Municipalities | Non Compliant Municipalities | Non Compliant Municipalities |
|------------------------------|------------------------------|------------------------------|
| eThekweni | Maphumulo | Amajuba DM |
| eMadlangeni | Mpofana | New castle |
| Ugu DM | uMngeni | Harry Gwala DM |
| Jozini | King Cetshwayo DM | Mtubatuba |
| Big Five Hlabisa | Mthonjaneni | uMhlabyalingana |
| uMkhanyakude DM | uMlalazi | eNdumeni |
| uMsinga | Ndwedwe | uMvoti |
| uThukela DM | uMshwathi | Okhahlamba |
| eDumbe | uMfolozi | AbaQulusi |
| Zululand DM | KwaDukuza | Nongoma |
| Ulundi | uPhongolo | |

Source: Local Government Database

5.4 Municipal Standard Chart of Accounts (mSCOA)

5.4.1 Introduction and Background

The Minister of Finance promulgated Government Gazette No. 37577, Municipal Regulations on Standard Chart of Accounts (mSCOA), on 22 April 2014. All municipalities and related municipal entities are required to transact in compliance with the mSCOA Regulations from 1 July 2017.

The objective of the Regulation is to provide a national standard for uniform recording and classification of municipal budget and financial information at a transactional level by providing a Standardised Chart of Accounts, that is aligned to budget formats and accounting standards with those of National and Provincial Government; and enables uniform information sets across the whole of government to better inform national policy coordination and reporting, benchmarking and performance measurement.

The additional benefits from the implementation of the mSCOA Regulation by municipalities and entities includes:

- Improved data quality and credibility to timeous recording of transactions and ability to produce real time automated reporting;

- Standardisation and alignment of the local government accountability cycle from the integrated development plan to the budget, Service Delivery Budget Implementation Plan, In Year Reporting, Annual Financial Statements, and Annual Report;
- Standardisation of key business processes and consistency in the management of municipal finances;
- Improved Transparency, Accountability and Governance through uniform recording of transactions at a posting level;
- Enabling deeper data analysis and sector comparisons to improve financial performance;
- The standardisation of the account classification to facilitate mobility in financial skills within Local Government and between other spheres of government, as well as the private sector, and to enhance the ability of Local Government to attract and retain skilled personnel;
- Enhanced planning and budgeting, therefore improving response times to service delivery
- Accurate and timeous recording of transactions, therefore reducing time taken in correcting errors and preparation of reports; and
- Promotion of zero based budgeting, value for money and justification of projects aligned to the integrated development plan.

The implementation of mSCOA by municipalities and entities is aimed at improving the effectiveness of the role of Council by:

- Enhancing Council oversight and governance of municipal information as timeous and accurate reporting can be readily available;
- Ensuring that the Service Delivery and Budget Implementation Plan information available to councillors will assist in determining the regional impact in communities and timely information to address backlogs in service delivery;
- Accelerating the procurement processes for greater impact on service delivery;
- Providing a level of comfort on quality of information used by Council for decision making;
- Implementing greater transparency, reduction in fraud and corruption and improved accountability;
- Measuring expenditure on the implementation of core verses non-core functions, with clear identification of unfunded mandates; and
- Improving tariff modelling and policy setting and therefore promoting more effective revenue management.

5.4.2 Governance requirements for the implementation of mSCOA

The Accounting Officer, in terms of the mSCOA Circulars No. 1, 2 and 3 issued by National Treasury, is required to appoint the project steering committee, project manager and the implementation team, whose responsibilities are to ensure the successful implementation of mSCOA in his/her municipality. The Accounting Officer is further required to ensure that all officials have the necessary delegation of powers necessary to enact the Regulation. In addition, he/she is required to ensure that the project steering committee, implementation team and the project manager have been properly trained and have the capacity to train other officials within the municipality. A detailed project plan and risk registers are further required to have been adopted by these committees.

Provincial Treasury acknowledges that all municipalities have appointed a project steering committee, project implementation teams and project managers. Challenges are still being experienced in the below

mentioned municipalities, as these committees are not functional, despite the interventions made by Provincial Treasury:

Table 5.23: Names of Municipalities where committees are not functional

| No | Municipality | No | Municipality |
|----|----------------------|----|--|
| 1 | AbaQulusi | 8 | uMdoni |
| 2 | Greater Kokstad | 9 | uMkhanyakude DM |
| 3 | iMpendle | 10 | Nquthu |
| 4 | iNkosi Langalibalele | 11 | Ray Nkonyeni |
| 5 | Mpofana | 12 | uMngeni |
| 6 | Ndwedwe | 13 | Zululand DM |
| 7 | Nongoma | 14 | uMgungundlovu DM (committee was established during pilot phase of mSCOA, but has been subsequently disestablished) |

Source: KZN Provincial Treasury

Provincial Treasury has not received revised project plans from all municipalities for the data migration and implementation of systems. The municipalities have been advised to submit these plans urgently, due to the number of challenges being experienced in the current implementation process.

5.4.3 Compliance Requirements of municipalities in terms of implementation of the mSCOA Regulations

Municipalities were required to budget and transact across the seven segments as regulated within the Gazette with effect from the 1 July 2017. The chart of accounts (General Ledger) is required to contain the segments in terms of the Regulations. The financial and business applications/systems used by municipalities is required to host the entire mSCOA chart and be able of accommodating and operating the full mSCOA chart.

The specifications of the financial systems have been determined by National Treasury and issued in terms of MFMA Circular No. 80. This included ensuring that the municipality has the correct hardware and software in place to address business processes. In terms of MFMA Circular No. 80, municipalities and municipal entities must have assessed their existing systems, prior to upgrade or change in existing systems as per the ICT Due Diligence assessment issued with this Circular.

This would have then placed municipalities in a position to transact live in accordance with the mSCOA Regulation with effect from 1 July 2017.

All municipalities within KwaZulu-Natal have made the decision to upgrade or change their existing core financial systems. The integration of subsystems, such as the payroll and human resources systems, asset management systems and prepaid systems, still remain a challenge for the municipalities and this is only expected to be finalised in the first quarter for 2017/18 financial year.

Provincial Treasury had visited 25 of 51 delegated municipalities in order to assess their readiness to transact in terms of the mSCOA Regulation in the months of May and June 2017. The remaining municipalities could not be visited during this period due to the lack of a test environment or non-availability of resources to conduct the testing of transactions.

The intention of the site visits were as follows:

- Determine whether the municipality's system can transact against the six mandatory segments;
- Determine which modules are in place and functional;

- Establish whether users have the knowledge to utilise the system from a transactional environment perspective;
- Assess the level of integration that is in place for subsystems; and
- Determine the municipality’s progress in complying with MFMA Circular No. 80 requirements, specifically the 102 mSCOA Regulation requirements.

Municipalities are currently addressing the findings from the Provincial Treasury site visits, and it is expected to be resolved in the first quarter of 2017/18 financial year.

5.4.4 Tabling of the mSCOA Draft Budget for 2017/18 financial year by 31 March 2017

In order to transact in terms of mSCOA requirements from 1 July 2017, all municipalities and entities were required to approve mSCOA aligned budgets for the 2017/18 financial year. Municipalities and their respective municipal entities were required to align the draft budget to mSCOA requirements and table these budgets to Council by 31 March 2017.

MFMA Circular No. 86, Municipal Budget Circular for the 2017/18 MTREF, which was issued on 8 March 2017 by National Treasury. Section 22(b) (i) of the MFMA indicates “*immediately after the annual budget is tabled to Council, it must be submitted to National Treasury and Provincial Treasury in printed and electronic form. This includes the mSCOA data string.*” Where municipalities tabled to Council on 31 March 2017, the final date for electronic submissions was Monday, 3 April 2017.

Municipalities were required to upload their approved budget in mSCOA format, also referred to as a mSCOA data file or string, via the National Treasury Local Government portal in a .txt file format.

As at 3 April 2017, the submission rate was 67 percent however this improved with the assistance and support from Provincial Treasury to 98 percent as at the end of June 2017.

The KZN MEC for Finance, Ms BF Scott, had further intervened by issuing a non-compliance letter to municipalities that had not submitted by 18 April 2017.

As at 30 June 2017, all municipalities uploaded the tabled draft budget to the portal, with the exception of Msunduzi Local Municipality.

Provincial Treasury has engaged with all municipalities that have submitted budget data files on errors identified, including incorrect classification or use of the segments on the mSCOA chart. All municipalities that have submitted have subsequently cleared their errors, with the exception of eThekweni Metropolitan Municipality.

5.4.5 Tabling of the Adopted Budget for the 2017/2018 financial year by 31 May 2017

In order to transact in terms of mSCOA requirements from 1 July 2017, all municipalities and entities were required to adopt the final mSCOA aligned budgets for the 2017/18 financial year. Municipalities and their respective municipal entities were required to align the adopted budget to mSCOA requirements and table these budgets to Council for adoption by 31 May 2017.

MFMA Circular No. 86, Municipal Budget Circular for the 2017/18 MTREF, issued on 8 March 2017 by National Treasury, indicated that *Section 24(3) of the MFMA, read together with regulation 20(1), required that the approved annual budget must be submitted to both National Treasury and the relevant Provincial Treasury within ten working days after the Council has approved the annual budget. Where the Council only approved the annual budget on 30 June 2017, the final date for such a submission was*

Friday, 14 July 2017, otherwise an earlier date applies. This included the submission of the mSCOA data file that is required to be successfully uploaded and free of segment validation errors.

The following was the status of the municipalities within the KwaZulu Natal Province that have submitted the adopted budget data files via the portal as at 30 June 2017:

Table 5.24: Status of submission of adopted budget data files via the portal

| Status | No of Municipalities | Name of Municipality |
|---|----------------------|----------------------|
| Cleared National Treasury portal errors | 52 | |
| Trial Balance with errors | 1 | eThekweni |
| Non-submission | 1 | Msunduzi |

Source: KZN Provincial Treasury

Provincial Treasury assisted the municipalities in the Province to clear the errors identified on their budget during segment validation, resulting in 52 municipalities being free from error in this regard. As at 30 June 2017, Msunduzi Local Municipality remained to be the only municipality that did not submit the approved budget in mSCOA requirements to National Treasury.

5.4.6 Provincial Treasury Support

The KwaZulu Natal Provincial Treasury had actively engaged the local government through various Forums, training workshops, one on one sessions and district engagements. A summary of the support implemented is indicated below, from the commencement of the implementation of the Regulation:

- National Treasury training on the mSCOA regulations and the mSCOA chart – October to December 2015. It must be noted all municipalities were trained during these sessions;
- District mSCOA Readiness Session Engagements – Unpacking the general ledger, governance matters and assessment of systems - June and July 2016;
- Alignment of mSCOA to the IDP Working Group Sessions – November 2016;
- mSCOA Readiness Working Group Sessions - Alignment of the Budget to mSCOA including version 6.1 changes and using the chart – January and February 2017;
- Councillor mSCOA workshops – February 2016 and March 2017;
- KZN Provincial mSCOA Forums – May 2015, July 2015, April 2016, October 2016 and April 2017. The following key matters that were addressed at these forums included:
 - Understanding of the mSCOA Regulations and implementation thereof;
 - Impact on Business Processes as highlighted in MFMA Circular No. 80;
 - Preparation of the risk registers;
 - Assessment of the Core financial system and sub-systems in terms of MFMA Circular No. 80 and Addendum to MFMA Circular No. 80;
 - Process for Registration on the Local Government Portal;
 - Linking of the Integrated Development Plan to the Budget;
 - Budgeting across the mSCOA segments including zero based budgeting;
 - Unpacking the current general ledger into mSCOA requirements;
 - The role of the internal auditor;
 - Guidelines in terms of testing prior to data migration;
 - mSCOA testing and Validation Rules;

- Statutory Reporting in terms of A schedule requirements; and
- Engagements with system vendors on segment validation errors - April, May and June 2017.

In addition to the above mentioned, Provincial Treasury has conducted multiple mSCOA training and presentations to individual municipalities, as requested, which included EXCO, MANCO, Project steering committee, Implementation team, key personnel and internal auditors. Provincial Treasury further presented at SALGA and CIGFARO (previously known as IMFO) workshops on mSCOA implementation, as well as COGTA MuniMec and Technical MuniMec meetings.

Provincial Treasury continued to support municipalities, with a resource being allocated to two districts each in order to provide hands on support as required. All mSCOA team members have assisted the various municipalities in terms of addressing queries with the chart and provided assistance with budgeting and clearing of validation errors on the data files. Provincial Treasury has further assisted in reviewing mSCOA audit files, where available.

5.4.7 Way forward

Municipalities must ensure that the current systems are in compliance with MFMA Circular No. 80 requirements, and implement the findings of Provincial Treasury during the site visits. Provincial Treasury will continue to conduct system assessments in July and August 2017, and engage with municipalities and entities on outstanding matters. Focus will further be placed on validating whether the municipal mSCOA budget submitted via the National Treasury Local Government Portal reconciles to the adopted budget by Council.

5.5 Municipal Demarcation Process

The Municipal Demarcation Board embarked on a process of re-determining municipal boundaries in terms of Section 21 of the Municipal Demarcation Act, No 27 of 1998. This process changed the municipal landscape of the country. Due to process of re-determination of municipal boundaries, the total number of municipalities in KwaZulu Natal Province have been reduced from 61 to 54 municipalities effectively from 3 August 2016, the date which coincided with the Local Government Election in 2016.

Section 152 of the Constitution states that a municipality must strive within its financial and administrative capacity, to achieve the objects of local government. The process of the re-determination of municipal boundaries was embarked upon with a view of enabling local government to achieve its mandate as outlined in Section 152 of the Constitution. This process aimed to facilitate the integration of communities, to contribute to developmental local government and to enable effective local government and integrated development.

In terms of the Section 14(5) Notice of the Municipal Structures Act, the affected municipalities established a Municipal Political Change Management Committee (PCMC) and a Municipal Technical Change Management Committee (TCMC) which smoothly steered the restructuring process amongst the affected municipalities.

Provincial Treasury participated in the Provincial Transformation Committee which was responsible to provide guidance and support to affected municipalities. The Provincial Transformation Committee was also responsible to monitor the implementation of restructuring process plans.

Provincial Treasury issued a guide to the affected municipalities relating to the 2016/17 Budgets process and supporting documents expected to be submitted by the newly demarcated municipalities.

Table 5.25 shows the municipalities which were the core of the restructuring process in line with the Section 12 Notice and eventually being merged or disestablished to form a new municipality.

Table 5.25: Municipalities affected by the process of re-determination of municipal boundaries

| No | Old Name of Municipality | New Name of Municipality |
|----|--------------------------|--|
| 1 | Ingwe | Dr Nkosazana Dlamini Zuma (KZN 436) |
| 2 | Kwa Sani | |
| 3 | Ezinqolweni | Ray Nkonyeni (KZN 216) |
| 4 | Hibiscus Coast | |
| 5 | Emnambithi/Ladysmith | Alfred Duma (KZN 238) |
| 6 | Indaka | |
| 7 | Umtshezi | iNkosi Langalibalele (KZN237) |
| 8 | Imbabazane | |
| 9 | The big Five False Bay | Big Five Hlabisa (KZN276) |
| 10 | Hlabisa | |
| 11 | Ntambanana | All wards have been split between Mthonjaneni, uMhlathuze and uMfolozi |
| 12 | Vulamehlo | All wards have been split between eThekwini and uMdoni |

Source: Section 12 Notice

5.6 Integrated Councillor Induction Programme

Provincial Treasury in collaboration with the South African Local Government Association (SALGA) and National Treasury facilitated a workshop programme to induct the new councillors into the local government sphere. This was immediately after the inauguration of the newly elected councillors following the Local Government elections which were held in August 2016. The programme was held over a period of two months between September and October 2016. Provincial Treasury's role was to facilitate the presentation on the Municipal Finance Management Act (MFMA). The following areas were covered in the workshop:

- The objectives of the MFMA and the underlying reforms;
- Councillors oversight role as policy makers and decision makers;
- Framework of good governance in municipalities;
- Enabling Councillors to oversee the administration of the municipality and ensure that the financial affairs of the municipality are managed according to relevant legislation and related regulations;
- Enabling Councillors to ensure that there is transparency and accountability in as far as the finances of their municipalities are concerned;
- Defining the Council role in planning, budgeting and how to address Unauthorised, Irregular and Fruitless expenditure;
- Understanding of financial misconduct and the relevant regulations and procedures; and
- Other Key Areas and Functions of Council Relating to Financial Management and Governance - Supply Chain Management, Risk Management, Internal Audit, Audit Committee and role of National and Provincial Treasuries.

These training sessions covered all newly elected Councillors across the KZN Province, whereby Councillors were grouped together between two to four groups per District Municipalities and eThekwini Metro. An additional session was undertaken in June 2017 with councillors of Mtubatuba Local Municipality at their request.

Table 5.26 shows the different Dates of sessions, Number of Councillors who capacitated and the municipalities of their origin:

Table 5.26: Details of Integrated Councillor Induction Programme

| Date | Number of Councillors Capacitated | Participated District Municipalities |
|----------------------|--|--|
| 05-09 September 2016 | 215 | eThekwini |
| 05-09 September 2016 | 107 | Amajuba DM, Dannhauser, eMadlangeni and Newcastle |
| 12-16 September 2016 | 186 | uMngeni, iMpendle, Richmond, Mkhambathini, uMshwathi, Mpošana, Msunduzi and uMgungundlovu DM |
| 12-16 September 2016 | 167 | Mandeni, KwaDukuza, Ndwedwe, Maphumulo and iLembe DM |
| 26-30 September 2016 | 167 | uDoni, uMzambe, uMuziwabantu, Ray Nkonyeni and Ugu DM |
| 03- 07 October 2016 | 94 | Dr. Nkosazana Dlamini Zuma, Greater Kokstad, uBuhlebezwe and Harry Gwala DM |
| 03-07 October 2016 | 189 | uMhlabyalingana, Jozini, Big Five Hlabisa, Mtubatuba, uMkhanyakude DM and uMzimkhulu |
| 10-14 October 2016 | 151 | Alfred Duma, Inkosi Langalibalele, Okhahlamba and uThukela DM |
| 10-14 October 2016 | 77 | eNdumeni, uMsinga, uMvoti and uMzinyathi DM |
| 17-21 October 2016 | 222 | uMfolozi, uMhlathuze, uMlalazi, Mthonjaneni, Nkandla, and King Cetshwayo DM |
| 24-28 October 2016 | 201 | eDumbe, uPhongolo, Abaqulusi, Nongoma, Ulundi and Zululand DM |
| 19-23 June 2017 | 11 | Mtubatuba |
| 26-30 June 2017 | 35 | Nquthu |
| Total | 1822 | |

Source: KZN Provincial Treasury

Chapter 6: Municipal Support and Oversight

6.1 Municipal Support Program

The Municipal Support Program (MSP) within the Municipal Finance Unit was established to assist and provide technical support to delegated municipalities in financial distress. The main objective of the program is to identify the cause of financial problems experienced by the municipalities, support the municipalities where their financial sustainability is threatened and implement turnaround strategies that will ensure that municipalities remain financially viable.

The MSP is committed to supporting its clients and identifying ways to improve service delivery by supporting and assisting municipalities. The program also places emphasis on capacity building to ensure improvements effected are sustainable.

6.1.1 Support Provided to Municipalities

The main concern relating to municipal financial management is the high staff turnover and competency of officials appointed. It is for this reason that the MSP focuses on providing capacity building the initiatives. The result is a solid foundation on which municipalities can base their internal policies and procedures thereby ensuring sound financial management and sustainability.

Municipalities were selected based on the extent of support required and the municipality's unreserved acceptance of the support offered. Successful implementation of support initiatives hinges on the commitment by the leadership and staff at the municipalities in embracing the improvements introduced and implementing the processes effectively.

The VAT Review initiative was implemented at twenty six municipalities in the 2016/17 financial year. The initiative is intended to address the shortcomings relating to the management of VAT. The filing of VAT returns by municipalities and the processes associated with this function have often been outsourced to service providers which resulted in external resources preparing and filing the returns on behalf of the municipality at a considerable cost thereto. In addition, the municipal officials have not necessarily been trained in the tasks involved and could be unaware of the best practices to follow in fulfilling these responsibilities. The VAT Review initiative aims to constantly reinforce the basic principles through formal and on-the-job training to enable officials to undertake the function independently.

The PAYE Review initiative was also launched in April 2017. During the implementation of the VAT Review initiative, KZN Provincial Treasury identified numerous instances where VAT refunds were withheld by SARS due to non-compliance with PAYE submissions and payments. The aim of the project is to assist municipalities in identifying weaknesses by conducting a five year review of PAYE submissions and payments and providing recommendations to address the same while concurrently ensuring the transfer of skills. Projects at eight municipalities were in progress by 30 June 2017.

In keeping with the Provincial Treasury's mandate to assist and support municipalities in strengthening and building their financial management capacity, an initiative was undertaken by the Financial Reporting sub-programme under the direction of Municipal Finance to provide on-site financial management support to identified municipalities within the Province. The aim of the initiative is to build and strengthen financial management capacity through the implementation of sustainable financial management practices which results in an improvement of audit outcomes.

Ten municipalities were supported with the preparation for their 2015/16 Annual Financial Statements and an additional three municipalities were assisted with the review of their 2015/16 Annual Financial Statements.

Eight municipalities are currently being assisted with the preparation of their 2016/17 annual financial statements which includes three municipalities that were supported in the prior year to ensure continued improvement as well as four new municipalities that were established in August 2016 as a result of the revised demarcation.

Table 6.1: Municipalities supported during the 2016/17 financial Year

| No. | Municipality | VAT Review | Financial Management Support | AFS Reviews | PAYE Review |
|--------------|---|------------|------------------------------|-------------|-------------|
| 1 | Alfred Duma ¹ | | | | |
| 2 | Amajuba DM | ✓ | ✓ | ✓ | ✓ |
| 3 | Big Five Hlabisa ¹ | | ✓ | | ✓ |
| 4 | Dannhauser | ✓ | | | |
| 5 | Dr. Nkosazana Dlamini Zuma ¹ | | ✓ | | ✓ |
| 6 | eDumbe | | | ✓ | |
| 7 | eMadlangeni | ✓ | | | |
| 8 | Eziqoleni ² | ✓ | | | |
| 9 | Greater Kokstad | ✓ | | | ✓ |
| 10 | Harry Gwala DM | ✓ | | | |
| 11 | Hibiscus Coast ² | ✓ | | | |
| 12 | Hlabisa ² | ✓ | ✓ | ✓ | |
| 13 | iNkosi Langalibalele | ✓ | ✓ | | ✓ |
| 14 | Jozini Local Municipality | ✓ | | | |
| 15 | KwaDukuza Local Municipality | | ✓ | | |
| 16 | Kwa Sani ² | ✓ | | | |
| 17 | Lady smith ² | | ✓ | ✓ | |
| 18 | Mandeni | ✓ | | | |
| 19 | Maphumulo | ✓ | ✓ | ✓ | ✓ |
| 20 | Mkhambathini | ✓ | ✓ | ✓ | |
| 21 | Mpofana | | ✓ | | ✓ |
| 22 | Ndwedwe | ✓ | ✓ | ✓ | |
| 23 | Nkandla | | | ✓ | |
| 24 | Richmond | ✓ | | | |
| 25 | uBuhlebezwe | ✓ | | ✓ | |
| 26 | Ulundi | ✓ | | | |
| 27 | uMgungundlovu DM | ✓ | | | |
| 28 | uMhlabyalingana | ✓ | | | |
| 29 | uMkhanyakude DM | | ✓ | ✓ | |
| 30 | uMlalazi | ✓ | | | |
| 31 | uMshwathi | ✓ | | | ✓ |
| 32 | uMvoti | ✓ | ✓ | | |
| 33 | uMzimkhulu | ✓ | | | |
| 34 | uMzumbe | ✓ | | | |
| 35 | uPhongolo | ✓ | | | |
| Total | | 26 | 13 | 10 | 8 |

¹ Support to new municipality established with effect from August 2016.

² Support to old municipality prior to the merge effected in August 2016.

Source: KZN Provincial Treasury

The MSP support provided, together with the commitment and determination of the municipalities supported, has resulted in a positive impact thereto.

6.1.2 Other Support

The MSP also engaged with other sub-programmes within Provincial Treasury to support municipalities with challenges that they are specifically skilled to assist with. These included initiatives to support municipalities on fixed asset management, mSCOA, supply chain management and infrastructure management.

6.2 Municipal Supply Chain Management

The Provincial Treasury Supply Chain Management (SCM) Unit continued to provide support to all delegated municipalities in the province through routine and ad-hoc SCM assessments, direct and indirect support interventions, policy revision and formulation and SCM training and workshops. Key challenges from the prior year through to the 2016/17 financial year remained the same. These include the lack of policy and implementation thereof, inadequate segregation of duties, poor skills capacity and contract and supplier management.

Interventions at the uMkhanyakude District Municipality and the Maphumulo Local Municipality were undertaken by the Provincial SCM Unit. The interventions were in the form of direct assistance by managing the procurement processes as well as instituting reforms in these municipalities. SCM compliance assessments were done at all delegated municipalities.

The municipal bid appeals tribunal project is ongoing. During the 2016/17 financial year, the Municipal Bid Appeals Tribunal (MBAT) structures dealt with 78 appeals throughout the KwaZulu Natal Province. The Provincial SCM Unit will be training Bid Committees and SCM practitioners in the 2017/18 financial year on how to effectively and efficiently deal with appeals in order to accelerate service delivery at Local Government level. The Provincial SCM Unit continues to provide active support in the hearing and facilitation of MBAT matters.

One of the targeted interventions by the SCM Unit is the Contract Management Project. There are currently three phases to the Contract Management Project that were implemented at 43 municipalities in the province. Phase one comprises of implementing a contract register and filing of contracts. Phase two comprises of comprehensive legal and financial reviews of contracts concluded with third parties and the preparation of action plans to be carried out by the municipalities in order to correct any anomalies identified in the contracts reviewed. Phase three is post implementation support for municipalities that had benefitted from the roll out to ensure the entrenchment of the implemented contract management system.

The next section outlines the different areas of support provided to municipalities during the 2016/17 financial year.

6.2.1 Scope of Support

Routine Compliance Assessments

The support provided at municipalities entailed assessing compliance with prescripts and then providing guidance and assistance where required. The following areas of SCM were assessed:

- The structure and functioning of the SCM unit;
- SCM Policy and Procedures;
- The structure and functioning of Bid Committees;
- Contract Management;
- Suppliers Database;
- Emergency Delegations;

- SCM Processes; and
- Objections/Complaints.

During the year, ad-hoc assessments covered the following areas:

- Documentary evidence of approval by the Municipal Manager in the awarding of contracts in terms of SCM Regulation 36(1)(a);
- Documentary evidence of approval by the Municipal Manager on the ratification of minor breaches of the SCM policy in terms of SCM regulation 36(1)(b);
- Documentary evidence of approval by the Municipal Manager in the awarding of contracts in terms of SCM regulation 32; and
- Existence of an Annual Procurement plan approved by the Accounting Officer.

6.2.2 Summary of the Key Challenges Identified in the Assessments

The Provincial Treasury SCM Unit, as part of the routine compliance assessment, identified the following key challenges faced by municipalities, amongst others:

- Shortage of staff resulting in inadequate segregation of duties and poor performance and accountability;
- Poor procurement planning;
- Poor contract management;
- Poor supplier management;
- Poor bid appeals process management; and
- Lack of proper procedures and understanding of SCM policy.

6.2.3 Training and Workshops

Training and workshops are seen as key interventions to improve awareness and skills on the ground. The unit conducted training on the role of Bid Committees, the SCM policies and procedures and other SCM related issues. Over the course of the year, training was conducted at the municipalities shown in Table 6.2.

Table 6.2: Training conducted at the following municipalities

| No | Name of Municipality | No | Name of Municipality | No | Name of Municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | iLembe DM | 3 | Nkandla | 5 | uMfolozi |
| 2 | uMzinyathi DM | 4 | Jozini | | |

Source: KZN Provincial Treasury

6.2.4 Policy Development/Review

The Municipal SCM Regulations require that SCM Policies be reviewed on an annual basis. The Policy Development section of the SCM Unit has assisted the municipalities shown in Table 6.3 with the process of SCM Policy review.

Table 6.3: SCM policies reviewed at the following municipalities

| No | Name of Municipality | No | Name of Municipality | No | Name of Municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | Jozini | 2 | uMfolozi | 3 | Mpofana |

Source: KZN Provincial Treasury

6.2.5 Direct Support Interventions, Ad-Hoc Assessments, Routine and Follow-up Assessments

Different support interventions were undertaken at some municipalities on request. This normally happens with the municipalities that do not have the necessary skills or capabilities. Officials from the Provincial Treasury's SCM Unit then assume certain duties at the municipality with the aim of capacitating and transferring skills. Operational assistance also ensures compliance with policies. Table 6.4 shows the municipalities which were given direct operational assistance.

Table 6.4: Operational assistance provided to the following municipalities

| No | Name of Municipality | Support Description |
|----|----------------------|--------------------------------|
| 1 | uMkhanyakude DM | Intervention |
| 2 | Maphumulo | Intervention |
| 3 | uMgungundlovu DM | Routine Compliance Assessment |
| 4 | uMshwathi | Routine Compliance Assessment |
| 5 | Mpofana | Routine Compliance Assessment |
| 6 | iMpendle | Continuous Assistance |
| 7 | Richmond | Routine Compliance Assessment |
| 8 | uMzinyathi DM | Progress Continuous Assistance |
| 9 | eNdumeni | Routine Compliance Assessment |
| 10 | Nquthu | Routine Compliance Assessment |
| 11 | uMvoti | Routine Compliance Assessment |

Source: KZN Provincial Treasury

During the course of the 2016/17 financial year, routine assessments were done as part of the SCM Unit's operational plan. In some cases, follow-up assessments were done to measure progress made with respect to the action plan emanating from the previous routine assessments. Table 6.5 shows the municipalities where routine and follow-up assessments were conducted.

Table 6.5: Routine assessments and Follow-up assessments at the following municipalities

| No | Name of Municipality | No | Name of Municipality | No | Name of Municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | Nkandla | 12 | eNdumeni | 23 | Amajuba DM |
| 2 | Mandeni | 13 | Nquthu | 24 | Dannhauser |
| 3 | uMfolozi | 14 | uMsinga | 25 | Ray Nkonyeni |
| 4 | Jozini | 15 | uMvoti | 26 | eMadlangeni |
| 5 | uMgungundlovu DM | 16 | uMkhanyakude DM | 27 | uMzumbi |
| 6 | uMshwathi | 17 | Mtubatuba | 28 | Newcastle |
| 7 | Mpofana | 18 | Big Five Hlabisa | 29 | Mthonjaneni |
| 8 | iMpendle | 19 | uMzinyathi DM | 30 | KwaDukuza |
| 9 | Msunduzi | 20 | iLembe DM | 31 | Alfred Duma |
| 10 | Mkhambathini | 21 | Ugu DM | 32 | uPhongolo |
| 11 | Richmond | 22 | uMdoni | 33 | Greater Kokstad |

Source: KZN Provincial Treasury

6.2.6 Implementation of Contract Management System

The SCM Unit implemented contract management at the remaining 43 Municipalities as shown in Table 6.6, who did not benefit from the previous roll out within the province. This system ensures effective supplier performance management and value for money and will culminate in municipalities having fully completed contract registers supported by legitimate contract documents.

Table 6.6: Contract Management implementation at the following municipalities

| No | Name of Municipality | No | Name of Municipality | No | Name of Municipality |
|----|----------------------|----|----------------------|----|----------------------|
| 1 | AbaQulusi | 16 | uMfolozi | 31 | uMngeni |
| 2 | Dannhauser | 17 | Mkhambathini | 32 | Umgungundlovu DM |
| 3 | eDumbe | 18 | uMsinga | 33 | uMhlabuyalingana |
| 4 | eMadlangeni | 19 | Mthonjaneni | 34 | uMlalazi |
| 5 | Emnambithi/Ladysmith | 20 | Mtubatuba | 35 | uMshwathi |
| 6 | eNdumeni | 21 | Ndwedwe | 36 | Umtshezi |
| 7 | Greater Kokstad | 22 | Nkandla | 37 | uMuziwabantu |
| 8 | Harry Gwala DM | 23 | Nongoma | 38 | uMvoti |
| 9 | iLembe DM | 24 | Nquthu | 39 | uMzimkhulu |
| 10 | iMpendle | 25 | Okhahlamba | 40 | uMzumbe |
| 11 | Ingwe | 26 | Richmond | 41 | uPhongolo |
| 12 | KwaDukuza | 27 | Big Five False Bay | 42 | King Cetshwayo DM |
| 13 | Kwa Sani | 28 | Ubuhlebezwe | 43 | Zululand DM |
| 14 | Mandeni | 29 | Ulundi | | |
| 15 | Maphumulo | 30 | uMdoni | | |

Source: KZN Provincial Treasury

Implementation was conducted prior to the conclusion of the re-demarcation process

6.2.7 Conclusion

There have been notable improvements in the vacancy rates within municipal SCM units, SCM policy development and general functioning of Bid Committees. However, contract management and supplier management continued to be a concern in most of the municipalities.

6.3 Banking

In terms of the Municipal Finance Management Act (MFMA), municipalities and municipal entities are required to advise municipal Council (or the parent municipality in a case of a municipal entity), the National and Provincial Treasuries and the Auditor-General of changes in banking, overdraft and investment information.

6.3.1 Quarterly Withdrawals from Municipal Bank Accounts

Background

Section 11(4) of the MFMA states that *the accounting officer must within 30 days after the end of each quarter: -*

- (a) *table in the municipal council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter; and*
- (b) *submit a copy of the report to the relevant Provincial Treasury and the Auditor General.*

Municipalities were provided with National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012.

Progress / Outcome

During Quarter 1, 2 and 3, all the municipalities within the province fully complied with the requirements of submitting the quarterly withdrawal reports. Table 6.7 shows the municipalities that have not submitted withdrawal reports for Quarter 4 in respect of the 2016/17 financial year.

Table 6.7: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 4 of 2016/17

| No | Municipality | No | Municipality | No | Municipality | No | Municipality |
|----|---------------|----|----------------|----|----------------------|----|--------------|
| 1 | uMshwathi | 6 | Nongoma | 11 | uMdoni | 16 | Ndwedwe |
| 2 | iMpindle | 7 | uMlalazi | 12 | uMuziwabantu | 17 | Maphumulo |
| 3 | Msunduzi | 8 | Nkandla | 13 | uThukela DM | | |
| 4 | uMzinyathi DM | 9 | Harry Gwala DM | 14 | iNkosi Langalibalele | | |
| 5 | uMsinga | 10 | uMzimkhulu | 15 | Jozini | | |

Source: KZN Provincial Treasury

6.3.2 Bank Accounts

Background

In terms of Section 9 and 86 of the MFMA, the accounting officer of a municipality and municipal entity must submit to Provincial Treasury in writing:

- (a) *within 90 days after opening a bank account, the details of such new bank account; and*
- (b) *annually, before the start of the financial year, the name of each bank where the municipalities holds an account.*

Progress / Outcome

Provincial Treasury monitors changes to primary bank accounts of municipalities in KZN. During the 2016/17 financial year changes were made on some municipality primary bank accounts. Table 6.8 shows the municipalities that have made changes to the “NAME” of their primary bank accounts during the 2016/17 financial year.

Table 6.8: Municipalities that have made changes to the “NAME” of their primary bank accounts

| No | Old Name of Municipality Primary Bank Account | New Name of Municipality Primary Bank Account |
|----|---|---|
| 1 | KwaSani Local | Dr Nkosazana Dlamini -Zuma Local |
| 2 | uThungulu District | King Cetshwayo District |
| 3 | Emnambithi/ LadySmith | Alfred Duma Local |
| 4 | Hibiscus Coast | Ray Nkonyeni Local |

Source: KZN Provincial Treasury

Table 6.9 shows the municipalities that have opened new primary bank accounts during the 2016/17 financial year after merging.

Table 6.9: Municipalities that have opened new primary bank accounts

| No | Old Name of Municipality Primary Bank Account | New Name of Municipality Primary Bank Account |
|----|---|---|
| 1 | Imbabazane and Umtshezi | iNkosi Langalibalele Local |
| 2 | Big 5 False Bay and Hlabisa | Big Five Hlabisa Local |

Source: KZN Provincial Treasury

A request in terms of Section 9(b), 86(1)(b) and 86(2) of the MFMA was sent to all municipalities during October 2016 requiring the accounting officer to submit a schedule of **all** bank accounts held by the municipality and of those held by any municipal entities. Subsequent similar requests were sent to all municipalities in November 2016, January 2017, March 2017, April 2017 and May 2017. A total of 19 municipalities did not comply with these requests as shown in Table 6.10.

Table 6.10: Municipalities that have not complied with the request

| No | Municipality | No | Municipality | No | Municipality | No | Municipality |
|----|--------------|----|--------------|----|------------------|----|--------------|
| 1 | uMdoni | 6 | Umshezi | 11 | uPhongolo | 16 | Nkandla |
| 2 | uMshwathi | 7 | uMsinga | 12 | AbaQulusi | 17 | Maphumulo |
| 3 | uMngeni | 8 | uMvoti | 13 | uMhlabayalingana | 18 | Ingwe |
| 4 | Mpofana | 9 | Zululand DM | 14 | Hlabisa | 19 | uMzimkhulu |
| 5 | Indaka | 10 | eDumbe | 15 | Ntambanana | | |

Source: KZN Provincial Treasury

6.3.3 Cash Management and Investments

Background

In terms of Section 13(1) of the MFMA, *the Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must:*

- (a) *conduct their cash management and investments; and*
- (b) *invest money not immediately required.*

Section 13(2) of the MFMA further states that *a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).*

Progress / Outcome

All municipalities were provided with:

- a) the municipal Investment Regulations (Government Gazette No. 27431); and
- b) a generic investment policy.

These were to be used by municipalities to tailor their own investment policy in order to ensure compliance with the regulations and to make economically beneficial investments.

6.3.4 Status of support offered to Municipalities

Background

Provincial Treasury assisted all municipalities with the implementation of the following sections of the MFMA during the 2016/17 financial year:

- Section 11(4) – Quarterly bank withdrawal reports;
- Section 8(5) – Primary Bank Account;
- Section 9(b) – Details of all bank accounts details before year-end;
- Section 45(4) (a) – Short Term Debt; and
- Section 13 – Investment and Cash Management Policy.

6.3.5 Impending Overdrafts

Background

In terms of Section 70(2) of the MFMA, *if a municipality's bank account, or if the municipality has more than one bank account, the consolidated balance in those bank accounts, shows a net overdraft position for a period exceeding a prescribed period, the Accounting Officer of the municipality must promptly notify the National Treasury in the prescribed format of:*

- (a) *the amount by which the account or accounts are overdrawn;*
- (b) *the reason for the overdrawn account or accounts; and*
- (c) *the steps taken or to be taken to correct the matter.*

In terms of Section 101 of the MFMA, *(1) the accounting officer of a municipal entity must report, in writing, to the board of directors of the entity, at its next meeting, and to the Accounting Officer of the entity's parent municipality any financial problems of the entity, including-*

- (a) *Any impending or actual-*
 - (i) *Under collection of revenue due;*
 - (ii) *Shortfalls in budgeted revenue;*
 - (iii) *Overspending of the entity's budget;*
 - (iv) *Delay in the entity's payments to any creditors; or*
 - (v) *Overdraft in any bank account of the entity for a period exceeding 21 days; and*
- (b) *Any steps taken to rectify such financial problems.*
- (2) *The accounting officer of the municipality must table a report referred to in subsection (1) in the municipal council at its next meeting.*

National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012 further states that *if the bank account, or if the municipality or municipal entity has more than one bank account, the consolidated balance in those bank accounts shows a net overdrawn position for a period exceeding 3 months, the Accounting Officer of the municipality must notify the National Treasury (Form F) within 14 days after the 3 months period lapses for municipalities and 21 days for municipal entities.*

Progress / Outcome

Municipalities were made aware of the reporting requirements of Sections 70 and 101 of the MFMA by issuing a circular dated 19 June 2017 in this regard. No municipality reported any impending overdrafts during the 2016/17 financial year.

6.4 Internal Audit – Risk and Advisory Services

6.4.1 Introduction

During the period under review (2016/17 financial year), the Provincial Internal Audit Services (PIAS) supported municipalities and some municipal entities with risk management and internal audit services. The services were provided to municipalities that lacked capacity to properly implement the requirements of the Municipal Finance Management Act (MFMA).

6.4.2 Risk Management Services

Municipalities operate in environments where factors such as technology, regulation, restructuring, changing service requirements and political influence create uncertainty. Uncertainty emanates from an inability to precisely determine the likelihood that potential events will occur together with the associated outcomes. Risk management processes must be implemented to assist municipalities in identifying and managing risks to provide reasonable assurance that goals and objectives are met.

The following risk management support was provided during the period under review:

- Risk and control assessment;
- Monitoring implementation of risk mitigation action plans;
- Enterprise Risk Management (ERM) Framework compliance reviews; and
- Occupational Health and Safety (OHS) Reviews.

6.4.3 Internal Audit Services

Internal audit plays a vital role by assisting the organisation through identifying and evaluating significant exposures to risk and contributing to the improvements of the risk management and control systems by providing an independent and objective reasonable assurance that controls put in place are working.

The following internal audit support was provided during the period under review:

- Capacity building (allocation of internal audit resources);
- Internal audit assessment;
- Audit committee assessment; and
- Development of standardised documents for internal audit units and audit committees.

Table 6.11 below shows services extended to all municipalities and municipal entities that were supported during the 2016/17 financial year.

Table 6.11: Overview of Risk Management and Internal Audit Support for the 2016/17 financial year

| NO. | Name of municipality entity | Risk Assessment | OHS Review | Risk Actions follow up | Internal Audit and Audit Committee Assessment | Internal Audit Support | Audit Committee Induction |
|-----|-----------------------------|-----------------|------------|------------------------|---|------------------------|---------------------------|
| 1 | Ugu DM | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 2 | uMgungundlovu DM | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3 | uThukela DM | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 4 | uMzinyathi DM | ✓ | | ✓ | | | |
| 5 | Amajuba DM | | ✓ | ✓ | | | |
| 6 | Zululand DM | ✓ | ✓ | ✓ | ✓ | | |
| 7 | uMkhanyakude DM | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 8 | King Cetshwayo DM | | | | | | |
| 9 | iLembe DM | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 10 | Harry Gwala DM | ✓ | ✓ | ✓ | ✓ | | |
| 11 | eThekweni Metro | ✓ | | | | | |
| 12 | uMdoni | ✓ | | ✓ | ✓ | | |
| 13 | uMzumbhe | ✓ | | ✓ | ✓ | | |
| 14 | uMuziwabantu | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 15 | Ray Nkonyeni | ✓ | | | | | |
| 16 | uMshwathi | ✓ | | | | | |
| 17 | uMngeni | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 18 | Mpofana | ✓ | | ✓ | ✓ | | |
| 19 | iMpendle | | | | | | |
| 20 | Msunduzi | | | | | | |
| 21 | Mkhambathini | | | ✓ | ✓ | | |
| 22 | Richmond | ✓ | | ✓ | ✓ | | |
| 23 | Okhahlamba | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 24 | iNkosi Langalibalele | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 25 | Alfred Duma | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 26 | eNdumeni | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 27 | Nquthu | ✓ | | ✓ | ✓ | | |
| 28 | uMsinga | ✓ | | ✓ | ✓ | | |
| 29 | uMvoti | ✓ | | ✓ | ✓ | | |
| 30 | New castle | | ✓ | | ✓ | | |
| 31 | eMadlangeni | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 32 | Dannhauser | ✓ | | ✓ | ✓ | | |
| 33 | eDumbe | ✓ | | ✓ | ✓ | | |
| 34 | uPhongolo | ✓ | | ✓ | ✓ | | |
| 35 | AbaQulusi | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 36 | Nongoma | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 37 | Ulundi | ✓ | ✓ | ✓ | ✓ | | |
| 38 | uMhlabayalingana | ✓ | | ✓ | ✓ | | |
| 39 | Jozini | ✓ | | ✓ | ✓ | | |
| 40 | Mtubatuba | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 41 | Big Five Hlabisa | | | | | | |
| 42 | uMfolozi | ✓ | | ✓ | ✓ | | ✓ |
| 43 | uMhlathuze | | | | | | |
| 44 | uMlalazi | ✓ | | ✓ | ✓ | ✓ | ✓ |
| 45 | Mthonjaneni | ✓ | | ✓ | ✓ | | |
| 46 | Nkandla | ✓ | | ✓ | ✓ | | |
| 47 | Mandeni | ✓ | | ✓ | ✓ | | ✓ |
| 48 | KwaDukuza | ✓ | ✓ | ✓ | ✓ | | |
| 49 | Ndwedwe | ✓ | | ✓ | ✓ | | |
| 50 | Maphumulo | ✓ | | ✓ | ✓ | | |
| 51 | Greater Kokstad | ✓ | | ✓ | ✓ | | |
| 52 | uBuhlebezwe | ✓ | | ✓ | ✓ | | |
| 53 | uMzimkhulu | ✓ | | ✓ | ✓ | | |
| 54 | Dr Nkosazana Dlamini Zuma | ✓ | | ✓ | ✓ | ✓ | ✓ |

Source: KZN Provincial Treasury

Based on the risk and control assessment workshop facilitated at municipalities, Table 6.12 below shows the top 10 risks facing municipalities:

Table 6.12: The top 10 common risks facing KZN municipalities

| No | Risks Name |
|----|---|
| 1 | Delays in filling critical positions in some municipalities |
| 2 | Disregarding and abuse of supply chain management regulations |
| 3 | Poor financial management practices |
| 4 | Inability to attract and retain critical scarce skills |
| 5 | Inability to utilise allocated grants leading to withdrawals |
| 6 | Poor collection of revenue and other monies due to the municipality |
| 7 | Ageing infrastructure |
| 8 | Delays in implementation and completion of infrastructure projects |
| 9 | Inadequate IT infrastructure |
| 10 | Unethical business practices |

Source: KZN Provincial Treasury

6.4.4 Challenges

The following challenges were noted during the period under review:

Risk and control assessments

Our assessments of the municipalities and discussion with management highlighted that risk management processes are not prioritised by management therefore making the process to be a mere compliance issue. These are some of the root causes that were noted:

- The process is not integrated with the planning of other municipal processes making it reactive rather than proactive;
- Lack of ownership by the Accounting officers and participation by key officials;
- Risk management is still seen as an Internal audit responsibility;
- Unavailability of management during the risk and control assessment workshops;
- Insufficient budget allocated to the process; and
- Reliance on the KZN Provincial Treasury to perform the exercise on behalf of the municipality.

OHS reviews

- There is no procedure developed to determine OHS risks;
- OHS inspections and Audits are not being conducted;
- There is no Risk register in place which may make it difficult to investigate a reported incident; and
- There is lack of emergency equipment and there is no emergency plan and this is a huge risk for a municipality because employees may sue the municipality in the event that one experiences an injury whilst on duty.

Monitoring of action plans to mitigate risks

Provincial Treasury noted that in a number of municipalities action plans developed to manage or mitigate the risks identified were not properly implemented. This was caused by the following:

- Lack of both financial and human resources within municipalities;

- Developing actions plans that are not realistic and practical;
- Working in silos (no coordination of activities) within the municipality; and
- Action plans not being prioritised by management.

Internal Audit Units

While it was noted that all municipalities have Internal audit units in place (outsourced, in-house or co-sourced), most Internal audit units were not effective and these are some of the root causes:

- Insufficient budget allocated to Internal audit units;
- Auditor General (AG) not relying on Internal audit work;
- Lack of adequate skills within the Internal audit units (IT, Legal, Forensic);
- Internal audit units not being taken seriously by management;
- Lack of implementation of Internal audit recommendation; and
- Weak audit committees resulting in ineffective Internal audit units.

Audit Committees

It was noted that all municipalities had Audit committees in place during the period under review. However, most Audit committees were not as effective as they should be and the following are some of the root causes:

- The introduction of MFMA Circular No. 65, which prevents people in the employ of the state from being compensated for being Audit committee members, has made it challenging for municipalities to get experienced and qualified Audit committee members, particularly in smaller rural municipalities;
- Lack of specialist skills among members (including finance, performance management, information technology and legal skills);
- Unavailability of all members for meetings leading to postponements;
- High number of resignation by Audit committee members;
- Lack of annual work plans for the Audit committee; and
- Poor relationships with councils.

General Challenges

Some of the challenges and concerns noted during the interactions with municipal officials are indicated below. They are not necessarily risks relating to the specific process or function within the municipality, however they still pose a threat to the functioning of the municipality:

- Delays in filling of critical vacant positions;
- Risks associated with the amalgamation of some municipalities create uncertainties and, as a result, officials are reluctant to commit themselves thereby compromising the functioning of those municipalities; and
- Anxiety amongst senior officials as a result of new councillors (fear of being purged).

Conclusion

KZN Treasury, Provincial Internal Audit Service (PIAS) will no longer be providing any support (internal audit and risk management) to municipalities and municipal entities as of 1 April 2017 due to financial constraints experienced by the province. The decision to terminate support to municipalities and municipal entities was communicated to all municipalities in March 2017.

6.5 Norms and Standards

6.5.1 Specified Policies and Priorities

To facilitate performance orientated financial management in municipalities and entities as envisaged in the MFMA.

6.5.2 The Strategic Objective

The strategic objective of Norms and Standards Unit is to develop, facilitate implementation and monitor compliance with financial norms and standards in municipalities and entities to enhance financial management.

6.5.3 Background, nature and scope of support

The Unit is currently focusing on the five critical policies as shown below:

- Credit Control and Debt Collection Policy;
- Indigent Support Policy;
- Banking, Cash Management and Investment Policy;
- Tariff Policy; and
- Budget and Virement Policy.

The Unit provides support with the review of approved policies where they are in existence and customises them to suit the operational circumstances of each municipality or entity. Policy development is conducted where policies are non-existent. The municipality or entity is assisted in developing and customising such policies. The operational staff and senior management of the municipalities or entities are extensively engaged when the exercise is undertaken.

The Unit has extended its support beyond the above mentioned policies based on the needs of each municipality or entity concerned, such policies include funds and reserves, stores management, creditors and borrowings amongst others, as shown in Tables 6.13, 6.14 and 6.15 below.

The review of the delegations is aimed at ensuring that municipalities delegate powers and functions to lower levels in order to facilitate decision making and flexible administrative processes to allow senior management to focus on strategic matters. The Unit continued to provide support to municipalities in customising the delegations framework to suit the approved structure of the municipality, its finance staff compliment and its level of competency. Workshops are also provided in order to ensure that role-players including councillors possess a fair amount of understanding of the concept of delegations.

6.5.4 Municipal Support undertaken during the 2016/17 Financial Year

Norms and Standards Unit was engaged in numerous assignments that emanated from the Annual Plan and special requests from municipalities and entities.

Specific focus was dedicated to the newly merged municipalities to ensure proper alignment between new and/or revised processes and policies. Delegations were also revised as a result of changes in these new municipalities. Tables 6.13 and 6.14 shows Municipalities/Entities supported on finance-related policies.

6.13: Draft policies that resulted from the support provided during the 2016/17 financial year – Municipalities

| No | Municipality Name | Quarter | Critical Policies Reviewed | Other Policies Reviewed | Developed Policies |
|----|---------------------------|-----------|---|--|--|
| 1 | uMvoti | Quarter 1 | Credit Control Policy Cash Management Policy Virement Policy Indigent Policy Tariffs Policy | Petty Cash Policy Loss Control Policy Pre-payment and Deposit Policy Telephone and Cellphone Policy | Stores and Management Policy Write Off Policy |
| 2 | eDumbe | Quarter 1 | Credit Control Policy Cash and Banking Policy Budget Policy Virement Policy Indigent Policy Tariffs Policy | Petty Cash Policy | Stores and Management Policy Write Off Policy |
| 3 | Maphumulo | Quarter 2 | Cash, Banking and Investment Management Policy Virement Policy Budget Policy Indigent Policy Tariffs Policy Credit control and Debt Collection Policy Credit control and Debt Collection Policy By- | Subsistence and Travelling Allowance Policy | Long Term Financial Planning Bad Debts Written Off Policy Stores and Management Policy |
| 4 | iNkosi Langalibalele | Quarter 2 | Budget Policy Indigent Policy Tariffs Policy | | |
| 5 | Alfred Duma | Quarter 3 | Cash, Banking and Investment Management Virement Policy Indigent Policy Credit control and Debt Collection Policy | | Bad Debts Written Off Policy Stores and Management Policy |
| 6 | Dr Nkosazana Dlamini Zuma | Quarter 3 | Budget Policy Virement Policy Tariffs Policy Indigent Policy Cash, Banking and Investment Management | Borrowing Policy Petty Cash Policy Funding Compliance Policy | |
| 7 | Greater Kokstad | Quarter 4 | Cash, Banking and Investment Management Budget Policy Virement Policy Tariffs Policy Indigent Policy Credit Control and Debt Collection Policy | Petty Cash Policy | Borrowing Policy Funds and Reserves Policy Stores and Management Policy |
| 8 | Richmond | Quarter 4 | Cash Management Policy Debt Collection and Credit Control Policy Indigent Support Policy | Infrastructure and Capital Planning Funds and Reserves Policy Long Term Financial Planning | |

Source: KZN Provincial Treasury

6.14: Draft policies that resulted from the support provided during the 2016/17 financial year – Entities

| No | Municipality Entity Name | Quarter | Critical Policies Reviewed | Other Policies Reviewed | Developed Policies |
|----|--|-----------|--|---|--------------------|
| 1 | Harry Gwala Development Agency | Quarter 2 | Budget Policy Cash Management Policy | Accounts Payable Policy Telephone Policy | Petty Cash Policy |
| 2 | Enterprise iLembe | Quarter 3 | Cash, Banking and Investment Management Policy Budget Policy Virement Policy | Petty Cash Policy | |
| 2 | Ugu South Coast Development Agency (USCDA) | Quarter 4 | Cash, Banking and Investment Management Policy Budget Policy Virement Policy | Creditors Policy Delegation Policy | |
| 4 | Ugu South Coast Tourism (UGUSCT) | Quarter 4 | Credit Control and Debt Collection Policy Cash, Banking and Investment Management Policy Budget Policy | Delegation of Authority Policy | |

Source: KZN Provincial Treasury

Municipalities and Entities supported in the area of System of Delegations during the 2016/17 financial year

The municipalities shown in Table 6.15 below were supported as part of the annual review schedule, hence the support was incorporated in the Unit's annual plan. The Maphumulo Local Municipality was supported as a result of a special request from the Chief Financial Officer from the municipality while the iNkosi Langalibalele, Dr Nkosazana Dlamini Zuma and Alfred Duma Local Municipalities were supported as a result of the former municipalities that were merged to establish these new municipalities.

The development of financial delegations frameworks for municipalities were initiated nationally by National Treasury as a response to Presidential Outcome 12 which relates to enhancing administrative efficiency in municipalities. However, the support to municipal entities shown in Table 6.15 below was the Unit's own initiative to assist the entities in ensuring that they also derive the same benefit as municipalities.

Table 6.15 Municipalities/Entities supported in the area of System of Delegations during the 2016/17 financial year

| No | Name of Municipality | No | Name of Municipal Entity |
|----|---------------------------|----|--|
| 1 | eDumbe | 1 | Enterprise iLembe |
| 2 | Maphumulo | 2 | Harry Gwala Development Agency |
| 3 | uMvoti | 3 | Ugu South Coast Tourism (UGUSCT) |
| 4 | iNkosi Langalibalele | 4 | Ugu South Coast Development Agency (USCDA) |
| 5 | Dr Nkosazana Dlamini Zuma | | |
| 6 | uBuhlebezwe | | |
| 7 | uThukela DM | | |
| 8 | Greater Kokstad | | |

Source: KZN Provincial Treasury

6.5.5. Conclusion

The Unit strives to provide adequate support to municipalities and municipal entities despite the limited staff compliment in carrying the Unit's objectives forward. The Unit will continue to facilitate performance orientated financial management in municipalities and entities as envisaged in the MFMA and specific support in light of new developments such as the implementation of the new Municipal Standard Chart of Accounts (mSCOA).

6.6 Financial Reporting

6.6.1 Implementation: Financial Management Municipal Support Programme

Introduction and Background

In terms of the Provincial Treasury's mandate to support municipalities in strengthening their financial management capacity, Provincial Treasury continued to provide financial management on-site support to identified municipalities within the province during the 2016/17 financial year. The fundamental objective of this program is to improve financial management practice by building the required skills and capacity to enable effective financial management practice and therefore improve the audit opinions received by the municipalities.

The on-site support intervention strategy conducted by the Financial Reporting Unit entails the following:

- An assessment of the status of financial management practice at identified municipalities and the development of a project plan;
- Review or perform once off monthly general ledger reconciliations and monitoring of the quality of financial management reconciliations and accounting processes, as required;
- Address prior year audit matters as raised by the Auditor General to ensure that such matters are resolved adequately;
- Provide guidance and oversight in the Asset Register preparation process and Asset Management processes or assist in the preparation of the Asset Register as required;
- Monitor and assist in the preparation of Interim Financial Statements and Annual Financial Statements (AFS);
- Preparation of AFS and supporting reconciliations and schedules, as required;
- Assistance in the preparation and review of the audit working paper files and addressing all financial management audit queries;
- Training and development of municipal officials in terms of financial management, including the preparation of the AFS;
- Monitor and implement compliance with the Municipal Finance Management Act No. 56 of 2003, and other relevant local government legislation;
- Provision of financial management support in areas of budgeting, income, expenditure and supply chain management (SCM);
- Attendance at Audit Steering Committee meetings, providing guidance and support during the audit process until the issue of the final audit report; and
- Attendance at management meetings that relate to financial management within the municipality.

Audit outcomes of municipalities supported in the Financial Management Municipal Support Programme for the 2015/16 municipal financial year

The success of the implementation of the Financial Management Municipal on-site support to the selected municipalities is reflected in Table 6.16 below:

Table 6.16: Audit Outcomes

| No | Name of Municipality | 2015/16 Audit Opinion | 2014/15 Audit Opinion |
|----|-----------------------|-----------------------|-----------------------|
| 1 | Amajuba DM | Qualified | Qualified |
| 2 | Hlabisa | Unqualified | Unqualified |
| 3 | Big Five False Bay | Qualified | Unqualified |
| 4 | eMadlangeni | Unqualified | Unqualified |
| 5 | Emnambithi/Lady smith | Clean | Unqualified |
| 6 | Maphumulo | Unqualified | Unqualified |
| 7 | Mkhambathini | Unqualified | Unqualified |
| 8 | Ndwedwe | Unqualified | Unqualified |
| 9 | uMkhanyakude DM | Adverse | Disclaimer |
| 10 | uMvoti | Unqualified | Unqualified |

Source: KZN Provincial Treasury

From the audit results presented in Table 6.16 above, it must be noted that the success of the intervention by the Financial Reporting Unit resulted in a significant improvement in the audit outcomes for the following municipalities:

- Emnambithi/Ladysmith Local Municipality moved from an **Unqualified Audit Opinion** in the 2014/15 financial year to a **Clean Audit Opinion** in the 2015/16 financial year;
- Amajuba District Municipality maintained the **Qualified Audit Opinion** in the 2015/16 financial year, however, the number of qualification matters have reduced to one qualification matter. This qualification was due to the completeness of revenue as a result of the municipality not reading water meters timeously, and therefore this could not be corrected during the support;
- uMkhanyakude District Municipality moved from a **Disclaimer Audit Opinion** in the 2014/15 financial year to an **Adverse Audit Opinion** in the 2015/16 financial year, with a reduction in the number of audit matters. The remaining audit matters relate to the lack of supporting documentation, which the municipality is required to address;
- Big Five False Bay Local Municipality regressed from an **Unqualified Audit Opinion** in the 2014/15 financial year to a **Qualified Audit Opinion** in the 2015/16 financial year. However, it must be noted that assistance from Provincial Treasury was requested at a late stage, therefore we were not in a position to resolve all matters prior to the closure of the audit. Provincial Treasury successfully addressed all qualification matters for the one month of the 2016/17 financial statements prior to the establishment of the merged municipality, with the municipality receiving an **Unqualified Audit Opinion**; and
- All other municipalities maintained an **Unqualified Audit Opinion** in the 2015/16 financial year.

Municipalities supported in the Financial Management Municipal Support Programme for the 2016/17 municipal financial year

The Financial Management Support Programme continued to be implemented during the 2016/17 financial year, as municipalities were gearing towards the preparation of the AFS.

Provincial Treasury has completed an assessment of audit opinions received by municipalities for the 2015/16 financial year and has identified the following municipalities for support, as per Table 6.17 below:

Table 6.17: List of the municipalities identified for support under the Financial Management Municipal Support Programme

| | Name of Municipality | 2015/16 Audit Opinion | Extent of support |
|---|---|---|---------------------|
| 1 | Amajuba DM | Qualified | One week a month |
| 2 | iNkosi Langalibalele (merger between Umtshezi and Imbabazane) | Umtshezi was previously disclaimed and Imbabazane was unqualified | Full time support |
| 3 | Big Five Hlabisa (merger between Big Five False Bay and Hlabisa) | Big Five False Bay was qualified (subsequently unqualified) and Hlabisa was unqualified | Full time support |
| 4 | Maphumulo | Unqualified | One week a month |
| 5 | Dr Nkosazana Dlamini Zuma | Kwa Sani and Ingwe were unqualified | Three weeks a month |
| 6 | Mpofana | Disclaimer | Three weeks a month |

Source: KZN Provincial Treasury

In addition to the support based on audit opinions, it was considered necessary that Provincial Treasury supports identified municipalities that were affected by the Municipal Demarcation Act, therefore merged municipalities were included in the support program. Maphumulo Local Municipality and Amajuba District Municipality will continue to be supported, with the review of reconciliations and accounting processes, to ensure that skills have been adequately transferred to these municipalities, limited to one week per month. The support program commenced in January 2017 and it is anticipated to be concluded in November 2017.

Requests for financial statements support was received from Mkhambathini Local Municipality and Ndwedwe Local Municipality. Assistance was rolled out to these municipalities from July 2017 and will continue until November 2017.

Challenges identified during the implementation of the Support Programme

Municipalities are faced with challenges which include, among others, the following:

- Continued high levels of vacancies/skills deficit in key positions resulting in an increased dependency on consultants and interns;
- Dependency on Provincial Treasury officials to undertake and address outstanding monthly reconciliations and attending to routine accounting processes that should be normally performed by municipal officials;
- Inadequate skills on credit control and debt management, including basic financial accounting and document management systems in most instances;
- Lack of systems to address audit queries and recommendations, both internal and external auditing;
- Inadequate asset management processes within the municipality, which impacts on the maintenance of the asset register and reporting thereof;
- Poor controls over routine accounting processes: Reconciliations incorrect/incomplete/lack of supporting schedules;
- Occurrence of unauthorised expenditure resulting from the budget not spent for the purposes intended;
- Occurrence of irregular, fruitless and wasteful expenditure resulting from non-compliance with legislation and supply chain processes, and wasteful expenditure which could have been avoided;
- Inadequate action taken in addressing unauthorised, irregular, fruitless and wasteful expenditure;
- Lack of evidence based reporting and preparation of audit working paper files; and

- Availability of Municipal Financial Management Officials to address identified challenges.

Action steps to address identified challenges

To address the challenges identified above, the Financial Management Municipal Support Programme has as its focus, areas of audit risk that are aimed at the following objectives:

- Identify inadequate financial management risk areas and implement appropriate mitigating strategies;
- Mitigation of audit qualifications by focusing on the basic accounting and routine monthly reconciliation processes through on-site oversight support and quality assurance;
- Robust consultative forums through effective collaboration with all relevant stakeholders internal to Provincial Treasury (Supply Chain Management, Norms and Standards, Internal Audit, Municipal Finance) and the Auditor - General for a uniform, integrated and consistent support approach;
- Strengthen financial management by training and developing municipal officials in effective accounting processes and reconciliations, including the preparation of the AFS and supporting documentation; and
- Support municipalities that were affected by the demarcation process.

6.6.2 Asset Management Improvement Program

In response to the continuing challenges faced by municipalities and the resulting impact on audit outcomes, particularly as it relates to Asset Management, Provincial Treasury has implemented numerous initiatives to improve Asset Management Practice among municipalities that are aligned to the Financial Management Municipal Support Program. Figure 18 below is an illustration, in summary, of the initiatives undertaken by the Financial Reporting Unit:

Figure 18



Primarily, the Asset Management Improvement Program has as its fundamental goal the key objective of institutionalising Asset Management Best Practice among all municipalities. It is anticipated that municipalities, through a process of full participation and commitment of all stakeholders and the sufficient allocation of Local Government Resources, can reasonably expect to have the following in place in the long term:

- A fully resourced, skilled and integrated Asset Management Unit;
- Approved asset management policies and procedures;
- Self - Assessment Asset management scorecards;

- Planning templates for all phases of the Asset Management Life Cycle;
- Identification of asset maintenance and renewal funding models; and
- Accounting and accountability processes in place.

To this end, and in accordance with the mandate of Provincial Treasury, the process of establishing Asset Management District Support Forums was initiated by the Financial Reporting Unit within Provincial Treasury, to address asset management weaknesses in the Province. To date, 5 Asset Management District Forums (iLembe, King Cetshwayo, Zululand, Ugu, uMzinyathi) have been established and are functional to a certain degree.

The establishment of the Asset Management District Forums was aimed at addressing, among others, the following:

- Establishing the current status of Asset Management within the district, including critical weaknesses;
- A Self - Assessment questionnaire was designed and implemented by the Financial Reporting Unit within Provincial Treasury to identify the current challenges being experienced by participating municipalities in the current Asset Management Forums;
- Development and implementation of long term key support strategies to institutionalise Asset Management within the district, with the aim of ensuring sustainability in Asset Management for future financial years;
- Training and developmental needs in terms of Asset Management practice; and
- Mechanism for on-going monitoring and technical assistance in terms of addressing Asset Management issues within municipalities.

Listed below is a summary of the support initiatives undertaken by the Financial Reporting Unit:

- Asset Management training;
- Municipal Standard Chart of Accounts (mSCOA) Implementation;
- Reviewing of the Asset Management Unit's structure to determine capacity and effectiveness of officials in undertaking Asset Management activities;
- Reviewing of the Asset Management Policy;
- Facilitating municipal-wide asset management co-ordination;
- Developing a generic procedure manual to be customized to iLembe District Municipality functions; and
- Generally Recognised Accounting Practices (GRAP) training and assistance in compliance with asset accounting requirements

Further to the initiation of the District Asset Management Forums in the said districts, a Provincial Asset Management Forum has been established in collaboration with iLembe District Municipality. The Asset Manager of iLembe District Municipality, as the interim Chairperson, is spearheading the Provincial Asset Management Forum initiatives. To date, the following initiatives have been successfully undertaken by the Provincial Asset Management Forum:

- Support to District Asset Management Forums in institutionalising Asset Management practice in municipalities and formulating strategies to address Asset Management challenges prevalent at a district level through collaboration and shared best practice;
- Provision of Asset Management planning templates, generic Asset Management policies and procedures to each district;
- Asset Management workshops: Audit Readiness; and

- A Provincial Asset Management Web Site hosted by iLembe District Municipality as an Asset Management resource base and repository of Asset Management information.

In addition to the above, Provincial Treasury intends to provide hands on assistance to municipalities who require Asset Management support, which includes the performance of conditional assessments and impairment assessments by engineers, as well as the compilation of the asset register.

Provincial Treasury is currently in the process of appointing a team of engineers to assist in this regard. Table 6.18: below shows the municipalities which are intended to be supported on Asset Management:

Table 6.18: List of the municipalities to be supported on Asset Management

| No | Name of Municipality | 2015/16 Audit Opinion | Extent of support |
|----|----------------------|---|--|
| 1 | iNkosi Langalibalele | Umtshezi was previously disclaimed and Imbabazane was unqualified | Intensive asset management support including preparation of the asset register and engineering assessments |
| 2 | Mpofana | Disclaimer | Intensive asset management support including preparation of the asset register and engineering assessments |

Source: KZN Provincial Treasury

Due to the expected volume of work that is required to be undertaken at the above mentioned municipalities, it is not considered feasible to provide support to any additional municipalities at this stage, until an assessment of the fixed asset register is performed by the infrastructure team in this regard. Once the assessment is completed, and should capacity be available, the support may be extended to additional municipalities.

6.6.3 Conclusion

In order to sustain the improved audit status of the municipalities under review, the need for municipal-wide and cross cutting support by key stakeholders becomes increasingly significant. To this end, ensuring the appropriate and proportionate balance between effective municipality stewardship and the dependency on outside support becomes critical, if not significant. It is hoped that the support provided by the Financial Reporting Unit during the 2016/17 financial year, has provided municipalities with the necessary skills and expertise to continue their quest for sound financial management and an improvement in the audit outcomes in the forthcoming financial year.

6.7 Municipal Public Private Partnerships

Provincial Treasury provides effective and efficient transversal Public Private Partnerships (PPP) project advisory services to a number of municipalities in the Province. Provincial Treasury established a PPP Unit with the main objective of facilitating, managing and overseeing PPPs at a Provincial level, in accordance with legislative mandates (Municipal Finance Management Act, Municipal Systems Act and Municipal PPP Regulations).

Provincial Treasury assisted the following municipalities with projects registered with National Treasury as PPP's:

- KwaDukuza Local Municipality; and
- iLembe District Municipality.

Provincial Treasury also assisted the Mtubatuba Local Municipality with a potential PPP project.

6.7.1 Advisory services and support to municipalities with registered projects

KwaDukuza Local Municipality

KwaDukuza Local Municipality undertook a Section 78 Assessment in terms of the Municipal Systems Act (MSA) to investigate a solution to provide solid waste removal services through a PPP. In relation to this project, Provincial Treasury was involved with the appointment of the Transaction Advisor to undertake an investigation on behalf of the municipality. The municipal council resolved, in terms of Section 78(2)(b) of the MSA, that before a decision on an appropriate mechanism could be taken, the possibility of providing the service through an external mechanism had to be explored. The feasibility study was completed and submitted to National Treasury. Treasury Views and Recommendations I (TVR1) was granted and the council took a resolution to procure the service through a PPP model. The feasibility study was undertaken and approved on the basis that there would be one agreement entered into with one private party for the entire project. However, the council thereafter recommended that the project be divided into three in terms of the regions in the municipality and each region would have one main contractor. Provincial Treasury recommended that the feasibility study be updated to assess the recommendation of the council and to ensure that each of the regions that are proposed will be viable and that the project would attract the requisite market appetite for each of the regions.

The municipality subsequently initiated the procurement process without implementing the recommendations of Provincial Treasury and Treasury Views and Recommendations IIA (TVR2A) was granted by National Treasury. However, the Municipal PPP Regulations provide that the municipality must also solicit the views and recommendations of the relevant Provincial Treasury on the proposed bid documentation at least 30 days before bids are publicly advertised. Provincial Treasury's views and recommendations are yet to be solicited by the municipality.

6.7.2 Advisory services and support to municipalities with closed projects

iLembe District Municipality

Background

In January 1999 the Borough of Dolphin Coast (now iLembe District Municipality) and Sembcorp Siza Water (Siza Water) entered into a PPP agreement whereby Siza Water would oversee, manage and implement the provision of water and sanitation services within the then municipal boundary, on a concession basis, for a period of 30 years.

Project Monitoring

Due to the lack of capacity by the municipality to monitor the PPP agreement, a consultant had been appointed on a 3-year contract to monitor the PPP agreement on behalf of the municipality. The contract with the consultant has expired, leaving the municipality in a vulnerable position in terms of the monitoring aspect of the PPP agreement.

The municipality needs to procure the services of a consultant that will monitor Siza Water's implementation of the PPP agreement. The municipality also needs to develop capacity internally to monitor the project as the PPP agreement only ends in the year 2029.

Skills Development, B-BBEE and SMME

Siza Water had been experiencing challenges in meeting its contractual obligations in respect of subcontracting 15 percent of their investment in works to local black Emerging Micro Enterprise (EME) Contractors. Through monitoring of the concession, the PPP unit and other members of the contract monitoring teams have suggested ways to assist Siza Water in meeting and even exceeding this target. However, this obligation now needs to be increased to 30 percent of the investment in works in line with Preferential Procurement Regulations 2017 which came into effect on 1 April 2017.

Drought Effects on Concession Area Water Resource

Due to the drought in the concession area, Siza Water was required to reprioritise its 5-year capital budget. This has impacted on Siza Water's ability to undertake some of the planned works in accordance with the 5-year plan.

Dispute with Umgeni Water

Siza Water is currently embroiled in a legal dispute with Umgeni Water over a 38 percent tariff hike that was imposed on Siza Water during the 2015/16 financial year. The tariff hike is substantially more than the 8.3 percent tariff hike that was imposed on other municipalities. Siza Water's main concern is that if the tariff hike remains, the increased costs will have to be shifted to the consumer. A dispute resolution procedure was undertaken, the matter was heard and the parties are awaiting judgment.

The disputed portion of the proposed tariff by Umgeni Water is paid on a monthly basis by Siza Water into a trust account. If Siza Water is successful in its bid to overturn the tariff imposed, these funds will be appropriated to new works.

Etete Phase 4

This is a housing project that has faced many challenges to date, some of which are due to the unavailability of key government departments, funding issues and the lack of support from key stakeholders. There has also been a lack of planning, coordination and communication between the KwaDukuza Local Municipality and the iLembe District Municipality and this has led to delays which have resulted in community unrests. The community unrests temporarily halted the progress of the project during the 2016/2017 financial year.

It is anticipated that once the bulk water infrastructure for the Etete housing project has been provided, Siza Water will take over the provision of the water services as the proposed project falls within the concession area. The municipality has opted to procure the bulk water infrastructure internally. This poses a material risk to the municipality as the specifications of the bulk water infrastructure procured may not meet the standards required by Siza Water.

Learnership Programme

The programme aims to cater for the shortage of scarce skills within the sector in which Siza Water operates by offering learnerships to qualifying individuals within the concession area. To date, there have been 19 recipients of the learnership offered by Siza Water. The learners under the programme are absorbed into the employ of Siza Water after completion of the learnership programme.

6.7.3 Advisory services and support to municipalities with potential projects

Mtubatuba Local Municipality

The municipality has indicated that it does not have conducive office accommodation to house its staff and the existing building is very old and prone to flooding whenever it rains. The existing building was originally intended for 5 (five) municipal wards, however the municipality has since expanded to 20 wards. The offices are overcrowded and the municipality's staff compliment continues to increase. In an attempt to relieve these challenges, the municipality has decided to undertake a Section 120 assessment in terms of the MFMA to investigate a solution for how they can procure a cost effective municipal office building.

Provincial Treasury assisted the municipality in registering the project with National Treasury as a potential PPP project. The municipality is yet to initiate the procurement of Transaction Advisors to assist in undertaking the feasibility study for the municipal office building. Provincial Treasury is currently in communication with the municipality in order to assist in terms of compliance with the relevant legislation.

6.8 Infrastructure Management

6.8.1 The Infrastructure Support Team “Crack Team”

The provision of infrastructure is integral in the realisation of government’s goal to provide basic services to all South Africans. However, under performance on Capital Expenditure (within the full value change of delivery) by municipalities delays the delivery of basic infrastructure services and exacerbates the current infrastructure backlogs.

The Infrastructure Support Team (or the Infrastructure “Crack Team”) was established in 2011 by the Provincial Executive to assist departments and municipalities in delivering cost effective and efficient infrastructure in the province. The “new” three year contract commenced in April 2015 with a panel of 23 built environment professional companies which includes Engineers (from various disciplines), Town Planners, Architects, Project Managers and Quantity Surveyors.

The objective of the Infrastructure Support Team is to assist provincial departments, entities as well as municipalities in the identification and unblocking of bottlenecks in the assessment, planning, implementation and delivery of essential infrastructure services to communities. Table 6.19 shows a list of municipalities where members of the “Crack Team” have been deployed until 31 March 2017:

Table 6.19: Municipalities which were supported by the “Crack Team”

| No | Name of the municipality | Area where support was provided |
|----|--------------------------|---|
| 1 | uMkhanyakude DM | Support all aspects of Water Services Delivery Programme including reticulation and water supply |
| 2 | eMadlangeni | Support on infrastructure planning, management, implementation and oversight of the infrastructure budget |
| 3 | Big Five Hlabisa | Supported the preparation of the Asset Register |
| 4 | Greater Kokstad | Support the preparation of the Infrastructure Plan and improve the internal capacity of the municipality |
| 5 | Ray Nkonyeni | Supported the Development of the Spatial Plans |

Source: KZN Provincial Treasury

The deployment of the team provides the municipalities with the necessary expertise to tackle infrastructure related projects in various stages of the project cycle thus increasing the delivery capacity. This has ultimately improved the return on investment and the value for money in the delivery of infrastructure.

In addition, the services of the team seeks to improve internal capacity at municipalities by augmenting the required skills, thereby improving spending on capital projects/infrastructure.

Provincial Treasury expects to have achieved the following outcomes for the above-mentioned municipalities:

- Improved infrastructure spending;
- Improved planning, coordinating and implementation of infrastructure projects;
- Customer satisfaction;
- Effective and efficient systems in the delivery of projects;
- Adequate water and electricity supply;
- Value for money on project delivery;
- Community and environment sustainability; and
- Leadership and employee development.

6.9 Intergovernmental Relations

Background

The Intergovernmental Relations (IGR) Unit coordinated the Municipal Finance Management Programme (MFMP) on behalf of the National Treasury to strengthen the implementation of the minimum competency levels in municipal finance and budgeting through the Local Government Sector Education and Training Authority (LGSETA) funding. The programme targets municipal managers and officials to assist them in complying with Section 83 of the MFMA by creating an opportunity to upgrade their financial competency levels.

The Certificate Programme in Management Development (CPMD) in Municipal Finance also referred to as the Municipal Finance Management Programme (MFMP) is a 12 month minimum competency course which has been widely accepted by all municipal principals. Officials have, for the most part, coped well with the programme. The LGSETA is the funder for the training and the University of Pretoria and Moses Kotane Institute (MKI) provide the training respectively. The training is a practical competency-based qualification which includes periodic week long direct sessions contact and concludes with compiling of a portfolio of evidence.

Progress Report

After some delays and challenges indicated below, a group of 35 municipal employees including interns in the Budget and Treasury Offices (BTO) completed the University of Pretoria programme in the 2016/17 financial year. In addition, the IGR Unit facilitated another intake for the MKI which also experienced delays in the validation process that included further direct engagement with all prospective beneficiaries to eliminate errors in their application documents. Finally, in August 2016, the MKI enrolled 133 beneficiaries from 21 local municipalities, 3 district municipalities (uMzinyathi, iLembe and uThukela) and the eThekweni Metro who are due to complete the course in August 2017. The success of the programme relies much on the co-operation of Chief Financial Officers in identifying deserving officials and submitting regular reports as requested by National Treasury through the IGR Unit which usually becomes a challenge.

Challenges

The programme experiences various challenges resulting in the slow achievement of outcomes due to:

- Being an unfunded mandate;
- No dedicated staff/unit to coordinate the programme;
- Location of the programme in IGR; and
- Lack of cooperation from the municipalities.

Chapter 7: Conclusion

Sections 5(4)(a)(i) and 5(4)(a)(iii) of MFMA requires that the Provincial Treasury must amongst others, monitor the monthly outcomes of the municipal budgets and the submission of reports by municipalities in the Province. It is from this premise that the consolidated Municipal Finance Quarterly Review Report as at 30 June 2017 has been prepared. The report has provided a holistic view on the level of compliance with MFMA legislation as well as on financial state of affairs of the 51 delegated municipalities in the Province. The report also includes the initiatives and support provided by various business units within Provincial Treasury in a bid to improve the level of compliance with MFMA and related Regulations by Municipalities.

Provincial Treasury has noted with concern that there were some municipalities which did not comply with numerous reporting requirements prescribed by DoRA and MFMA even though these pieces of legislation have been applicable for a number of years and having done so was despite the technical support provided by Provincial Treasury. The onus of addressing non-compliance by the municipalities rests strictly with municipal councillors and senior managers who must embark on serious political and administrative conviction to ensure that there is full compliance with the prescripts of DoRA and the MFMA. Part of the solution is to ensure that all critical vacancies in municipalities and their Budget and Treasury Offices (BTOs) are fully capacitated with officials equipped with requisite qualifications, skills and experience.

The socio economic review in Chapter 2 has provided an insight into the social and economic factors that influence the overall performance of the province of KwaZulu-Natal and municipalities in general. These factors include demographics, economic performance, the labour market, international trade, development, social grants, education, household infrastructure and crime. Through economic analysis, the performance gaps and the opportunities for improvement which exist in the provincial economy were also highlighted.

As part of its responsibilities as per Section 5 of the MFMA, the Provincial Treasury will continue to support all municipalities across the Province in a bid to ensure that the quality of Mid Year Budget and Performance Assessments Reports (Section 72 Reports) as well as Adjustments Budgets continue to improve year on year. The common challenges faced by municipalities with regard to the Mid Year Budget and Performance Assessments Reports is a lack of correlation between the Section 71 Reports and the Mid Year Budget and Performance Assessment Reports (Section 72 Reports). Ideally, the two reports should reconcile as the related processes are expected to be seamless.

Similarly to the process of the Mid Year Budget and Performance Assessments Reports and Adjustments Budgets, Provincial Treasury is equally committed to support the municipalities during their Annual Budget Process. The support for the Annual Budget process is to ensure that all the municipalities table the Credible and Funded Budgets and monitor the budget performance. As indicated in Table 5.12 of this report, which reflect the Funding positions of 2017/18 Tabled and Adopted Budgets, the number of municipalities with Unfunded or Undetermined Budgets was unacceptably high. Some key areas for concerted efforts of support by Provincial Treasury include activities to ensure that the Budget Tables of Cash flows (Budget Table A7) and Cash backed reserves/accumulated surpluses (Budget Table A8) are fully and correctly completed. Provincial Treasury will also continue to issue Circulars timeously with a view of guiding the municipalities with the budget process.

With regard to MFMA Section 71 Reports, Provincial Treasury will continue to support the municipalities to ensure that the credible information is reflected on the returns and is timeously submitted to National Treasury. Timely support on SCM related processes by SCM Unit will ensure that there is proper planning for capital projects, thereby avoiding any delays leading to underspending. It important that the budgets of the municipalities are fully spent. As reflected in Chapter 3, the total Operating Budget in the Province was underspent by R3.1 billion or 5.6 percent while Capital Budget was underspent by R2.1 billion or 14

percent. It was noted that only two municipalities in the Province namely the Ugu District Municipality (R262 000) and the Msunduzi Local Municipality (R1.3 million) has spent on the Environmental Protection Sub Vote.

With regard to the submission of supporting documents in the assessments of Section 71 reports, Budgets, Mid Year Budget & Performance Assessments and other cycles, it should be emphasised that the majority of the municipalities are still not submitting critical information such as Investments Registers, Trial Balance, Grants Registers, Bank Reconciliations and Bank statements to Provincial and National Treasury to ensure that the assessment feedback by Provincial Treasury, specifically on the Cash flow position adds more value to the municipalities. The requirement for the submission of supporting documents indicated above is in line with MFMA Circular No. 67. To this end, Provincial Treasury will continue to strongly urge all the municipalities to ensure that, in addition to documents submitted during various budget cycles, the supporting documents indicated above must also be submitted monthly.

Outstanding municipal debt still remains a problem and is substantially increasing as it was recorded at R16.2 billion at the end of the 2016/17 financial year. Of the total Debt, the Customer group with the most substantial balance was Households (R10.2 billion or 63.1 percent). Poor collection rates and the increase in outstanding debts, year-on-year, is testament to the fact that municipalities have a challenge in the collection of outstanding debts. It is therefore imperative that the political and administrative leadership takes ownership of the debt management processes and enforce the municipality's debt collection and credit control policies. If municipalities are not able to collect the revenue generated from services, then rendering services becomes unsustainable. Municipalities should be able to recoup the maintenance costs of the revenue generating assets from the consumers. If a culture of non-payment continues, local government will not be able to succeed in its mandate to deliver basic services to communities.

Provincial Treasury will also continue to monitor the municipalities and support them to ensure that all conditional grants allocated to municipalities are fully spent and are used for the intended purpose. The support includes the process of application by municipalities for Rollover of Unspent Conditional grants which normally take place immediately after the finalisation of Annual Financial Statements. The support by Provincial Treasury is an attempt to ensure that municipalities are not returning funds to the National Revenue Fund (NRF) while basic services to communities remain undelivered, to the detriment of the province.

Provincial Treasury in its oversight role has allocated substantial resources in terms of human capital across the various business units of the department during the 2016/17 financial year to assist municipalities in achieving full compliance with the MFMA as well as improving credibility of figures for budgeting and reporting purposes. It is hoped that the 2016/17 municipal audit outcomes reflect the hard work and dedication of the Provincial Treasury staff that assisted municipalities in order to achieve their goals.

Whilst Provincial Treasury will continue to support municipalities, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself. It is therefore incumbent upon the political and administrative leadership at the municipalities to be vigilant with regard to early identification of financial problems that would threaten their liquidity and service delivery obligations.

The ability of municipalities to rise to these challenges will ultimately be determined by the quality of their governance and administrative practices. Stronger and more participatory governance practices will, however, only have a meaningful impact if municipalities provide stable and attractive work environments. Ultimately, municipal Councils must ensure that they appoint the right people with the right qualifications and experience to lead their municipalities.

Appendix 1: Operating Revenue - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated | Detail | | | | | | | | | | | | | | | | | | |
|--|-----------------|----------------------|------------------|------------------|------------------|---|---------------------------------------|---------------------------------|--------------------------------------|----------------------------------|-------------------------|------------------------------------|--|---------------------------------------|--------------------|----------------|----------------------|-----------------|------------------------------------|-------------------|--------------------------|----------------|---------------|
| | | | | | Property rates | Property rates - penalties and collection charges | Service charges - electricity revenue | Service charges - water revenue | Service charges - sanitation revenue | Service charges - refuse revenue | Service charges - Other | Rental of facilities and equipment | Interest earned - external investments | Interest earned - outstanding debtors | Dividends received | Fines | Licences and permits | Agency services | Transfers recognised - operational | Other own revenue | Gains on disposal of PPE | | |
| A | KZN2000 | eThekweni | 31 267 560 | 31 358 677 | 30 226 889 | 96.4 | 6 909 364 | 28 602 | 11 446 342 | 2 822 319 | 1 074 129 | 481 313 | 130 782 | 387 800 | 938 552 | 167 910 | - | 68 245 | 32 273 | 10 931 | 2 701 170 | 3 017 474 | 9 681 |
| B | KZN212 | uMdoni | 255 138 | 254 350 | 225 627 | 88.7 | 73 253 | 3 003 | - | - | - | 8 554 | 4 788 | 78 | - | - | 1 029 | 7 737 | - | - | 122 995 | 4 190 | - |
| B | KZN213 | uMzumbi | 145 984 | 147 833 | 139 037 | 94.1 | 5 763 | - | - | - | 32 | 9 | 21 | 11 437 | - | - | - | - | 10 | - | 122 522 | (757) | - |
| B | KZN214 | uMuziwabantu | 140 377 | 141 767 | 118 624 | 83.7 | 17 045 | 1 207 | 28 382 | - | - | 2 314 | - | 192 | 11 263 | - | 22 | 494 | 1 781 | - | 54 196 | 1 727 | - |
| B | KZN216 | Ray Nkonyeni | 837 225 | 837 225 | 764 373 | 91.3 | 285 500 | 119 | 94 595 | - | - | 41 235 | 15 779 | 3 243 | 4 473 | 11 323 | - | 15 017 | 7 296 | 1 771 | 165 895 | 118 127 | - |
| C | DC21 | Ugu DM | 914 506 | 932 345 | 865 342 | 92.8 | - | - | - | 287 558 | 104 819 | - | - | 2 336 | 22 246 | 4 021 | - | - | - | - | 429 729 | 14 633 | - |
| Total: Ugu Municipalities | | | 2 293 229 | 2 313 520 | 2 113 003 | 91.3 | 381 562 | 4 329 | 122 977 | 287 558 | 104 819 | 43 582 | 24 343 | 10 580 | 49 497 | 15 344 | - | 16 068 | 15 527 | 3 563 | 895 337 | 137 920 | - |
| B | KZN221 | uMshwathi | 138 447 | 136 869 | 134 693 | 98.4 | 28 542 | 1 272 | - | - | 1 923 | - | 594 | 1 165 | 6 327 | - | 10 | - | 2 414 | - | 92 511 | (64) | - |
| B | KZN222 | uMngeni | 368 164 | 382 210 | 370 298 | 96.9 | 162 511 | 10 245 | 64 303 | - | - | 6 273 | - | 757 | 2 230 | 1 942 | - | 51 991 | 3 495 | - | 61 817 | 4 734 | - |
| B | KZN223 | Mpofana | 127 836 | 131 439 | 115 184 | 87.6 | 11 065 | 2 739 | 50 067 | - | - | 5 414 | - | 486 | 286 | 2 702 | - | 1 718 | 4 458 | - | 32 210 | 4 038 | - |
| B | KZN224 | iMpendle | 49 925 | 53 383 | 50 060 | 93.8 | 5 464 | 29 | - | - | - | 46 | 655 | 906 | 562 | - | 1 | 28 | - | - | 36 219 | 6 151 | - |
| B | KZN225 | Msunduzi | 4 473 006 | 4 473 006 | 4 129 777 | 92.3 | 814 286 | 33 144 | 1 871 715 | 466 587 | 132 289 | 23 035 | 66 081 | 23 797 | 25 768 | 71 515 | - | 1 233 | 92 | 455 | 491 083 | 89 495 | 19 201 |
| B | KZN226 | Mkhambathini | 85 310 | 88 182 | 87 428 | 99.1 | 11 972 | - | - | - | - | 466 | - | 3 004 | 2 686 | - | 38 | 4 697 | - | - | 64 060 | 504 | - |
| B | KZN227 | Richmond | 89 606 | 90 834 | 91 664 | 100.9 | 11 947 | 1 280 | - | - | 487 | - | 4 258 | 4 197 | 94 | - | 22 | 142 | 623 | - | 68 115 | 498 | - |
| C | DC22 | uMgungundlovu DM | 644 093 | 621 598 | 634 531 | 102.1 | - | - | - | 112 042 | 12 329 | - | - | 205 | 9 439 | 24 503 | - | - | - | - | 450 415 | 25 599 | - |
| Total: uMgungundlovu Municipalities | | | 5 976 387 | 5 977 521 | 5 613 634 | 93.9 | 1 045 788 | 48 709 | 1 986 085 | 578 629 | 144 617 | 37 132 | 66 594 | 30 751 | 46 995 | 110 332 | - | 55 012 | 12 913 | 3 492 | 1 296 430 | 130 954 | 19 201 |
| B | KZN235 | Okhahlamba | 164 735 | 169 439 | 167 352 | 98.8 | 26 202 | 5 119 | - | - | 1 853 | - | 107 | 1 451 | - | - | 437 | 1 957 | 828 | - | 129 238 | (248) | 407 |
| B | KZN237 | iNkosi Langalibalele | 473 210 | 497 870 | 282 005 | 56.6 | 43 709 | 9 150 | 139 162 | - | - | 5 543 | - | 363 | 554 | 609 | - | 65 | 3 356 | - | 14 137 | 65 358 | - |
| B | KZN238 | Alfred Duma | 724 236 | 733 352 | 881 679 | 120.2 | 293 234 | 7 312 | 307 132 | - | - | 21 414 | 440 | 559 | 18 495 | 2 338 | - | 7 771 | 5 389 | - | 210 103 | 7 491 | - |
| C | DC23 | uThukela DM | 556 033 | 637 393 | 547 294 | 85.9 | - | - | - | 141 804 | 16 031 | - | - | 6 163 | 41 846 | - | - | - | - | - | 337 577 | 3 874 | - |
| Total: uThukela Municipalities | | | 1 918 214 | 2 038 053 | 1 878 329 | 92.2 | 363 144 | 21 581 | 446 293 | 141 804 | 16 031 | 28 810 | 440 | 1 029 | 26 663 | 44 793 | - | 8 273 | 10 702 | 828 | 691 055 | 76 474 | 407 |
| B | KZN241 | eNdameni | 253 838 | 262 135 | 248 812 | 94.9 | 60 514 | 5 826 | 107 830 | - | - | 19 622 | (2) | 1 360 | 4 461 | - | - | 1 706 | 4 012 | - | 36 562 | 6 904 | 16 |
| B | KZN242 | Nquthu | 172 806 | 172 806 | 165 633 | 95.8 | 21 127 | 973 | 11 074 | - | - | 1 612 | - | 320 | 11 104 | 784 | - | 472 | 676 | - | 116 625 | 866 | - |
| B | KZN244 | uMsinga | 173 539 | 180 539 | 12 411 | 6.9 | 12 411 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN245 | uMvoti | 258 603 | 257 864 | 256 597 | 99.5 | 35 709 | 3 554 | 64 939 | - | - | 8 197 | - | 3 825 | 3 347 | 616 | - | 110 | 1 706 | 145 | 132 213 | 2 181 | 55 |
| C | DC24 | uMzinyathi DM | 338 601 | 338 872 | 337 400 | 99.6 | - | - | - | 31 868 | 10 023 | - | - | 468 | 11 876 | 11 637 | - | - | - | - | 271 304 | 223 | - |
| Total: uMzinyathi Municipalities | | | 1 197 387 | 1 212 216 | 1 020 853 | 84.2 | 129 762 | 10 353 | 183 843 | 31 868 | 10 023 | 29 430 | (2) | 5 974 | 30 787 | 13 037 | - | 2 288 | 6 394 | 145 | 556 704 | 10 174 | 71 |
| B | KZN252 | Newcastle | 1 709 674 | 1 676 393 | 1 813 696 | 108.2 | 263 545 | - | 677 823 | 156 456 | 101 342 | 82 454 | - | 7 263 | 4 503 | 10 330 | - | 3 606 | 12 | - | 493 550 | 12 812 | - |
| B | KZN253 | eMadlangeni | 75 035 | 70 608 | 75 048 | 106.3 | 13 561 | 2 056 | 12 349 | - | - | 1 424 | (9) | 920 | 1 428 | - | - | 356 | 823 | - | 41 640 | 499 | - |
| B | KZN254 | Dannhauser | 126 863 | 110 734 | 102 088 | 92.2 | 19 326 | - | - | - | - | 154 | (70) | 151 | 3 978 | - | - | 382 | 604 | 48 | 76 863 | 652 | 0 |
| C | DC25 | Amajuba DM | 161 781 | 167 281 | 222 606 | 133.1 | - | - | - | 22 345 | 3 733 | - | - | 249 | 3 546 | 3 242 | - | 70 | - | - | 177 820 | 8 971 | 2 630 |
| Total: Amajuba Municipalities | | | 2 073 354 | 2 025 016 | 2 213 438 | 109.3 | 296 431 | 2 056 | 690 172 | 178 801 | 105 075 | 84 031 | (79) | 8 583 | 13 455 | 13 572 | - | 4 344 | 1 509 | 48 | 789 873 | 22 935 | 2 630 |
| B | KZN261 | eDumbe | 128 798 | 104 064 | 92 596 | 89.0 | 6 658 | - | 10 345 | - | - | 7 290 | 1 152 | (13) | 76 | - | - | 352 | 681 | - | 55 850 | 2 073 | 8 132 |
| B | KZN262 | uPhongolo | 188 899 | 192 031 | 198 504 | 103.4 | 31 402 | 0 | 34 894 | - | - | 9 376 | - | 744 | 1 293 | 7 385 | - | 223 | 1 361 | 795 | 109 778 | 1 252 | - |
| B | KZN263 | AbaQulusi | 456 794 | 423 283 | 330 385 | 78.1 | 48 087 | 1 510 | 120 440 | 10 619 | 16 515 | 13 757 | - | 580 | 443 | 10 | 467 | 873 | 2 995 | - | 112 396 | 1 585 | 109 |
| B | KZN265 | Nongoma | 153 549 | 154 257 | 153 303 | 99.4 | 19 507 | 2 444 | - | - | 1 437 | 22 | 128 | 1 584 | - | - | 209 | 790 | 0 | 126 308 | 873 | - | |
| B | KZN266 | Ulundi | 228 734 | 338 076 | 318 176 | 94.1 | 87 275 | 9 820 | 47 811 | - | - | 6 380 | - | 1 021 | 636 | - | - | 2 331 | 2 832 | - | 157 629 | 2 441 | - |
| C | DC26 | Zululand DM | 464 045 | 486 625 | 383 566 | 78.8 | - | - | - | 13 896 | 6 440 | - | - | 102 | 6 019 | 82 | - | - | - | - | 355 719 | 1 309 | - |
| Total: Zululand Municipalities | | | 1 620 819 | 1 698 336 | 1 476 530 | 86.9 | 192 930 | 13 774 | 213 490 | 24 514 | 22 955 | 38 240 | 1 174 | 2 561 | 10 051 | 7 476 | 467 | 3 988 | 8 660 | 795 | 917 680 | 9 533 | 8 241 |
| B | KZN271 | uMhlabuyalingana | 164 183 | 161 288 | 170 650 | 105.8 | 19 118 | - | - | - | 183 | - | 254 | 3 918 | 895 | - | 1 712 | 3 702 | - | - | 138 911 | 1 756 | 201 |
| B | KZN272 | Jozini | 181 189 | 186 822 | 193 611 | 103.6 | 26 594 | - | - | - | 3 360 | - | 790 | 6 876 | 12 721 | - | 246 | 1 018 | - | - | 141 404 | 566 | 37 |
| B | KZN275 | Mtubatuba | 180 452 | 185 595 | 184 886 | 99.6 | 30 857 | - | - | - | 4 012 | 1 941 | 225 | 1 539 | 7 520 | - | 1 330 | 2 507 | - | - | 134 783 | 171 | - |
| B | KZN276 | Big Five Hlabisa | 144 982 | 141 265 | 114 950 | 81.4 | 7 824 | 735 | - | - | 969 | 466 | 362 | 378 | 190 | - | - | 1 228 | - | - | 102 703 | 95 | - |
| C | DC27 | uMkhanyakude DM | 380 789 | 379 104 | 329 954 | 87.0 | - | - | 3 391 | 10 112 | 504 | - | - | 49 | 2 903 | - | - | - | - | - | 300 065 | 12 930 | - |
| Total: uMkhanyakude Municipalities | | | 1 051 595 | 1 054 075 | 994 051 | 94.3 | 84 393 | 735 | 3 391 | 10 112 | 504 | 8 523 | 2 407 | 1 681 | 15 613 | 21 326 | - | 3 287 | 8 455 | - | 817 865 | 15 519 | 239 |
| B | KZN281 | uMfolozi | 142 951 | 146 921 | 125 445 | 85.4 | 6 719 | 568 | - | - | - | 165 | 182 | 263 | 586 | - | 97 | 357 | - | - | 110 625 | 5 883 | - |
| B | KZN282 | uMhlathuze | 2 635 837 | 2 822 497 | 2 878 019 | 102.0 | 397 607 | - | 1 621 648 | 347 525 | 86 716 | 73 580 | - | 13 670 | 43 432 | 45 | - | 1 766 | 3 816 | 6 556 | 243 214 | 36 055 | 2 389 |
| B | KZN284 | uMlalazi | 314 143 | 329 074 | 314 368 | 95.5 | 46 588 | 3 711 | 60 163 | - | - | 11 756 | | | | | | | | | | | |

Appendix 2: Operating Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent | Detail | | | | | | | | | | | | |
|---|-----------------|----------------------|-------------------|-------------------|------------------------|-----------------------|------------------|-----------------------------------|-----------------|------------------|------------------|---------------------|----------------------|-------------------|-------------------------|------------------|---------------|
| | | | | | Employee related costs | Remun. of councillors | Debt impairment | Depreciation and asset impairment | Finance charges | Bulk purchases | Other Materials | Contracted services | Transfers and grants | Other expenditure | Loss on disposal of PPE | | |
| A | KZN2000 | eThekwini | 30 646 274 | 30 764 278 | 29 173 167 | 94.8 | 8 231 382 | 108 461 | 680 880 | 2 010 328 | 1 199 898 | 9 957 232 | 133 757 | 4 070 348 | 196 741 | 2 584 637 | (497) |
| B | KZN212 | uMdoni | 285 776 | 230 414 | 190 754 | 82.8 | 79 055 | 5 940 | - | - | 392 | - | - | 23 997 | 4 250 | 77 120 | - |
| B | KZN213 | uMzumbane | 152 247 | 155 321 | 123 448 | 79.5 | 39 026 | 13 932 | - | - | - | - | - | 2 107 | - | 68 338 | 44 |
| B | KZN214 | uMuziwabantu | 137 814 | 143 673 | 141 832 | 98.7 | 49 767 | 7 457 | - | 182 | - | 24 761 | 848 | 3 725 | 3 110 | 51 981 | - |
| B | KZN216 | Ray Nkonyeni | 836 394 | 836 394 | 653 175 | 78.1 | 302 575 | 21 757 | - | - | 1 875 | 75 567 | 39 003 | 19 073 | 13 437 | 179 281 | 608 |
| C | DC21 | Ugu DM | 912 263 | 928 221 | 1 070 224 | 115.3 | 332 270 | 9 349 | - | 214 910 | 22 914 | 69 672 | 5 671 | 37 337 | 23 763 | 354 337 | - |
| Total: Ugu Municipalities | | | 2 324 495 | 2 294 023 | 2 179 433 | 95.0 | 802 694 | 58 435 | - | 215 092 | 25 180 | 170 000 | 45 523 | 86 240 | 44 559 | 731 057 | 652 |
| B | KZN221 | uMshwathi | 136 147 | 136 869 | 121 355 | 88.7 | 57 889 | 8 602 | - | 10 579 | - | - | - | 22 695 | - | 21 590 | - |
| B | KZN222 | uMngeni | 367 656 | 382 057 | 352 339 | 92.2 | 85 577 | 7 371 | 32 667 | 28 974 | 2 566 | 91 673 | - | 13 589 | 2 415 | 87 508 | - |
| B | KZN223 | Mpofana | 133 926 | 152 178 | 125 228 | 82.3 | 31 970 | 2 463 | - | - | - | 61 371 | - | 9 290 | - | 20 134 | - |
| B | KZN224 | iMpendle | 59 274 | 63 028 | 58 111 | 92.2 | 17 380 | 1 813 | - | - | 169 | - | 20 | 1 278 | 3 381 | 34 071 | - |
| B | KZN225 | Msunduzi | 4 453 570 | 4 453 570 | 4 139 090 | 92.9 | 1 029 597 | 44 094 | 1 646 | 421 149 | 66 528 | 1 753 164 | 45 712 | 531 609 | 9 069 | 217 329 | 19 193 |
| B | KZN226 | Mkhambathini | 81 504 | 84 292 | 67 908 | 80.6 | 13 046 | 3 998 | (2 169) | 2 400 | (139) | - | - | - | 8 324 | 42 447 | - |
| B | KZN227 | Richmond | 98 165 | 103 560 | 89 010 | 86.0 | 36 874 | 4 307 | 1 050 | 7 582 | 122 | - | - | 8 073 | - | 31 001 | - |
| C | DC22 | uMgungundlovu DM | 612 246 | 677 753 | 645 642 | 95.3 | 193 546 | 10 312 | 32 699 | 29 884 | 21 279 | 110 635 | 1 328 | 151 630 | 4 271 | 90 058 | - |
| Total: uMgungundlovu Municipalities | | | 5 942 489 | 6 053 306 | 5 598 683 | 92.5 | 1 465 878 | 82 960 | 65 892 | 500 568 | 90 526 | 2 016 842 | 47 060 | 738 163 | 27 460 | 544 139 | 19 193 |
| B | KZN235 | Okhahlamba | 174 607 | 188 914 | 145 181 | 76.9 | 53 132 | 9 145 | 296 | 8 750 | 5 | - | 994 | 2 897 | 2 008 | 67 952 | - |
| B | KZN237 | iNkosi Langalibalele | 500 526 | 504 282 | 272 608 | 54.1 | 23 365 | 1 730 | - | - | 4 404 | 81 818 | 9 313 | 23 297 | 205 | 128 478 | - |
| B | KZN238 | Alfred Duma | 735 160 | 766 754 | 611 639 | 79.8 | 214 640 | 20 478 | 34 018 | 51 432 | 865 | 152 499 | - | 6 328 | 1 444 | 129 935 | - |
| C | DC23 | uThukela DM | 548 356 | 591 557 | 648 838 | 109.7 | 224 644 | 5 867 | 103 650 | 33 474 | - | 4 581 | 32 751 | 54 469 | 60 961 | 128 440 | - |
| Total: uThukela Municipalities | | | 1 958 650 | 2 051 507 | 1 678 266 | 81.8 | 515 782 | 37 220 | 137 964 | 93 656 | 5 274 | 238 898 | 43 058 | 86 991 | 64 617 | 454 805 | - |
| B | KZN241 | eNdumeni | 255 735 | 263 584 | 245 773 | 93.2 | 92 761 | 3 999 | - | - | 585 | 71 042 | 340 | 12 295 | 3 566 | 61 120 | 65 |
| B | KZN242 | Nquthu | 158 462 | 158 462 | 102 262 | 64.5 | 35 895 | 6 574 | - | - | 4 | 17 196 | - | 6 407 | 4 949 | 31 237 | - |
| B | KZN244 | uMsinga | 183 619 | 217 127 | 67 523 | 31.1 | 25 253 | 6 807 | - | - | - | - | - | - | 10 565 | 24 899 | - |
| B | KZN245 | uMvoti | 230 801 | 239 646 | 255 985 | 106.8 | 101 176 | 9 061 | - | 24 003 | - | 44 650 | - | 15 312 | 12 953 | 48 830 | - |
| C | DC24 | uMzinyathi DM | 394 348 | 402 519 | 435 845 | 108.3 | 110 747 | 3 243 | 22 908 | 53 279 | 655 | 13 082 | - | 148 567 | - | 83 364 | - |
| Total: uMzinyathi Municipalities | | | 1 222 965 | 1 281 338 | 1 107 388 | 86.4 | 365 831 | 29 684 | 22 908 | 77 282 | 1 243 | 145 970 | 340 | 182 581 | 32 033 | 249 451 | 65 |
| B | KZN252 | Newcastle | 1 955 731 | 1 958 821 | 2 111 001 | 107.8 | 484 725 | 18 875 | 98 836 | 451 419 | 50 648 | 560 009 | 3 035 | 50 341 | 103 507 | 289 606 | - |
| B | KZN253 | eMadlangeni | 73 335 | 76 077 | 67 594 | 88.8 | 24 687 | 3 017 | 13 | 460 | 86 | 11 452 | - | 3 140 | - | 24 738 | - |
| B | KZN254 | Dannhauser | 99 245 | 111 975 | 73 641 | 65.8 | 12 309 | 2 707 | - | - | - | 676 | 1 376 | 29 834 | - | 26 739 | - |
| C | DC25 | Amajuba DM | 172 169 | 182 214 | 168 484 | 92.5 | 80 100 | 4 750 | - | 21 752 | 1 559 | 15 256 | 825 | 18 559 | - | 25 681 | - |
| Total: Amajuba Municipalities | | | 2 300 480 | 2 329 087 | 2 420 719 | 103.9 | 601 821 | 29 350 | 98 849 | 473 632 | 52 293 | 587 393 | 5 237 | 101 874 | 103 507 | 366 764 | - |
| B | KZN261 | eDumbe | 127 198 | 106 293 | 101 813 | 95.8 | 44 444 | 5 234 | - | - | 492 | 20 347 | 69 | 5 562 | 8 132 | 17 532 | - |
| B | KZN262 | uPhongolo | 196 749 | 209 066 | 196 768 | 94.1 | 69 313 | 8 264 | 10 807 | 7 973 | 714 | 22 389 | 4 392 | 26 469 | - | 46 447 | - |
| B | KZN263 | AbaQulusi | 645 615 | 568 128 | 328 310 | 57.8 | 62 258 | 7 591 | 1 865 | 31 935 | 0 | 101 083 | 13 977 | 41 937 | 10 919 | 56 612 | 132 |
| B | KZN265 | Nongoma | 147 899 | 150 942 | 163 404 | 108.3 | 73 236 | 12 125 | 587 | 3 384 | 4 | - | - | 20 257 | 2 350 | 51 446 | 16 |
| B | KZN266 | Ulundi | 325 330 | 331 541 | 344 028 | 103.8 | 104 788 | 11 228 | - | 6 470 | - | 66 659 | 1 241 | 24 330 | - | 129 312 | - |
| C | DC26 | Zululand DM | 462 345 | 480 104 | 506 025 | 105.4 | 165 401 | 6 825 | - | 56 231 | - | 80 431 | - | 34 349 | - | 162 788 | - |
| Total: Zululand Municipalities | | | 1 905 136 | 1 846 074 | 1 640 349 | 88.9 | 519 440 | 51 266 | 13 259 | 105 993 | 1 211 | 290 910 | 19 678 | 152 905 | 21 401 | 464 137 | 149 |
| B | KZN271 | uMhlabuyalingana | 211 551 | 210 999 | 171 219 | 81.1 | 46 736 | 8 789 | - | - | 0 | - | 5 714 | 22 946 | 4 | 87 029 | - |
| B | KZN272 | Jozini | 194 209 | 192 147 | 159 970 | 83.3 | 48 545 | 8 292 | - | - | - | - | - | 1 348 | 661 | 97 189 | 3 935 |
| B | KZN275 | Mtubatuba | 158 395 | 175 548 | 169 637 | 96.6 | 50 349 | 12 645 | 1 644 | 12 632 | 476 | - | 12 039 | 21 410 | 96 | 58 344 | - |
| B | KZN276 | Big Five Hlabisa | 142 353 | 6 349 | 113 425 | 1 786.5 | 60 269 | 6 624 | 596 | 1 516 | 112 | - | 5 242 | 8 571 | 1 655 | 28 840 | - |
| C | DC27 | uMkhanyakude DM | 374 808 | 379 104 | 369 984 | 97.6 | 134 341 | 6 229 | - | - | 696 | 69 128 | 101 139 | 20 680 | 2 952 | 34 818 | - |
| Total: uMkhanyakude Municipalities | | | 1 081 315 | 964 147 | 984 235 | 102.1 | 340 241 | 42 579 | 2 241 | 14 148 | 1 284 | 69 128 | 124 134 | 74 956 | 5 368 | 306 221 | 3 935 |
| B | KZN281 | uMfolozi | 112 951 | 117 351 | 119 030 | 101.4 | 39 281 | 7 042 | - | 1 135 | - | - | - | 3 951 | 491 | 67 131 | - |
| B | KZN282 | uMhlathuze | 2 629 337 | 2 842 746 | 2 981 117 | 104.9 | 641 122 | 25 549 | 59 748 | 307 373 | 34 694 | 1 273 513 | 166 076 | 168 876 | 9 316 | 294 851 | - |
| B | KZN284 | uMlalazi | 354 776 | 375 622 | 356 254 | 94.8 | 94 240 | 17 632 | 41 785 | 41 079 | 410 | 44 803 | - | 33 166 | 4 143 | 78 997 | - |
| B | KZN285 | Mthonjaneni | 138 900 | 150 787 | 114 754 | 76.1 | 33 324 | 5 107 | - | 2 468 | - | 19 778 | 2 223 | 8 830 | 8 675 | 34 350 | - |
| B | KZN286 | Nkandla | 117 422 | 122 699 | 128 080 | 104.4 | 36 978 | 8 115 | - | - | - | 11 592 | - | 9 839 | - | 61 556 | - |
| C | DC28 | King Cetshwayo DM | 669 484 | 750 955 | 681 608 | 90.8 | 161 701 | 9 986 | 12 522 | 76 061 | 22 114 | 50 319 | 407 | 113 427 | 5 000 | 230 071 | - |
| Total: King Cetshwayo Municipalities | | | 4 022 869 | 4 360 159 | 4 380 842 | 100.5 | 1 006 646 | 73 430 | 114 054 | 428 116 | 57 218 | 1 400 005 | 168 706 | 338 089 | 27 623 | 766 955 | - |
| B | KZN291 | Mandeni | 203 740 | 207 240 | 219 364 | 105.9 | 69 681 | 10 990 | 1 869 | 18 504 | - | 10 379 | 8 566 | 18 326 | 23 919 | 57 130 | - |
| B | KZN292 | KwaDukuza | 1 338 193 | 1 361 454 | 1 306 283 | 95.9 | 316 091 | 18 910 | 10 481 | 69 789 | 24 515 | 552 551 | 61 712 | 29 020 | 40 715 | 182 499 | - |
| B | KZN293 | Ndwedwe | 127 457 | 132 152 | 110 697 | 83.8 | 29 867 | 10 389 | 695 | 7 906 | - | - | - | 7 790 | - | 54 050 | - |
| B | KZN294 | Maphumulo | 98 729 | 98 411 | 92 814 | 94.3 | 26 853 | 6 578 | 2 | 11 428 | 777 | - | - | 5 703 | 13 594 | 27 878 | - |
| C | DC29 | iLembe DM | 579 600 | 584 381 | 546 978 | 93.6 | 171 154 | 7 983 | 41 466 | 68 808 | 9 656 | 75 464 | 47 994 | 34 640 | 4 863 | 84 950 | - |
| Total: iLembe Municipalities | | | 2 347 720 | 2 383 638 | 2 276 135 | 95.5 | 613 646 | 54 850 | 54 513 | 176 434 | 34 948 | 638 394 | 118 272 | 95 480 | 83 091 | 406 507 | - |
| B | KZN433 | Greater Kokstad | 374 138 | 368 561 | 298 565 | 81.0 | 95 489 | 6 089 | 9 140 | 35 790 | 1 004</ | | | | | | |

Appendix 3: Capital Revenue (Source of finance) - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Generated/Received | Detail | | | | | | |
|---|-------------------|-------------------|-------------------|----------------------|--------------------------------|------------------|-----------------------|----------------------------|--------------------------|----------------------------|-----------------------------|
| | | | | | Transfers recognised - capital | | | | Other sources of finance | | |
| | | | | | National Govt. | Provincial Govt. | District Municipality | Other transfers and grants | Borrowing | Internally generated funds | Public contr. and donations |
| A KZN2000 eThekweni | 6 725 067 | 6 693 732 | 6 066 717 | 90.6 | 2 567 654 | 735 432 | - | 10 943 | - | 2 752 688 | - |
| B KZN212 uMdoni | 110 194 | 109 643 | 70 321 | 64.1 | 45 445 | 312 | - | - | - | 24 565 | - |
| B KZN213 uMzambe | 56 166 | 60 071 | 43 454 | 72.3 | 43 454 | - | - | - | - | - | - |
| B KZN214 uMuzwabantu | 46 257 | 35 348 | 33 940 | 96.0 | 34 184 | - | - | - | - | (242) | (1) |
| B KZN216 Ray Nkonyeni | 146 428 | 146 428 | 64 529 | 44.1 | 40 227 | 10 573 | - | - | - | 13 395 | 335 |
| C DC21 Ugu DM | 369 147 | 349 233 | 329 449 | 94.3 | 291 310 | 1 874 | - | - | - | 36 265 | - |
| Total: Ugu Municipalities | 728 192 | 700 723 | 541 694 | 77.3 | 454 619 | 12 758 | - | - | - | 73 983 | 334 |
| B KZN221 uMshwathi | 28 629 | 40 729 | 35 199 | 86.4 | 30 161 | - | - | - | - | 5 038 | - |
| B KZN222 uMngeni | 29 148 | 40 079 | 34 894 | 87.1 | 16 322 | 11 870 | - | - | - | 6 702 | - |
| B KZN223 Mpofana | 18 680 | 25 880 | 16 543 | 63.9 | 14 529 | 2 013 | - | - | - | - | - |
| B KZN224 iMpindle | 11 412 | 11 459 | 14 885 | 129.9 | 14 885 | - | - | - | - | - | - |
| B KZN225 Msunduzi | 726 241 | 726 241 | 648 258 | 89.3 | 377 227 | 24 611 | - | - | 40 245 | 206 174 | - |
| B KZN226 Mkhambathini | 19 426 | 18 697 | 15 659 | 83.8 | 12 486 | - | - | - | - | 3 173 | - |
| B KZN227 Richmond | 36 320 | 39 643 | 37 736 | 95.2 | 29 052 | - | - | - | - | 8 568 | 117 |
| C DC22 uMgungundlovu DM | 201 268 | 242 587 | 254 558 | 104.9 | 195 207 | - | - | - | 58 810 | 22 | 518 |
| Total: uMgungundlovu Municipalities | 1 071 124 | 1 145 315 | 1 057 732 | 92.4 | 689 869 | 38 494 | - | - | 99 055 | 229 677 | 636 |
| B KZN235 Okhahlamba | 38 089 | 83 798 | 65 331 | 78.0 | 32 402 | 3 426 | - | - | - | 29 502 | - |
| B KZN237 iNkosi Langalibalele | 62 414 | 57 747 | 49 008 | 84.9 | 21 229 | 19 301 | - | - | - | 8 479 | - |
| B KZN238 Alfred Duma | 210 248 | 248 817 | 127 754 | 51.3 | 67 830 | - | - | - | - | 59 924 | - |
| C DC23 uThukela DM | 265 244 | 329 244 | 243 463 | 73.9 | 240 223 | - | - | - | - | 3 240 | - |
| Total: uThukela Municipalities | 575 995 | 719 606 | 485 556 | 67.5 | 361 684 | 22 727 | - | - | - | 101 145 | - |
| B KZN241 eNdumeni | 24 441 | 37 163 | 31 289 | 84.2 | 23 009 | - | - | - | - | 8 281 | - |
| B KZN242 Nquthu | 88 785 | 88 785 | 73 679 | 83.0 | 43 720 | 4 720 | - | - | - | 25 239 | - |
| B KZN244 uMsinga | 43 800 | 37 800 | 21 578 | 57.1 | 21 578 | - | - | - | - | - | - |
| B KZN245 uMvoti | 45 077 | 43 887 | 31 937 | 72.8 | 16 949 | 539 | - | - | - | 14 449 | - |
| C DC24 uMzinyathi DM | 375 493 | 386 675 | 337 683 | 87.3 | 337 181 | - | - | - | - | 502 | - |
| Total: uMzinyathi Municipalities | 577 596 | 594 311 | 496 166 | 83.5 | 442 437 | 5 259 | - | - | - | 48 470 | - |
| B KZN252 Newcastle | 275 667 | 263 990 | 208 244 | 78.9 | 159 281 | 18 260 | - | - | - | 30 703 | - |
| B KZN253 eMadlangeni | 25 222 | 27 396 | 19 675 | 71.8 | 19 675 | - | - | - | - | - | - |
| B KZN254 Dannhauser | 51 353 | 50 683 | 32 024 | 63.2 | 21 574 | - | - | - | - | 10 451 | - |
| C DC25 Amajuba DM | 91 041 | 91 041 | 66 911 | 73.5 | 66 349 | - | - | - | - | 562 | - |
| Total: Amajuba Municipalities | 443 282 | 433 111 | 326 854 | 75.5 | 266 878 | 18 260 | - | - | - | 41 716 | - |
| B KZN261 eDumbe | 35 960 | 34 680 | 27 601 | 79.6 | 27 601 | - | - | - | - | - | - |
| B KZN262 uPhongolo | 82 408 | 85 996 | 62 281 | 72.4 | 54 362 | 5 723 | - | - | 1 181 | 1 015 | - |
| B KZN263 Abaqulusi | 70 617 | 70 617 | 869 | 1.2 | - | - | - | - | - | 869 | - |
| B KZN265 Nongoma | 54 167 | 50 116 | 46 775 | 93.3 | 39 477 | - | - | - | - | 7 298 | - |
| B KZN266 Ulundi | 61 105 | 61 105 | 83 056 | 135.9 | 83 056 | - | - | - | - | - | - |
| C DC26 Zululand DM | 439 325 | 473 390 | 426 167 | 90.0 | 423 802 | - | - | - | - | 2 365 | - |
| Total: Zululand Municipalities | 743 582 | 775 904 | 646 749 | 83.4 | 628 299 | 5 723 | - | - | 1 181 | 11 546 | - |
| B KZN271 uMhlabayalingana | 74 380 | 82 088 | 72 946 | 88.9 | 66 770 | 518 | - | - | - | 5 281 | 377 |
| B KZN272 Jozini | 78 988 | 78 988 | 33 683 | 42.6 | 30 023 | - | - | - | - | 3 659 | - |
| B KZN275 Mtubatuba | 58 590 | 55 523 | 49 461 | 89.1 | 37 358 | - | - | - | - | 12 102 | - |
| B KZN276 Big Five Hlabisa | 27 050 | 27 050 | 23 010 | 85.1 | 22 403 | - | - | - | - | 607 | - |
| C DC27 uMkhanyakude DM | 267 517 | 284 442 | 182 143 | 64.0 | 182 143 | - | - | - | - | - | - |
| Total: uMkhanyakude Municipalities | 506 526 | 528 091 | 361 242 | 68.4 | 338 698 | 518 | - | - | - | 21 649 | 377 |
| B KZN281 uMfolozi | 62 049 | 52 049 | 32 588 | 62.6 | 22 486 | - | - | - | 5 360 | 1 463 | 3 279 |
| B KZN282 uMhlathuze | 479 397 | 548 524 | 436 365 | 79.6 | 142 106 | 6 749 | - | - | 153 942 | 132 460 | 1 108 |
| B KZN284 uMlalazi | 77 287 | 82 008 | 73 633 | 89.8 | 70 923 | 2 710 | - | - | - | - | - |
| B KZN285 Mthonjaneni | 34 242 | 52 655 | 47 803 | 90.8 | 46 163 | - | - | - | - | 1 397 | 243 |
| B KZN286 Nkandla | 43 302 | 42 602 | 38 746 | 90.9 | 37 981 | - | 734 | - | - | 32 | - |
| C DC28 King Cetshwayo DM | 466 192 | 464 457 | 328 930 | 70.8 | 304 711 | - | - | - | 29 | 24 190 | - |
| Total: King Cetshwayo Municipalities | 1 162 470 | 1 242 295 | 958 066 | 77.1 | 624 371 | 9 459 | 734 | - | 159 331 | 159 542 | 4 631 |
| B KZN291 Mandeni | 50 732 | 37 682 | 72 752 | 193.1 | 51 421 | 2 687 | - | - | - | 18 644 | - |
| B KZN292 KwaDukuza | 303 158 | 293 135 | 260 115 | 88.7 | 78 929 | 57 | - | - | 4 260 | 173 311 | 3 558 |
| B KZN293 Ndwedwe | - | 81 926 | 49 899 | 60.9 | 30 368 | 6 376 | - | - | - | 13 155 | - |
| B KZN294 Maphumulo | - | 24 697 | 29 360 | 118.9 | 23 757 | - | - | - | - | 5 603 | - |
| C DC29 iLembe DM | 347 899 | 326 324 | 379 051 | 116.2 | 249 561 | - | - | 6 180 | - | 5 929 | 117 381 |
| Total: iLembe Municipalities | 701 789 | 763 764 | 791 177 | 103.6 | 434 036 | 9 121 | - | 6 180 | 4 260 | 216 643 | 120 939 |
| B KZN433 Greater Kokstad | 45 225 | 65 712 | 37 633 | 57.3 | 19 430 | 390 | - | - | - | 17 813 | - |
| B KZN434 uBuhlebezwe | 65 912 | 70 745 | 55 689 | 78.7 | 44 440 | 2 030 | - | - | - | 9 219 | - |
| B KZN435 uMzimkhulu | 57 350 | 82 269 | 59 009 | 71.7 | 55 205 | 177 | - | - | - | 3 627 | - |
| B KZN436 Dr Nkosazana Dlamini Zuma | 62 210 | 93 233 | 79 929 | 85.7 | 38 064 | 5 908 | - | - | - | 35 957 | - |
| C DC43 Harry Gwala DM | 350 299 | 313 344 | 149 771 | 47.8 | 148 813 | - | - | - | - | 958 | - |
| Total: Harry Gwala Municipalities | 580 997 | 625 303 | 382 031 | 61.1 | 305 952 | 8 505 | - | - | - | 67 574 | - |
| Total | 13 816 619 | 14 222 153 | 12 113 984 | 85.2 | 7 114 497 | 866 256 | 734 | 17 123 | 263 827 | 3 724 632 | 126 916 |

Source: NT Igdatabase

Appendix 4: Capital Expenditure - 2016/17

| R'000 | Original Budget | Adjusted Budget | Unaudited Actual | % Spent | Detail | | | | | | | | | | | | | | Other | | | | |
|---|-----------------|----------------------|------------------|------------------|-----------------------|--------------------------|--------------------|-----------------------------|----------------------|----------------|---------------|-------------------------------------|-------------------|----------------|---------------------|------------------|--------------|------------------|----------------|----------------|---------------|---------------|---|
| | | | | | Governance and Admin. | | | Community and Public Safety | | | | Economic and Environmental Services | | | Trading Services | | | | | | | | |
| | | | | | Executive & Council | Budget & Treasury Office | Corporate Services | Community & Social Services | Sport And Recreation | Public Safety | Housing | Health | Planning and Dev. | Road Transport | Environ. Protection | Electricity | Water | Waste Water Mgt. | | Waste Mgt. | | | |
| A | KZN2000 | eThekweni | 6 725 067 | 6 693 732 | 6 066 717 | 90.6 | 21 820 | 118 994 | 161 368 | 135 637 | 24 642 | 36 397 | 1 306 626 | 7 927 | 234 978 | 1 674 334 | - | 720 662 | 655 827 | 832 912 | 45 751 | 88 842 | |
| B | KZN212 | uMdoni | 110 194 | 109 643 | 70 321 | 64.1 | - | 475 | 14 575 | 2 484 | - | - | - | - | 57 | 52 647 | - | - | - | - | - | 83 | - |
| B | KZN213 | uMzombe | 56 166 | 60 071 | 43 454 | 72.3 | - | - | 4 691 | 38 763 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN214 | uMuzwabantu | 46 257 | 35 348 | 33 940 | 96.0 | 106 | - | 1 675 | 650 | - | - | - | - | 2 585 | 10 258 | - | 272 | - | - | 18 501 | (0) | |
| B | KZN216 | Ray Nkonyeni | 146 428 | 146 428 | 64 529 | 44.1 | 64 015 | - | 314 | 1 | 1 | 109 | - | - | - | 50 | - | - | - | 39 | - | - | |
| C | DC21 | Ugu DM | 369 147 | 349 233 | 329 449 | 94.3 | 1 065 | 6 171 | 27 289 | - | - | 2 751 | - | - | 252 | - | 276 | - | 255 033 | 36 612 | - | - | |
| Total: Ugu Municipalities | | | 728 192 | 700 723 | 541 694 | 77.3 | 65 080 | 6 646 | 48 544 | 41 898 | 1 | 2 860 | - | - | 2 894 | 62 955 | 276 | 272 | 255 033 | 36 651 | 18 584 | (0) | |
| B | KZN221 | uMshwathi | 28 629 | 40 729 | 35 199 | 86.4 | 1 540 | 1 350 | - | 6 559 | 4 302 | - | - | - | - | 16 912 | - | 4 535 | - | - | - | - | |
| B | KZN222 | uMngeni | 29 148 | 40 079 | 34 894 | 87.1 | 163 | 170 | 97 | 199 | 1 607 | - | - | - | 14 701 | 17 957 | - | - | - | - | - | - | |
| B | KZN223 | Mpofana | 18 680 | 25 880 | 16 543 | 63.9 | - | - | - | 2 013 | - | - | - | - | - | 14 529 | - | - | - | - | - | - | |
| B | KZN224 | iMpindle | 11 412 | 11 459 | 14 885 | 129.9 | 43 | 42 | 20 | 13 | 793 | - | - | - | 13 973 | - | - | - | - | - | - | - | |
| B | KZN225 | Msunduzi | 726 241 | 726 241 | 648 258 | 89.3 | 6 160 | 30 114 | 25 749 | 41 005 | 50 890 | 3 099 | 25 972 | - | 14 741 | 273 755 | 1 336 | 79 786 | 61 138 | 24 316 | 7 809 | 2 388 | |
| B | KZN226 | Mkhambathini | 19 426 | 18 697 | 15 659 | 83.8 | 594 | 45 | 265 | 179 | - | - | - | - | - | 14 576 | - | - | - | - | - | - | |
| B | KZN227 | Richmond | 36 320 | 39 643 | 37 736 | 95.2 | 935 | 3 051 | 443 | 3 404 | - | 657 | - | - | 14 | 29 231 | - | - | - | - | - | - | |
| C | DC22 | uMgungundlovu DM | 201 268 | 242 587 | 254 558 | 104.9 | - | 541 | - | - | - | - | - | - | - | - | - | - | 254 017 | - | - | - | |
| Total: uMgungundlovu Municipalities | | | 1 071 124 | 1 145 315 | 1 057 732 | 92.4 | 9 435 | 35 313 | 26 574 | 53 374 | 57 592 | 3 756 | 25 972 | - | 43 430 | 366 961 | 1 336 | 84 321 | 315 155 | 24 316 | 7 809 | 2 388 | |
| B | KZN235 | Okhahlamba | 38 089 | 83 798 | 65 331 | 78.0 | 1 830 | 1 210 | 480 | 1 975 | - | 20 | - | - | 59 816 | - | - | - | - | - | - | - | |
| B | KZN237 | iNkosi Langalibalele | 62 414 | 57 747 | 49 008 | 84.9 | 510 | 55 | 359 | 11 399 | 37 | - | - | 270 | 17 561 | 12 517 | - | 6 300 | - | - | - | - | |
| B | KZN238 | Alfred Duma | 210 248 | 248 817 | 127 754 | 51.3 | - | - | 4 782 | 15 247 | 94 | - | - | - | 3 786 | 93 302 | - | 10 544 | - | - | - | - | |
| C | DC23 | uThukela DM | 265 244 | 329 244 | 243 463 | 73.9 | 779 | 112 | 1 708 | - | - | - | - | - | 599 | - | - | - | 240 264 | - | - | - | |
| Total: uThukela Municipalities | | | 575 995 | 719 606 | 485 556 | 67.5 | 3 119 | 1 376 | 7 330 | 28 620 | 131 | 20 | - | 270 | 81 762 | 105 820 | - | 16 844 | 240 264 | - | - | - | |
| B | KZN241 | eNdumeni | 24 441 | 37 163 | 31 289 | 84.2 | 775 | 349 | 413 | 1 630 | - | 36 | - | - | 124 | 14 931 | - | 11 797 | - | 95 | 1 139 | - | |
| B | KZN242 | Nquthu | 88 785 | 88 785 | 73 679 | 83.0 | - | 27 | 426 | 13 171 | - | 2 119 | - | - | 949 | 28 844 | - | 28 032 | - | - | 111 | - | |
| B | KZN244 | uMsinga | 43 800 | 37 800 | 21 578 | 57.1 | - | - | - | - | - | - | - | - | - | 21 578 | - | - | - | - | - | - | |
| B | KZN245 | uMvoti | 45 077 | 43 887 | 31 937 | 72.8 | 2 491 | 571 | 1 187 | 430 | - | 965 | - | - | 1 881 | 21 304 | - | 2 119 | - | - | 990 | - | |
| C | DC24 | uMzinyathi DM | 375 493 | 386 675 | 337 683 | 87.3 | - | - | 502 | 16 505 | - | - | - | - | - | - | - | - | 250 001 | 70 675 | - | - | |
| Total: uMzinyathi Municipalities | | | 577 596 | 594 311 | 496 166 | 83.5 | 3 266 | 946 | 2 527 | 31 736 | - | 3 120 | - | - | 2 954 | 86 657 | - | 41 948 | 250 001 | 70 770 | 2 240 | - | |
| B | KZN252 | Newcastle | 275 667 | 263 990 | 208 244 | 78.9 | - | 737 | 32 | 4 715 | 2 202 | 48 | 2 206 | - | 44 860 | 70 455 | - | 9 367 | 73 262 | (0) | 358 | - | |
| B | KZN253 | eMahlangueni | 25 222 | 27 396 | 19 675 | 71.8 | 19 019 | - | 48 | 5 | - | - | - | - | 3 | 599 | - | - | - | - | - | - | |
| B | KZN254 | Dannhauser | 51 353 | 50 683 | 32 024 | 63.2 | 7 288 | 491 | 23 793 | 424 | - | - | - | - | 28 | - | - | - | - | - | - | - | |
| C | DC25 | Amajuba DM | 91 041 | 91 041 | 66 911 | 73.5 | - | 24 | 52 | - | - | - | - | - | - | 779 | - | - | 66 056 | - | - | - | |
| Total: Amajuba Municipalities | | | 443 282 | 433 111 | 326 854 | 75.5 | 26 307 | 1 252 | 23 925 | 5 144 | 2 202 | 48 | 2 206 | - | 44 891 | 71 834 | - | 9 367 | 139 318 | (0) | 358 | - | |
| B | KZN261 | eDumbe | 35 960 | 34 680 | 27 601 | 79.6 | - | - | - | - | - | - | - | - | - | 15 314 | - | 12 288 | - | - | - | - | |
| B | KZN262 | uPhongolo | 82 408 | 85 996 | 62 281 | 72.4 | 1 183 | 297 | 712 | 3 216 | - | - | - | - | 22 863 | 15 202 | - | 18 807 | - | - | - | - | |
| B | KZN263 | AbaQulusi | 70 617 | 70 617 | 869 | 1.2 | - | 19 | 146 | 460 | - | 17 | - | - | 4 | 50 | - | 144 | 30 | - | - | - | |
| B | KZN265 | Nongoma | 54 167 | 50 116 | 46 775 | 93.3 | 976 | 398 | 70 | 2 603 | - | 111 | - | - | 152 | 41 058 | - | - | - | - | 1 406 | - | |
| B | KZN266 | Ulundi | 61 105 | 61 105 | 83 056 | 135.9 | - | - | - | 17 544 | - | - | - | - | - | 17 212 | - | 48 300 | - | - | - | - | |
| C | DC26 | Zululand DM | 439 325 | 473 390 | 426 167 | 90.0 | - | 939 | 1 417 | - | - | - | - | - | 1 722 | - | - | - | 422 089 | - | - | - | |
| Total: Zululand Municipalities | | | 743 582 | 775 904 | 646 749 | 83.4 | 2 159 | 1 653 | 2 345 | 23 823 | - | 128 | - | - | 24 742 | 88 835 | - | 79 538 | 422 119 | - | 1 406 | - | |
| B | KZN271 | uMhlabyalingana | 74 380 | 82 088 | 72 946 | 88.9 | - | 1 559 | - | 4 597 | - | 89 | - | - | 66 701 | - | - | - | - | - | - | - | |
| B | KZN272 | Jozini | 78 988 | 78 988 | 33 683 | 42.6 | - | 998 | 2 503 | 173 | - | - | - | - | 184 | 29 825 | - | - | - | - | - | - | |
| B | KZN275 | Mtubatuba | 58 590 | 55 523 | 49 461 | 89.1 | 1 523 | - | 1 724 | 2 327 | - | 3 | - | - | - | 43 303 | - | - | - | - | 580 | - | |
| B | KZN276 | Big Five Hlabisa | 27 050 | 27 050 | 23 010 | 85.1 | 22 939 | 3 | 5 | - | - | 7 | - | - | 57 | - | - | - | - | - | - | - | |
| C | DC27 | uMkhanyakude DM | 267 517 | 284 442 | 182 143 | 64.0 | - | - | - | - | - | - | - | - | - | - | - | - | 149 225 | 32 918 | - | - | |
| Total: uMkhanyakude Municipalities | | | 506 526 | 528 091 | 361 242 | 68.4 | 24 462 | 2 559 | 4 233 | 7 097 | - | 99 | - | - | 66 941 | 73 128 | - | - | 149 225 | 32 918 | 580 | - | |
| B | KZN281 | uMfolozi | 62 049 | 52 049 | 32 588 | 62.6 | - | - | - | - | - | - | - | - | 32 588 | - | - | - | - | - | - | - | |
| B | KZN282 | uMhlatuze | 479 397 | 548 524 | 436 365 | 79.6 | 225 | 110 | 55 388 | 21 782 | 18 475 | 14 412 | 7 524 | 773 | 457 | 110 777 | - | 51 968 | 102 361 | 44 463 | 4 634 | 3 016 | |
| B | KZN284 | uMlalazi | 77 287 | 82 008 | 73 633 | 89.8 | 304 | 1 574 | 6 324 | 4 906 | 5 349 | 4 089 | - | 179 | 308 | 48 855 | - | 1 552 | - | - | 194 | - | |
| B | KZN285 | Mthonjaneni | 34 242 | 52 655 | 47 803 | 90.8 | 6 366 | 65 | - | 7 165 | - | - | - | - | 1 262 | 38 379 | - | (6 272) | - | - | 840 | - | |
| B | KZN286 | Nkandla | 43 302 | 42 602 | 38 746 | 90.9 | - | 32 | - | - | - | - | - | - | 38 714 | - | - | - | - | - | - | - | |
| C | DC28 | King Cetshwayo DM | 466 192 | 464 457 | 328 930 | 70.8 | 1 405 | 1 237 | 1 829 | 4 196 | - | - | - | 298 | 98 | - | - | - | 317 369 | 2 329 | 170 | - | |
| Total: King Cetshwayo Municipalities | | | 1 162 470 | 1 242 295 | 958 066 | 77.1 | 8 299 | 3 017 | 63 541 | 38 048 | 23 824 | 18 501 | 7 524 | 1 250 | 73 428 | 198 011 | - | 47 248 | 419 730 | 46 792 | 5 838 | 3 016 | |
| B | KZN291 | Mandeni | 50 732 | 37 682 | 72 752 | 193.1 | - | 1 821 | 1 052 | 822 | 232 | 5 | - | - | 25 997 | 24 651 | - | 18 171 | - | - | - | - | |
| B | KZN292 | KwaDukuza | 303 158 | 293 135 | 260 115 | 88.7 | 10 489 | 1 864 | 1 063 | 24 636 | 4 595 | 937 | 569 | - | 261 | | | | | | | | |

Appendix 5 - Debtors Age Analysis (Total) - 2016/17

| R'000 | 0 - 30 Days | | 30 - 60 Days | | 60 - 90 Days | | Over 90 Days | | Total | Actual Bad Debts Written Off to Debtors | | Impairment - Bad Debts to Council Policy | |
|---|----------------------------|------------------|----------------|----------------|----------------|----------------|-------------------|------------------|-------------------|---|------------------|--|-------------|
| | Total | % | Total | % | Total | % | Total | % | | Amount | % | Amount | % |
| | A KZN2000 eThekweni | 1 512 892 | 18.8 | 623 684 | 7.8 | 274 889 | 3.4 | 5 628 278 | | 70.0 | 8 039 743 | 176 054 | 2.2 |
| B KZN212 uMdoni | (3 422) | -7.4 | 2 103 | 4.5 | 1 238 | 2.7 | 46 595 | 100.2 | 46 514 | - | - | - | - |
| B KZN213 uMzombe | (15) | -0.1 | (2) | -0.0 | (751) | -6.3 | 12 684 | 106.4 | 11 916 | - | - | - | - |
| B KZN214 uMuziwabantu | 2 658 | 17.6 | 1 666 | 11.0 | 761 | 5.0 | 10 042 | 66.4 | 15 127 | 8 586 | 56.8 | - | - |
| B KZN216 Ray Nkonyeni | 13 236 | 7.1 | 3 528 | 1.9 | 9 277 | 5.0 | 159 208 | 85.9 | 185 248 | - | - | - | - |
| C DC21 Ugu DM | 36 698 | 11.1 | 16 101 | 4.9 | 17 248 | 5.2 | 259 946 | 78.8 | 329 993 | - | - | - | - |
| Total: Ugu Municipalities | 49 154 | 8.3 | 23 395 | 4.0 | 27 773 | 4.7 | 488 475 | 83.0 | 588 798 | 8 586 | 1.5 | - | - |
| B KZN221 uMshwathi | 4 809 | 4.4 | 350 | 0.3 | 1 538 | 1.4 | 102 773 | 93.9 | 109 470 | - | - | - | - |
| B KZN222 uMngeni | 17 381 | 15.7 | 4 085 | 3.7 | 3 150 | 2.9 | 85 906 | 77.7 | 110 522 | - | - | - | - |
| B KZN223 Mpofana | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN224 iMpendle | 268 | 3.4 | 147 | 1.9 | 366 | 4.6 | 7 111 | 90.1 | 7 893 | - | - | - | - |
| B KZN225 Msunduzi | 324 222 | 16.3 | 160 315 | 8.0 | 71 894 | 3.6 | 1 437 664 | 72.1 | 1 994 095 | - | - | 646 349 | 32.4 |
| B KZN226 Mkhambathini | 2 384 | 12.4 | 664 | 3.4 | 589 | 3.1 | 15 650 | 81.1 | 19 286 | - | - | - | - |
| B KZN227 Richmond | (238) | -1.9 | 344 | 2.7 | 340 | 2.7 | 12 215 | 96.5 | 12 661 | - | - | 4 017 | 31.7 |
| C DC22 uMgungundlovu DM | 26 906 | 6.6 | 10 394 | 2.5 | 7 039 | 1.7 | 366 173 | 89.2 | 410 512 | - | - | - | - |
| Total: uMgungundlovu Municipalities | 375 733 | 14.1 | 176 299 | 6.6 | 84 917 | 3.2 | 2 027 491 | 76.1 | 2 664 440 | - | - | 650 367 | 24.4 |
| B KZN235 Okhahlamba | 2 706 | 6.3 | 1 872 | 4.3 | 1 745 | 4.1 | 36 715 | 85.3 | 43 038 | - | - | - | - |
| B KZN237 iNkosi Langalibalele | 17 079 | 11.0 | 13 091 | 8.4 | 2 121 | 1.4 | 123 472 | 79.3 | 155 764 | - | - | - | - |
| B KZN238 Alfred Duma | 31 689 | 12.4 | 11 527 | 4.5 | 11 435 | 4.5 | 200 491 | 78.6 | 255 143 | - | - | - | - |
| C DC23 uThukela DM | 14 480 | 2.1 | 14 596 | 2.1 | 11 792 | 1.7 | 644 898 | 94.0 | 685 766 | - | - | - | - |
| Total: uThukela Municipalities | 65 955 | 5.8 | 41 086 | 3.6 | 27 093 | 2.4 | 1 005 576 | 88.2 | 1 139 710 | - | - | - | - |
| B KZN241 eNdameni | 7 847 | 10.2 | 1 879 | 2.4 | 1 371 | 1.8 | 65 825 | 85.6 | 76 923 | - | - | - | - |
| B KZN242 Nquthu | 1 585 | 4.4 | 537 | 1.5 | 1 300 | 3.6 | 32 261 | 90.4 | 35 683 | - | - | - | - |
| B KZN244 uMsinga | 954 | 5.5 | 672 | 3.9 | 514 | 3.0 | 15 191 | 87.7 | 17 331 | - | - | - | - |
| B KZN245 uMvoti | 9 254 | 16.4 | 3 038 | 5.4 | 3 384 | 6.0 | 40 776 | 72.2 | 56 453 | - | - | - | - |
| C DC24 uMzinyathi DM | 6 720 | 3.5 | 3 966 | 2.1 | 3 985 | 2.1 | 176 940 | 92.3 | 191 611 | (725) | -0.4 | (718) | -0.4 |
| Total: uMzinyathi Municipalities | 26 360 | 7.0 | 10 092 | 2.7 | 10 555 | 2.8 | 330 993 | 87.6 | 378 000 | (725) | -0.2 | (718) | -0.2 |
| B KZN252 Newcastle | 82 557 | 8.3 | 23 333 | 2.4 | 21 059 | 2.1 | 862 427 | 87.2 | 989 375 | 15 891 | 1.6 | - | - |
| B KZN253 eMadlangeni | 1 784 | 5.7 | 932 | 3.0 | 873 | 2.8 | 27 607 | 88.5 | 31 196 | - | - | - | - |
| B KZN254 Dannhauser | 1 476 | 3.2 | 811 | 1.7 | 617 | 1.3 | 43 582 | 93.8 | 46 486 | - | - | - | - |
| C DC25 Amajuba DM | 3 717 | 8.0 | 1 627 | 3.5 | 1 718 | 3.7 | 39 690 | 84.9 | 46 752 | - | - | - | - |
| Total: Amajuba Municipalities | 89 534 | 8.0 | 26 703 | 2.4 | 24 266 | 2.2 | 973 306 | 87.4 | 1 113 809 | 15 891 | 1.4 | - | - |
| B KZN261 eDumbe | 2 578 | 2.6 | (1 927) | -1.9 | 1 477 | 1.5 | 98 597 | 97.9 | 100 725 | - | - | - | - |
| B KZN262 uPhongolo | 6 257 | 4.3 | 4 916 | 3.4 | 2 280 | 1.6 | 130 552 | 90.7 | 144 005 | - | - | - | - |
| B KZN263 Abaqulusi | 16 432 | 12.6 | 5 594 | 4.3 | 3 338 | 2.6 | 104 853 | 80.5 | 130 217 | - | - | - | - |
| B KZN265 Nongoma | 441 | 1.1 | 195 | 0.5 | 807 | 2.0 | 39 577 | 96.5 | 41 020 | - | - | - | - |
| B KZN266 Ulundi | 7 510 | 7.7 | 3 107 | 3.2 | 3 470 | 3.6 | 82 877 | 85.5 | 96 963 | - | - | - | - |
| C DC26 Zululand DM | 2 584 | 3.2 | 1 760 | 2.2 | 1 438 | 1.8 | 75 124 | 92.9 | 80 906 | - | - | - | - |
| Total: Zululand Municipalities | 35 802 | 6.0 | 13 645 | 2.3 | 12 810 | 2.2 | 531 580 | 89.5 | 593 836 | - | - | - | - |
| B KZN271 uMhlabyalingana | 1 308 | 3.2 | 967 | 2.4 | 606 | 1.5 | 37 932 | 92.9 | 40 813 | - | - | - | - |
| B KZN272 Jozini | 3 618 | 2.8 | 2 185 | 1.7 | 2 792 | 2.2 | 119 132 | 93.3 | 127 728 | - | - | - | - |
| B KZN275 Mtubatuba | 4 477 | 4.6 | 7 184 | 7.4 | 1 943 | 2.0 | 83 086 | 85.9 | 96 690 | - | - | - | - |
| B KZN276 Big Five Hlabisa | 1 001 | 3.4 | 923 | 3.2 | 570 | 2.0 | 26 659 | 91.4 | 29 153 | - | - | - | - |
| C DC27 uMkhanyakude DM | 2 216 | 1.2 | 1 500 | 0.8 | 675 | 0.4 | 177 116 | 97.6 | 181 507 | - | - | - | - |
| Total: uMkhanyakude Municipalities | 12 620 | 2.7 | 12 759 | 2.7 | 6 586 | 1.4 | 443 926 | 93.3 | 475 890 | - | - | - | - |
| B KZN281 uMfolozi | 569 | 8.6 | 421 | 6.4 | 253 | 3.8 | 5 379 | 81.2 | 6 622 | - | - | - | - |
| B KZN282 uMhlathuze | 133 990 | 46.1 | 9 575 | 3.3 | 8 164 | 2.8 | 138 856 | 47.8 | 290 585 | 13 893 | 4.8 | - | - |
| B KZN284 uMlalazi | 5 343 | 11.1 | 1 805 | 3.7 | 622 | 1.3 | 40 539 | 83.9 | 48 309 | - | - | - | - |
| B KZN285 Mthonjaneni | 1 786 | 22.6 | 613 | 7.8 | 561 | 7.1 | 4 938 | 62.5 | 7 897 | - | - | - | - |
| B KZN286 Nkandla | 1 866 | 8.0 | 1 102 | 4.7 | 1 562 | 6.7 | 18 745 | 80.5 | 23 274 | - | - | - | - |
| C DC28 King Cetshwayo DM | 6 487 | 11.3 | 2 835 | 4.9 | 2 056 | 3.6 | 46 045 | 80.2 | 57 422 | 12 649 | 22.0 | 41 623 | 72.5 |
| Total: King Cetshwayo Municipalities | 150 040 | 34.6 | 16 350 | 3.8 | 13 217 | 3.0 | 254 503 | 58.6 | 434 110 | 26 541 | 6.1 | 41 623 | 9.6 |
| B KZN291 Mandeni | 294 | 0.2 | 5 757 | 3.9 | (4 403) | -3.0 | 144 364 | 98.9 | 146 012 | - | - | - | - |
| B KZN292 KwaDukuza | 31 711 | 18.0 | 30 190 | 17.2 | 8 546 | 4.9 | 105 386 | 59.9 | 175 832 | - | - | - | - |
| B KZN293 Ndwedwe | 357 | 3.2 | 316 | 2.8 | 316 | 2.8 | 10 137 | 91.1 | 11 126 | - | - | - | - |
| B KZN294 Maphumulo | 327 | 1.4 | 359 | 1.5 | 357 | 1.5 | 22 798 | 95.6 | 23 841 | - | - | - | - |
| C DC29 iLembe DM | 11 681 | 4.6 | 7 933 | 3.1 | 7 296 | 2.9 | 224 968 | 89.3 | 251 879 | - | - | - | - |
| Total: iLembe Municipalities | 44 369 | 7.3 | 44 556 | 7.3 | 12 111 | 2.0 | 507 653 | 83.4 | 608 689 | - | - | - | - |
| B KZN433 Greater Kokstad | 11 378 | 23.9 | 4 212 | 8.8 | 2 224 | 4.7 | 29 798 | 62.6 | 47 612 | - | - | - | - |
| B KZN434 uBuhlebezwe | (2 541) | -8.6 | 664 | 2.2 | 635 | 2.1 | 30 905 | 104.2 | 29 664 | - | - | - | - |
| B KZN435 uMzimkhulu | 290 | 4.0 | 156 | 2.2 | 131 | 1.8 | 6 589 | 91.9 | 7 166 | (868) | -12.1 | - | - |
| B KZN436 Dr Nkosazana Dlamini Zuma | 1 509 | 4.4 | 328 | 1.0 | 626 | 1.8 | 31 918 | 92.8 | 34 382 | - | - | - | - |
| C DC43 Harry Gwala DM | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Harry Gwala Municipalities | 10 636 | 9.0 | 5 361 | 4.5 | 3 616 | 3.0 | 99 211 | 83.5 | 118 823 | (868) | -0.7 | - | - |
| Total | 2 373 095 | 14.7 | 993 930 | 6.2 | 497 834 | 3.1 | 12 290 990 | 76.1 | 16 155 849 | 225 480 | 1.4 | 4 391 161 | 27.2 |

Source: NT Publication

Appendix 6: Debtors by Customer Group (Total) - 2016/17

| R'000 | Organs of State | | | | | | Commercial | | | | | Household | | | | | Other | | | | | Total | | | | | | |
|--|---------------------|----------------------|----------------|---------------|---------------|----------------|---------------------|-------------|----------------|----------------|---------------|---------------------|------------------|-------------|----------------|----------------|---------------------|------------------|------------------|-------------|---------------|---------------|---------------|----------------|----------------|-------------|------------------|---------|
| | Age category (Days) | | | | Total | % | Age category (Days) | | | Total | % | Age category (Days) | | | Total | % | Age category (Days) | | | Total | % | | | | | | | |
| | 30 - 60 | 60 - 90 | Over 90 | | | | 30 - 60 | 60 - 90 | Over 90 | | | 30 - 60 | 60 - 90 | Over 90 | | | 30 - 60 | 60 - 90 | Over 90 | | | | 30 - 60 | 60 - 90 | Over 90 | | | |
| A | KZN2000 | eThekweni | 108 024 | 20 324 | 10 435 | 243 814 | 382 597 | 4.8 | 641 445 | 256 477 | 82 632 | 1 161 179 | 2 141 733 | 26.6 | 749 570 | 325 075 | 168 418 | 4 166 788 | 5 409 851 | 67.3 | 13 853 | 21 809 | 13 404 | 56 496 | 105 563 | 1.3 | 8 039 743 | |
| B | KZN212 | uMdoni | (89) | 39 | 61 | 3 416 | 3 427 | 7.4 | (108) | 257 | 136 | 16 842 | 17 126 | 36.8 | (3 195) | 1 783 | 1 003 | 24 338 | 23 929 | 51.4 | (30) | 24 | 39 | 1 998 | 2 031 | 4.4 | 46 514 | |
| B | KZN213 | uMzumbane | - | - | (739) | 7 711 | 6 972 | 58.5 | (15) | (2) | (12) | 2 599 | 2 569 | 21.6 | - | - | - | - | - | - | - | - | - | 2 374 | 2 374 | 19.9 | 11 916 | |
| B | KZN214 | uMuzwabantu | 128 | 350 | 184 | 2 738 | 3 401 | 22.5 | 1 217 | 439 | 186 | 2 280 | 4 121 | 27.2 | 1 313 | 876 | 391 | 5 024 | 7 604 | 50.3 | - | - | - | - | - | - | 15 127 | |
| B | KZN216 | Ray Nkonyeni | 1 062 | 85 | 99 | 3 229 | 4 475 | 2.4 | 5 951 | 991 | 1 276 | 16 496 | 24 714 | 13.3 | 4 943 | 2 141 | 7 572 | 125 115 | 139 771 | 75.5 | 1 278 | 311 | 330 | 14 368 | 16 288 | 8.8 | 185 248 | |
| C | DC21 | Ugu DM | 4 006 | 1 343 | 1 160 | 10 257 | 16 765 | 5.1 | 10 781 | 3 073 | 3 039 | 35 437 | 52 331 | 15.9 | 21 911 | 11 685 | 12 983 | 213 452 | 260 032 | 78.8 | - | - | 66 | 7 999 | 865 | 0.3 | 329 993 | |
| Total: Ugu Municipalities | | | 5 107 | 1 817 | 765 | 27 352 | 35 041 | 6.0 | 17 826 | 4 758 | 4 625 | 73 653 | 100 862 | 17.1 | 24 972 | 16 486 | 21 948 | 367 930 | 431 336 | 73.3 | 1 249 | 335 | 435 | 19 540 | 21 559 | 3.7 | 588 798 | |
| B | KZN221 | uMshwathi | 855 | 845 | 745 | 58 155 | 60 600 | 55.4 | 1 081 | 473 | 381 | 14 737 | 16 672 | 15.2 | 2 874 | (969) | 412 | 29 881 | 32 198 | 29.4 | - | - | - | - | - | - | 109 470 | |
| B | KZN222 | uMngeni | 1 613 | 65 | 59 | 5 823 | 7 560 | 6.8 | 875 | 119 | 69 | 1 849 | 2 912 | 2.6 | 14 433 | 3 445 | 2 664 | 64 235 | 84 777 | 76.7 | 460 | 455 | 358 | 13 999 | 15 272 | 13.8 | 110 522 | |
| B | KZN223 | Mpofana | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B | KZN224 | Impendle | 69 | 6 | 231 | 5 336 | 5 641 | 71.5 | 172 | 122 | 126 | 1 666 | 2 087 | 26.4 | 27 | 19 | 10 | 109 | 165 | 2.1 | - | - | - | - | - | - | 7 893 | |
| B | KZN225 | Msunduzi | 29 598 | 11 804 | 4 469 | 81 941 | 127 812 | 6.4 | 165 882 | 76 039 | 24 876 | 132 658 | 399 455 | 20.0 | 119 684 | 67 083 | 39 492 | 1 113 072 | 1 339 330 | 67.2 | 9 059 | 5 390 | 3 056 | 109 993 | 127 498 | 6.4 | 1 994 095 | |
| B | KZN226 | Mkhambathini | 443 | 103 | 94 | 3 631 | 4 271 | 22.1 | 367 | 128 | 108 | 2 000 | 2 604 | 13.5 | 923 | 264 | 222 | 4 244 | 5 652 | 29.3 | 650 | 169 | 165 | 5 775 | 6 759 | 35.0 | 19 286 | |
| B | KZN227 | Richmond | 244 | 51 | 47 | 1 037 | 1 378 | 10.9 | 61 | 16 | 16 | 2 347 | 2 441 | 19.3 | 536 | 168 | 199 | 4 734 | 5 637 | 44.5 | (1 079) | 109 | 78 | 4 097 | 3 205 | 25.3 | 12 661 | |
| C | DC22 | uMgungundlovu DM | 1 704 | 388 | 297 | 5 790 | 8 178 | 2.0 | 2 649 | 597 | 431 | 12 843 | 16 521 | 4.0 | 13 941 | 6 574 | 5 365 | 309 570 | 335 451 | 81.7 | 8 611 | 2 835 | 947 | 37 970 | 50 362 | 12.3 | 410 512 | |
| Total: uMgungundlovu Municipalities | | | 34 526 | 13 262 | 5 942 | 161 713 | 215 442 | 8.1 | 171 087 | 77 496 | 26 008 | 168 101 | 442 692 | 16.6 | 152 419 | 76 585 | 48 363 | 1 525 844 | 1 803 212 | 67.7 | 17 701 | 8 957 | 4 603 | 171 833 | 203 095 | 7.6 | 2 664 440 | |
| B | KZN235 | Okhahlamba | 559 | 538 | 525 | 11 600 | 13 222 | 30.7 | 301 | 146 | 90 | 820 | 1 356 | 3.2 | 606 | 452 | 391 | 8 831 | 10 241 | 23.9 | 1 241 | 735 | 739 | 15 464 | 18 179 | 42.2 | 43 038 | |
| B | KZN237 | iNkosi Langalibalele | 5 551 | 1 850 | 475 | 44 312 | 52 188 | 33.5 | 439 | 115 | (881) | 171 | (155) | -0.1 | 2 255 | 1 257 | 421 | 34 980 | 38 913 | 25.0 | 8 834 | 9 869 | 2 106 | 44 009 | 64 818 | 41.6 | 155 764 | |
| B | KZN238 | Alfred Duma | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C | DC23 | uThukela DM | 10 916 | 11 739 | 9 922 | 593 242 | 625 819 | 91.3 | 2 324 | 1 181 | 840 | 33 764 | 38 109 | 5.6 | 1 169 | 1 628 | 986 | 15 828 | 19 612 | 2.9 | 31 689 | 11 527 | 11 435 | 200 491 | 255 143 | 100.0 | 255 143 | |
| Total: uThukela Municipalities | | | 17 026 | 14 127 | 10 922 | 649 154 | 691 229 | 60.6 | 3 064 | 1 442 | 48 | 34 755 | 39 310 | 3.4 | 4 030 | 3 338 | 1 798 | 59 640 | 68 806 | 6.0 | 41 834 | 22 179 | 14 325 | 262 027 | 340 365 | 29.9 | 1 139 710 | |
| B | KZN241 | eNdameni | 355 | 77 | 35 | 2 212 | 2 679 | 3.5 | 3 890 | 269 | 155 | 4 112 | 8 426 | 11.0 | 3 466 | 1 499 | 1 152 | 58 141 | 64 258 | 83.5 | 136 | 34 | 30 | 1 360 | 1 560 | 2.0 | 76 923 | |
| B | KZN242 | Nquthu | 333 | 75 | 600 | 7 081 | 8 089 | 22.7 | 766 | 168 | 342 | 9 014 | 10 290 | 28.8 | 464 | 275 | 340 | 15 493 | 16 572 | 46.4 | 22 | 19 | 18 | 673 | 732 | 2.1 | 35 683 | |
| B | KZN244 | uMsinga | 950 | 670 | 513 | 14 877 | 17 010 | 98.1 | 2 | 2 | 2 | 314 | 319 | 1.8 | 3 | - | - | - | 3 | 0.0 | - | - | - | - | - | - | 17 331 | |
| B | KZN245 | uMvoti | 1 038 | 237 | 219 | 2 759 | 4 253 | 7.5 | 4 086 | 1 182 | 1 265 | 7 765 | 14 298 | 25.3 | 3 714 | 1 398 | 1 675 | 25 385 | 32 173 | 57.0 | 416 | 221 | 225 | 4 866 | 5 729 | 10.1 | 56 453 | |
| C | DC24 | uMzinyathi DM | 1 168 | 661 | 772 | 14 621 | 17 222 | 9.0 | 421 | 196 | 297 | 10 928 | 11 841 | 6.2 | 5 131 | 3 109 | 2 917 | 151 390 | 162 547 | 84.8 | - | - | - | - | - | - | - | 191 611 |
| Total: uMzinyathi Municipalities | | | 3 844 | 1 721 | 2 138 | 41 551 | 49 254 | 13.0 | 9 165 | 1 816 | 2 059 | 32 133 | 45 173 | 12.0 | 12 778 | 6 281 | 6 084 | 250 410 | 275 552 | 72.9 | 574 | 275 | 273 | 6 899 | 8 021 | 2.1 | 378 000 | |
| B | KZN252 | Newcastle | (4 972) | 1 232 | 856 | 33 856 | 30 973 | 3.1 | 36 070 | 2 201 | 1 836 | 61 276 | 101 383 | 10.2 | 51 361 | 19 719 | 18 170 | 759 231 | 848 481 | 85.8 | 98 | 180 | 196 | 8 065 | 8 539 | 0.9 | 989 375 | |
| B | KZN253 | eMadlangeni | 520 | 102 | 229 | 4 820 | 5 670 | 18.2 | 412 | 244 | 115 | 4 178 | 4 949 | 15.9 | 504 | 299 | 258 | 8 442 | 9 503 | 30.5 | 348 | 287 | 271 | 10 167 | 11 074 | 35.5 | 31 196 | |
| B | KZN254 | Dannhauser | 715 | 204 | 174 | 6 679 | 7 772 | 16.7 | 237 | 153 | 48 | 6 427 | 6 865 | 14.8 | 349 | 272 | 272 | 26 066 | 26 958 | 58.0 | 175 | 183 | 122 | 4 410 | 4 890 | 10.5 | 46 486 | |
| C | DC25 | Amajuba DM | 1 722 | 79 | 79 | 2 834 | 4 714 | 10.1 | 122 | 75 | 67 | 1 336 | 1 600 | 3.4 | 1 873 | 1 472 | 1 571 | 35 521 | 40 438 | 86.5 | - | - | - | - | - | - | 46 752 | |
| Total: Amajuba Municipalities | | | (2 015) | 1 617 | 1 338 | 48 188 | 49 129 | 4.4 | 36 841 | 2 674 | 2 066 | 73 216 | 114 797 | 10.3 | 54 086 | 21 762 | 20 272 | 829 260 | 925 380 | 83.1 | 621 | 649 | 590 | 22 642 | 24 503 | 2.2 | 1 113 809 | |
| B | KZN261 | eDumbe | 276 | 119 | 173 | 7 036 | 7 605 | 7.6 | 1 020 | 243 | 347 | 5 405 | 7 016 | 7.0 | 758 | (2 523) | 660 | 71 902 | 70 797 | 70.3 | 523 | 234 | 297 | 14 253 | 15 306 | 15.2 | 100 725 | |
| B | KZN262 | uPhongolo | 755 | 1 889 | 630 | 17 153 | 20 426 | 14.2 | 3 024 | 1 272 | 282 | 5 231 | 9 808 | 6.8 | 1 969 | 1 359 | 1 048 | 96 983 | 101 359 | 70.4 | 510 | 397 | 321 | 11 185 | 12 413 | 8.6 | 144 005 | |
| B | KZN263 | AbaOulisi | 2 339 | 1 294 | 223 | 2 082 | 5 938 | 4.6 | 7 771 | 1 702 | 946 | 22 805 | 33 225 | 25.5 | 6 117 | 2 448 | 2 023 | 72 681 | 83 269 | 63.9 | 205 | 149 | 146 | 7 285 | 7 785 | 6.0 | 130 217 | |
| B | KZN265 | Nongoma | 972 | 888 | 965 | 19 617 | 22 442 | 54.7 | (401) | (626) | (167) | 21 073 | 19 879 | 48.5 | (112) | (15) | 16 | 9 934 | 9 823 | 23.9 | (17) | (52) | (7) | (11 047) | (11 124) | -27.1 | 41 020 | |
| B | KZN266 | Ulundi | 525 | (608) | 85 | 15 741 | 15 743 | 16.2 | 1 520 | 874 | 980 | 18 336 | 21 710 | 22.4 | 1 686 | 736 | 1 106 | 38 394 | 41 923 | 43.2 | 3 778 | 2 104 | 1 299 | 10 405 | 17 587 | 18.1 | 96 963 | |
| C | DC26 | Zululand DM | 1 153 | 594 | 368 | 8 002 | 10 116 | 12.5 | 277 | 72 | 52 | 1 675 | 2 076 | 2.6 | 1 142 | 1 082 | 1 005 | 65 219 | 68 449 | 84.6 | 12 | 12 | 13 | 228 | 264 | 0.3 | 80 906 | |
| Total: Zululand Municipalities | | | 6 020 | 4 176 | 2 444 | 69 632 | 82 272 | 13.9 | 13 212 | 3 538 | 2 438 | 74 525 | 93 713 | 15.8 | 11 560 | 3 087 | 5 859 | 355 114 | 375 620 | 63.3 | 5 010 | 2 844 | 2 068 | 32 309 | 42 231 | 7.1 | 593 836 | |
| B | KZN271 | u | | | | | | | | | | | | | | | | | | | | | | | | | | |

Appendix 7: Creditors Age Analysis (Total) - 2016/17

| R'000 | 0 - 30 Days | | 30 - 60 Days | | 60 - 90 Days | | Over 90 Days | | Total |
|---|------------------|-------------|----------------|-------------|----------------|-------------|------------------|-------------|------------------|
| | Total | % | Total | % | Total | % | Total | % | |
| A KZN2000 eThekweni | 2 368 379 | 69.1 | 24 603 | 0.7 | 138 526 | 4.0 | 898 212 | 26.2 | 3 429 720 |
| B KZN212 uMdoni | 27 723 | 100.0 | - | - | - | - | - | - | 27 723 |
| B KZN213 uMzambe | - | - | - | - | - | - | - | - | - |
| B KZN214 uMuziwabantu | - | - | - | - | - | - | - | - | - |
| B KZN216 Ray Nkonyeni | 13 334 | 100.0 | - | - | - | - | - | - | 13 334 |
| C DC21 Ugu DM | 19 012 | 81.2 | 2 370 | 10.1 | 1 057 | 4.5 | 969 | 4.1 | 23 408 |
| Total: Ugu Municipalities | 60 068 | 93.2 | 2 370 | 3.7 | 1 057 | 1.6 | 969 | 1.5 | 64 465 |
| B KZN221 uMshwathi | 2 162 | 100.0 | - | - | - | - | - | - | 2 162 |
| B KZN222 uMngeni | - | 9.0 | - | - | - | - | - | - | - |
| B KZN223 Mpofana | - | - | - | - | - | - | - | - | - |
| B KZN224 iMpendle | - | - | - | - | - | - | - | - | - |
| B KZN225 Msunduzi | - | - | - | - | - | - | - | - | - |
| B KZN226 Mkhambathini | 3 233 | 100.0 | - | - | - | - | - | - | 3 233 |
| B KZN227 Richmond | - | - | - | - | - | - | - | - | - |
| C DC22 uMgungundlovu DM | 45 994 | 93.6 | 2 447 | 5.0 | 1 035 | 2.1 | (318) | -0.6 | 49 158 |
| Total: uMgungundlovu Municipalities | 51 388 | 94.2 | 2 447 | 4.5 | 1 035 | 1.9 | (318) | -0.6 | 54 553 |
| B KZN235 Okhahlamba | 461 | 100.0 | - | - | - | - | - | - | 461 |
| B KZN237 iNkosi Langalibalele | 29 726 | 49.4 | 8 198 | 13.6 | 6 140 | 10.2 | 16 095 | 26.8 | 60 159 |
| B KZN238 Alfred Duma | 3 333 | 83.0 | 652 | 16.2 | - | - | 31 | 0.8 | 4 017 |
| C DC23 uThukela DM | 13 213 | 33.9 | 339 | 0.9 | 9 433 | 24.2 | 15 956 | 41.0 | 38 942 |
| Total: uThukela Municipalities | 46 733 | 45.1 | 9 190 | 8.9 | 15 574 | 15.0 | 32 082 | 31.0 | 103 579 |
| B KZN241 eNdumeni | 29 716 | 100.0 | - | - | - | - | - | - | 29 716 |
| B KZN242 Nquthu | 1 185 | 100.0 | - | - | - | - | - | - | 1 185 |
| B KZN244 uMsinga | 554 | 100.0 | - | - | - | - | - | - | 554 |
| B KZN245 uMvoti | 6 573 | 100.3 | (4) | -0.1 | - | - | (14) | -0.2 | 6 554 |
| C DC24 uMzinyathi DM | 9 243 | 51.0 | 12 | 0.1 | 364 | 2.0 | 8 498 | 46.9 | 18 117 |
| Total: uMzinyathi Municipalities | 47 270 | 84.2 | 7 | 0.0 | 364 | 0.6 | 8 483 | 15.1 | 56 125 |
| B KZN252 Newcastle | 115 962 | 89.7 | 9 135 | 7.1 | 2 067 | 1.6 | 2 083 | 1.6 | 129 247 |
| B KZN253 eMadlangeni | 6 110 | 97.9 | 14 | 0.2 | 0 | 0.0 | 120 | 1.9 | 6 243 |
| B KZN254 Dannhauser | 1 122 | 91.8 | 100 | 8.2 | - | - | - | - | 1 222 |
| C DC25 Amajuba DM | 10 863 | 17.9 | 13 014 | 21.4 | 2 215 | 3.6 | 34 753 | 57.1 | 60 846 |
| Total: Amajuba Municipalities | 134 057 | 67.9 | 22 263 | 11.3 | 4 282 | 2.2 | 36 956 | 18.7 | 197 557 |
| B KZN261 eDumbe | 6 106 | 28.4 | 3 139 | 14.6 | 4 134 | 19.2 | 8 130 | 37.8 | 21 508 |
| B KZN262 uPhongolo | 4 623 | 31.1 | 4 849 | 32.6 | 3 870 | 26.0 | 1 533 | 10.3 | 14 875 |
| B KZN263 AbaQulusi | 76 831 | 100.0 | - | - | - | - | - | - | 76 831 |
| B KZN265 Nongoma | 4 630 | 78.9 | 473 | 8.1 | 206 | 3.5 | 561 | 9.6 | 5 870 |
| B KZN266 Ulundi | 19 112 | 26.8 | 6 525 | 9.2 | (54) | -0.1 | 45 639 | 64.1 | 71 223 |
| C DC26 Zululand DM | - | - | - | - | - | - | - | - | - |
| Total: Zululand Municipalities | 111 302 | 58.5 | 14 987 | 7.9 | 8 156 | 4.3 | 55 863 | 29.4 | 190 307 |
| B KZN271 uMhlabayalingana | (6 067) | 46.6 | (1 351) | 10.4 | (374) | 2.9 | (5 227) | 40.1 | (13 020) |
| B KZN272 Jozini | 3 145 | 90.0 | 54 | 1.6 | 34 | 1.0 | 263 | 7.5 | 3 497 |
| B KZN275 Mtubatuba | 200 | 10.2 | 371 | 18.9 | 6 | 0.3 | 1 388 | 70.6 | 1 965 |
| B KZN276 Big Five Hlabisa | 1 093 | 7.6 | 523 | 3.6 | 559 | 3.9 | 12 173 | 84.8 | 14 349 |
| C DC27 uMkhanyakude DM | 27 696 | 27.2 | 5 617 | 5.5 | 26 151 | 25.6 | 42 512 | 41.7 | 101 976 |
| Total: uMkhanyakude Municipalities | 26 067 | 24.0 | 5 214 | 4.8 | 26 377 | 24.3 | 51 108 | 47.0 | 108 766 |
| B KZN281 uMfolozi | 1 345 | 39.6 | 1 104 | 32.5 | 952 | 28.0 | - | - | 3 400 |
| B KZN282 uMhlathuze | 309 151 | 100.0 | - | - | - | - | - | - | 309 151 |
| B KZN284 uMlalazi | 37 752 | 100.0 | 5 | 0.0 | - | - | - | - | 37 756 |
| B KZN285 Mthonjaneni | 923 | 81.3 | 36 | 3.1 | 20 | 1.7 | 157 | 13.9 | 1 135 |
| B KZN286 Nkandla | 810 | 12.0 | 1 121 | 16.6 | 118 | 1.7 | 4 712 | 69.7 | 6 761 |
| C DC28 King Cetshwayo DM | 22 585 | 37.2 | 7 954 | 13.1 | 118 | 0.2 | 30 003 | 49.5 | 60 660 |
| Total: King Cetshwayo Municipalities | 372 565 | 88.9 | 10 220 | 2.4 | 1 207 | 0.3 | 34 872 | 8.3 | 418 863 |
| B KZN291 Mandeni | 7 278 | 91.2 | 699 | 8.8 | - | - | - | - | 7 977 |
| B KZN292 KwaDukuza | 182 235 | 96.3 | 4 763 | 2.5 | 937 | 0.5 | 1 305 | 0.7 | 189 240 |
| B KZN293 Ndwedwe | 9 | 2.1 | - | - | 23 | 5.0 | 422 | 92.9 | 454 |
| B KZN294 Maphumulo | 802 | 92.6 | 154 | 17.8 | (90) | -10.4 | - | - | 867 |
| C DC29 iLembe DM | 62 422 | 46.7 | 33 016 | 24.7 | 14 062 | 10.5 | 24 207 | 18.1 | 133 707 |
| Total: iLembe Municipalities | 252 747 | 76.1 | 38 632 | 11.6 | 14 932 | 4.5 | 25 934 | 7.8 | 332 245 |
| B KZN433 Greater Kokstad | 359 | 87.8 | 50 | 12.2 | - | - | - | - | 409 |
| B KZN434 uBuhlebezwe | 0 | 100.0 | - | - | - | - | - | - | 0 |
| B KZN435 uMzimkhulu | 23 616 | 100.0 | - | - | - | - | - | - | 23 616 |
| B KZN436 Dr Nkosazana Dlamini Zuma | - | - | - | - | - | - | - | - | - |
| C DC43 Harry Gwala DM | - | - | - | - | - | - | - | - | - |
| Total: Harry Gwala Municipalities | 23 976 | 99.8 | 50 | 0.2 | - | - | - | - | 24 026 |
| Total | 3 494 553 | 70.2 | 129 983 | 2.6 | 211 510 | 4.2 | 1 144 161 | 23.0 | 4 980 206 |

Source: NT Publication

Appendix 8: National Conditional Grants - 2016/17

| R000 | Financial Management Grant | | | | | | | | Municipal Infrastructure Grant | | | | | | Integrated National Electrification Programme (municipal) Grant | | | | | | Expanded Public Works Programme Intergrated Grant (municipality) | | | | | | | |
|--|---------------------------------|---------------------------|--------------------------------------|------------------------|-----------|--------------------|-----------|---------------------------------|--------------------------------|--------------------------------------|------------------------|------------|--------------------|------------|---|---------------------------|--------------------------------------|------------------------|------------|------------------------|--|---------------------------------|---------------------------|--------------------------------------|------------------------|-----------|------------------------|------------|
| | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | | DoRA Total Avail. (Inc.Adjust.) | Approved Payment Schedule | Transferred to Munis. (Year to date) | Unaudited Actual | | Unaudited Actual | |
| | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent | | | | Expenditure Nat. Dept. | % Spent | Expenditure Munis. | % Spent | | | | Expenditure Nat. Dept. | % Spent | Expenditure Nat. Dept. | % Spent | | | | Expenditure Nat. Dept. | % Spent | Expenditure Nat. Dept. | % Spent |
| A KZN2000 eThekweni | 1 050 | 1 050 | 1 050 | 1 050 | 100 | 1 050 | 100 | - | - | - | - | - | - | 31 000 | 31 000 | 31 000 | 23 695 | 76 | 34 379 | 111 | 49 478 | 49 478 | 49 478 | 49 478 | 49 478 | 100 | 52 854 | 107 |
| B KZN212 uMdoni | 3 835 | 3 835 | 3 835 | 3 835 | 100 | 3 945 | 103 | 35 870 | 35 870 | 35 870 | 31 081 | 87 | 13 928 | 39 | 8 000 | 8 000 | 8 000 | 8 000 | 100 | 8 838 | 110 | 2 038 | 2 038 | 2 038 | 1 517 | 74 | 1 943 | 95 |
| B KZN213 uMzumbi | 1 825 | 1 825 | 1 825 | 1 824 | 100 | 1 825 | 100 | 35 622 | 35 622 | 35 622 | 35 622 | 100 | 35 496 | 100 | 9 000 | 9 000 | 9 000 | 7 390 | 82 | 9 000 | 100 | 1 083 | 1 083 | 1 083 | 1 083 | 100 | 1 083 | 100 |
| B KZN214 uMzizabantu | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 825 | 100 | 22 275 | 22 275 | 22 275 | 22 275 | 100 | 20 932 | 94 | - | - | - | - | - | - | - | 1 129 | 1 129 | 1 129 | 1 128 | 100 | 980 | 87 |
| B KZN216 Ray Nkonyeni | 3 450 | 3 450 | 3 450 | 2 848 | 83 | 2 847 | 83 | 62 556 | 62 556 | 62 556 | 62 556 | 100 | 42 216 | 67 | 7 000 | 7 000 | 7 000 | 738 | 11 | 3 923 | 56 | 2 660 | 2 660 | 2 660 | 2 660 | 100 | 2 496 | 94 |
| C DC21 Ugu DM | 1 460 | 1 460 | 1 460 | 1 460 | 100 | 1 460 | 100 | 233 873 | 233 873 | 233 873 | 233 873 | 100 | 233 873 | 100 | - | - | - | - | - | - | - | 1 788 | 1 788 | 1 788 | 1 981 | 111 | 1 788 | 100 |
| Total: Ugu Municipalities | 12 395 | 12 395 | 12 395 | 11 792 | 95 | 11 902 | 96 | 390 196 | 390 196 | 390 196 | 385 407 | 99 | 346 445 | 89 | 24 000 | 24 000 | 24 000 | 16 128 | 67 | 21 762 | 91 | 8 698 | 8 698 | 8 698 | 8 369 | 96 | 8 290 | 95 |
| B KZN221 uMshwathi | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 939 | 106 | 28 829 | 28 829 | 28 829 | 28 829 | 100 | 28 829 | 100 | 5 000 | 5 000 | 5 000 | - | - | 8 777 | 176 | 1 313 | 1 313 | 1 313 | 1 208 | 92 | 1 493 | 114 |
| B KZN222 uMngeni | 1 825 | 1 825 | 1 825 | 1 342 | 83 | 1 341 | 83 | 15 866 | 15 866 | 15 866 | 15 866 | 100 | 15 866 | 100 | 6 000 | 6 000 | 6 000 | - | - | 6 000 | 100 | 1 317 | 1 317 | 1 317 | 1 317 | 100 | 1 317 | 100 |
| B KZN223 uMofana | 1 825 | 1 825 | 1 825 | 1 670 | 92 | 1 744 | 96 | 11 680 | 11 680 | 11 680 | 11 680 | 100 | 17 305 | 148 | 8 000 | 8 000 | 8 000 | - | - | 7 600 | 95 | 1 000 | 1 000 | 1 000 | 947 | 95 | 949 | 95 |
| B KZN224 uMpendle | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 825 | 100 | 16 382 | 16 382 | 16 382 | 16 382 | 100 | 16 382 | 100 | 8 000 | 8 000 | 8 000 | - | - | 7 924 | 99 | 1 443 | 1 443 | 1 443 | 1 440 | 100 | 1 443 | 100 |
| B KZN225 uMsunduzi | 1 825 | 1 825 | 1 825 | 1 625 | 100 | 1 625 | 100 | 190 617 | 190 617 | 190 617 | 182 730 | 96 | 189 712 | 100 | 8 000 | 8 000 | 8 000 | - | - | 4 115 | 51 | 6 809 | 6 809 | 6 809 | 2 711 | 40 | 3 913 | 57 |
| B KZN226 uMkhambathini | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 826 | 100 | 13 926 | 13 926 | 13 926 | 11 746 | 84 | 12 486 | 90 | 10 000 | 10 000 | 10 000 | - | - | 10 105 | 101 | 1 253 | 1 253 | 1 253 | 1 253 | 100 | 1 278 | 102 |
| B KZN227 Richmond | 1 825 | 1 825 | 1 825 | 1 824 | 100 | 1 825 | 100 | 26 000 | 26 000 | 26 000 | 26 000 | 100 | 26 000 | 100 | 9 000 | 9 000 | 9 000 | - | - | 9 000 | 100 | 1 277 | 1 277 | 1 277 | 1 325 | 104 | 1 294 | 101 |
| C DC22 uMgungundlovu DM | 1 250 | 1 250 | 1 250 | 1 248 | 100 | 1 250 | 100 | 109 630 | 109 630 | 109 630 | 109 630 | 100 | 109 630 | 100 | - | - | - | - | - | - | - | 2 094 | 2 094 | 2 094 | 2 094 | 100 | 2 094 | 100 |
| Total: uMgungundlovu Municipalities | 13 625 | 13 625 | 13 625 | 13 184 | 97 | 13 376 | 98 | 412 930 | 412 930 | 412 930 | 402 863 | 98 | 416 210 | 101 | 54 000 | 54 000 | 54 000 | - | - | 53 520 | 99 | 16 506 | 16 506 | 16 506 | 12 295 | 74 | 13 780 | 83 |
| B KZN235 uKhahlamba | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 827 | 100 | 27 014 | 27 014 | 27 014 | 27 014 | 100 | 27 014 | 100 | 11 500 | 11 500 | 11 500 | 11 500 | 100 | 11 500 | 100 | 2 934 | 2 934 | 2 934 | 2 635 | 90 | 3 070 | 105 |
| B KZN237 uNkosi Langalaba | 3 450 | 3 450 | 3 450 | 1 235 | 36 | 1 847 | 54 | 38 547 | 38 547 | 38 547 | 35 971 | 93 | 35 684 | 93 | 10 000 | 10 000 | 10 000 | 10 000 | 100 | 5 560 | 56 | 2 328 | 2 328 | 2 328 | 2 168 | 93 | 1 630 | 70 |
| B KZN238 Alfred Duma | 3 450 | 3 450 | 3 450 | 3 450 | 100 | 3 447 | 100 | 70 353 | 70 353 | 70 353 | 64 038 | 91 | 70 353 | 100 | 11 500 | 11 500 | 11 500 | 11 500 | 100 | 3 500 | 30 | 4 906 | 4 906 | 4 906 | 4 353 | 89 | 5 632 | 115 |
| C DC23 uThukela DM | 1 460 | 1 460 | 1 460 | 1 354 | 93 | 1 460 | 100 | 178 506 | 178 506 | 178 506 | 178 506 | 100 | 186 436 | 104 | - | - | - | - | - | - | - | 3 169 | 3 169 | 3 169 | 3 169 | 100 | 3 169 | 100 |
| Total: uThukela Municipalities | 10 185 | 10 185 | 10 185 | 7 864 | 77 | 8 581 | 84 | 314 420 | 314 420 | 314 420 | 305 529 | 97 | 319 486 | 102 | 33 000 | 33 000 | 33 000 | 33 000 | 100 | 20 560 | 62 | 13 337 | 13 337 | 13 337 | 12 325 | 92 | 13 500 | 101 |
| B KZN241 eNdameni | 1 825 | 1 825 | 1 825 | 1 601 | 99 | 1 625 | 100 | 13 217 | 13 217 | 13 217 | 13 217 | 100 | 13 217 | 100 | 10 000 | 10 000 | 10 000 | 7 298 | 73 | 10 000 | 100 | 1 127 | 1 127 | 1 127 | 1 068 | 95 | 1 113 | 99 |
| B KZN242 uNquthu | 1 825 | 1 825 | 1 825 | 1 400 | 77 | 1 399 | 77 | 29 778 | 29 778 | 29 778 | 29 778 | 100 | 36 512 | 123 | 18 000 | 18 000 | 18 000 | 12 491 | 69 | 27 871 | 155 | 1 337 | 1 337 | 1 337 | 254 | 19 | 517 | 39 |
| B KZN244 uMsinga | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 825 | 45 | 39 300 | 39 300 | 39 300 | 39 300 | 100 | 39 300 | 100 | 25 000 | 25 000 | 25 000 | 25 000 | 100 | 14 921 | 60 | 2 095 | 2 095 | 2 095 | 1 938 | 93 | 6 725 | 321 |
| B KZN245 uMwoti | 1 725 | 1 725 | 1 725 | 1 724 | 100 | 1 725 | 100 | 20 000 | 20 000 | 20 000 | 20 000 | 100 | 21 340 | 107 | 25 000 | 25 000 | 25 000 | 22 432 | 90 | 22 882 | 92 | 2 373 | 2 373 | 2 373 | 2 310 | 97 | 2 350 | 99 |
| C DC24 uMzinyathi DM | 1 250 | 1 250 | 1 250 | 1 250 | 100 | 1 250 | 100 | 181 064 | 181 064 | 181 064 | 181 064 | 100 | 194 032 | 107 | - | - | - | - | - | - | - | 2 350 | 2 350 | 2 350 | 2 327 | 99 | 2 372 | 101 |
| Total: uMzinyathi Municipalities | 8 250 | 8 250 | 8 250 | 7 800 | 95 | 8 824 | 83 | 283 359 | 283 359 | 283 359 | 283 359 | 100 | 304 401 | 107 | 78 000 | 78 000 | 78 000 | 67 221 | 86 | 75 674 | 97 | 9 282 | 9 282 | 9 282 | 8 897 | 85 | 13 077 | 141 |
| B KZN252 Newcastle | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 825 | 100 | 109 214 | 109 214 | 109 214 | 109 214 | 100 | 99 544 | 91 | 8 000 | 8 000 | 8 000 | 4 141 | 52 | 6 001 | 75 | 3 173 | 3 173 | 3 173 | 2 582 | 81 | 3 173 | 100 |
| B KZN253 eMadlangeni | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 825 | 100 | 11 113 | 11 113 | 11 113 | 6 132 | 55 | 11 113 | 100 | 9 000 | 9 000 | 9 000 | - | - | 1 886 | 21 | 1 284 | 1 284 | 1 284 | 1 172 | 91 | 1 284 | 100 |
| B KZN254 Dannhauser | 1 825 | 1 825 | 1 825 | 1 806 | 99 | 855 | 47 | 20 698 | 20 698 | 20 698 | 20 698 | 100 | 18 163 | 88 | - | - | - | - | - | - | - | 1 119 | 1 119 | 1 119 | 566 | 51 | 1 029 | 92 |
| C DC25 uMajuba DM | 1 500 | 1 500 | 1 500 | 1 384 | 92 | 1 488 | 99 | 39 577 | 39 577 | 39 577 | 39 577 | 100 | 41 033 | 104 | - | - | - | - | - | - | - | 1 497 | 1 497 | 1 497 | 1 230 | 82 | 1 477 | 99 |
| Total: uMajuba Municipalities | 6 775 | 6 775 | 6 775 | 6 440 | 98 | 5 793 | 86 | 180 602 | 180 602 | 180 602 | 175 621 | 97 | 169 852 | 94 | 17 000 | 17 000 | 17 000 | 4 141 | 24 | 7 887 | 46 | 7 073 | 7 073 | 7 073 | 5 550 | 78 | 6 963 | 98 |
| B KZN261 uDumbe | 1 825 | 1 825 | 1 825 | 1 823 | 100 | 1 538 | 84 | 17 221 | 17 221 | 17 221 | 17 121 | 99 | 15 633 | 91 | 19 500 | 19 500 | 19 500 | - | - | 13 445 | 69 | 1 000 | 1 000 | 1 000 | 1 000 | 100 | 1 423 | 142 |
| B KZN262 uPhongolo | 1 825 | 1 825 | 1 825 | 1 825 | 100 | 1 825 | 100 | 42 136 | 42 136 | 42 136 | 42 136 | 100 | 42 136 | 100 | 18 000 | 18 000 | 18 000 | 12 452 | 69 | 17 999 | 100 | 3 021 | 3 021 | 3 021 | 3 394 | 112 | 3 021 | 100 |
| B KZN263 uAbaQulusi | 1 825 | 1 825 | 1 825 | 574 | 35 | 640 | 39 | 30 078 | 30 078 | 30 078 | 30 069 | 100 | 20 440 | 68 | 20 000 | 20 000 | 20 000 | 7 095 | 35 | 4 321 | 22 | 1 398 | 1 398 | 1 398 | 1 397 | 100 | 1 465 | 105 |
| B KZN265 uNongoma | 1 825 | 1 825 | 1 825 | 1 781 | 98 | 1 825 | 100 | 30 417 | 30 417 | 30 417 | 30 417 | 100 | 30 960 | 100 | 14 000 | 14 000 | 14 000 | 8 382 | 60 | 13 999 | 100 | 1 102 | 1 102 | 1 1 | | | | |

Appendix 9: Stopping of funds in terms of Section 19 of the 2016 DoRA

| R'000 | | Municipal Infrastructure Grant (MIG) | Rural Roads Asset Management System (RRAMS) | Neighbourhood Development Partnership Grant (NDPG) | Rural Bulk Infrastructure Grant (RBIG) | Water Services Infrastructure Grant (WSIG) | Total |
|---|-----------------------------------|--------------------------------------|---|--|--|--|----------------|
| A | ETH eThekweni | - | - | - | - | - | - |
| B | KZN212 uMdoni | - | - | - | - | - | - |
| B | KZN213 uMzumbhe | - | - | - | - | - | - |
| B | KZN214 uMuziwabantu | - | - | - | - | - | - |
| B | KZN216 Ray Nkonyeni | - | - | - | - | - | - |
| C | DC21 Ugu DM | - | - | - | - | 14 600 | 14 600 |
| Total: Ugu Municipalities | | - | - | - | - | 14 600 | 14 600 |
| B | KZN221 uMshwathi | - | - | - | - | - | - |
| B | KZN222 uMngeni | 6 000 | - | - | - | - | 6 000 |
| B | KZN223 Mpofana | - | - | - | - | - | - |
| B | KZN224 iMpendle | - | - | - | - | - | - |
| B | KZN225 Msunduzi | - | - | - | - | - | - |
| B | KZN226 Mkhambathini | 1 700 | - | - | - | - | 1 700 |
| B | KZN227 Richmond | 6 659 | - | - | - | - | 6 659 |
| C | DC22 uMgungundlovu DM | - | - | - | - | - | - |
| Total: uMgungundlovu Municipalities | | 14 359 | - | - | - | - | 14 359 |
| B | KZN235 Okhahlamba | - | - | - | - | - | - |
| B | KZN237 iNkosi Langalibalele | - | - | - | - | - | - |
| B | KZN238 Alfred Duma | - | - | - | - | - | - |
| C | DC23 uThukela DM | - | - | - | 16 000 | - | 16 000 |
| Total: Uthukela Municipalities | | - | - | - | 16 000 | - | 16 000 |
| B | KZN241 eNdumeni | 1 300 | - | - | - | - | 1 300 |
| B | KZN242 Nquthu | - | - | - | - | - | - |
| B | KZN244 uMsinga | - | - | - | - | - | - |
| B | KZN245 uMvoti | 6 311 | - | - | - | - | 6 311 |
| C | DC24 uMzinyathi DM | - | - | - | - | - | - |
| Total: Umzinyathi Municipalities | | 7 611 | - | - | - | - | 7 611 |
| B | KZN252 Newcastle | - | - | - | - | - | - |
| B | KZN253 eMadlangeni | - | - | - | - | - | - |
| B | KZN254 Dannhauser | - | - | - | - | - | - |
| C | DC25 Amajuba DM | - | - | - | - | - | - |
| Total: Amajuba Municipalities | | - | - | - | - | - | - |
| B | KZN261 eDumbe | - | - | - | - | - | - |
| B | KZN262 uPhongolo | - | - | - | - | - | - |
| B | KZN263 AbaQulusi | 5 000 | - | - | - | - | 5 000 |
| B | KZN265 Nongoma | - | - | - | - | - | - |
| B | KZN266 Ulundi | - | - | - | - | - | - |
| C | DC26 Zululand DM | - | - | - | - | - | - |
| Total: Zululand Municipalities | | 5 000 | - | - | - | - | 5 000 |
| B | KZN271 uMhlabuyalingana | - | - | - | - | - | - |
| B | KZN272 Jozini | - | - | - | - | - | - |
| B | KZN275 Mtubatuba | - | - | - | - | - | - |
| B | KZN276 Big Five Hlabisa | - | - | - | - | - | - |
| C | DC27 uMkhanyakude DM | - | 2 500 | - | - | - | 2 500 |
| Total: Umkhanyakude Municipalities | | - | 2 500 | - | - | - | 2 500 |
| B | KZN281 uMfolozi | - | - | - | - | - | - |
| B | KZN282 uMhlathuze | - | - | - | - | 10 200 | 10 200 |
| B | KZN284 uMlalazi | 3 000 | - | - | - | - | 3 000 |
| B | KZN285 Mthonjaneni | - | - | - | - | - | - |
| B | KZN286 Nkandla | - | - | - | - | - | - |
| C | DC28 King Cetshwayo DM | - | - | - | - | - | - |
| Total: King Cetshwayo Municipalities | | 3 000 | - | - | - | 10 200 | 13 200 |
| B | KZN291 Mandeni | 8 000 | - | - | - | - | 8 000 |
| B | KZN292 KwaDukuza | - | - | - | - | - | - |
| B | KZN293 Ndwedwe | 4 500 | - | 3 900 | - | - | 8 400 |
| B | KZN294 Maphumulo | - | - | - | - | - | - |
| C | DC29 iLembe DM | - | - | - | - | - | - |
| Total: Ilembe Municipalities | | 12 500 | - | 3 900 | - | - | 16 400 |
| B | KZN433 Greater Kokstad | 10 000 | - | - | - | - | 10 000 |
| B | KZN434 uBuhlebezwe | - | - | - | - | - | - |
| B | KZN435 uMzimkhulu | - | - | - | - | - | - |
| B | KZN436 Dr. Nkosazana Dlamini Zuma | - | - | - | - | - | - |
| C | DC43 Harry Gwala DM | - | - | - | 12 000 | - | 12 000 |
| Total: Harry Gwala Municipalities | | 10 000 | - | - | 12 000 | - | 22 000 |
| Total | | 52 470 | 2 500 | 3 900 | 28 000 | 24 800 | 111 670 |

Source: National Treasury. Government Gazette No. 40670 & 40707

Appendix 10: Breakdown of Unspent National Conditional Grants - 2015/16

| R'000 | Municipal Infrastructure Grant (MIG) | Infrastructure Skills Development Grant (ISDG) | Municipal Systems Improvement Grant (MSIG) | Financial Mgmt Grant (FMG) | Neighbourhood Development Partnership Grant (NDPG) | Water Services Operating Subsidy Grant (WSOS) | Integrated National Electrification Programme (INEP) | Public Transport Infrastructure Grant (PTIG) | Rural Households Infrastructure Grant (RHIG) | Rural Roads Asset Management Grant (RRAMS) | Energy Efficiency Demand Side Management (EDSM) | Municipal Water Infrastructure Grant (MWIG) | Municipal Disaster Grant (MDG) | Municipal Disaster Recovery Grant (MDRG) | Expanded Public Works Programme (EPWP) | Total Amount Unspent 2015-16 |
|--|--------------------------------------|--|--|----------------------------|--|---|--|--|--|--|---|---|--------------------------------|--|--|------------------------------|
| A KZN2000 eThekweni | - | - | - | - | 261 | - | - | - | - | - | 4 326 | - | - | - | - | 4 587 |
| B KZN211 Vulamehlo | - | - | 671 | - | - | - | - | - | - | - | - | - | - | 2 974 | - | 3 645 |
| B KZN212 Umdoni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN213 Umzumbe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN214 uMuziwabantu | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN215 Ezinqoleni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN216 Hibiscus Coast | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC21 Ugu District Municipality | - | - | - | - | - | - | - | - | - | - | - | 8 398 | - | - | - | 8 398 |
| Total: Ugu Municipalities | - | - | 671 | - | - | - | - | - | - | - | - | 8 398 | - | 2 974 | - | 12 043 |
| B KZN221 uMshwathi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN222 uMngeni | 6 400 | - | - | - | - | - | 3 282 | - | - | - | - | - | - | - | - | 9 682 |
| B KZN223 Mpozana | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN224 Impendle | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN225 Msunduzi | 1 100 | - | 4 | - | 29 748 | - | 551 | 165 200 | - | - | - | - | - | - | - | 196 603 |
| B KZN226 Mkhambathini | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN227 Richmond | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC22 uMgungundlovu District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: uMgungundlovu Municipalities | 7 500 | - | 4 | - | 29 748 | - | 3 833 | 165 200 | - | - | - | - | - | - | - | 206 285 |
| B KZN232 Ennambethi-Ladysmith | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN233 Indaka | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN234 Umtshazi | - | - | - | - | - | - | 1 633 | - | - | - | - | - | - | - | 110 | 1 743 |
| B KZN235 Okhahlamba | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN236 Imbabazane | - | - | - | - | - | - | 6 636 | - | - | - | - | - | - | - | - | 6 636 |
| C DC23 Uthukela District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Uthukela Municipalities | - | - | - | - | - | - | 8 269 | - | - | - | - | - | - | - | 110 | 8 379 |
| B KZN241 Endumeni | - | - | - | - | - | - | 7 497 | - | - | - | - | - | - | - | - | 7 497 |
| B KZN242 Ngquthu | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN244 Msinga | - | - | - | - | - | - | 19 396 | - | - | - | - | - | - | - | - | 19 396 |
| B KZN245 Umvozi | - | - | - | - | - | - | - | - | - | - | - | - | 120 | - | - | 120 |
| C DC24 Umzinyathi District Municipality | - | - | - | - | - | 3 650 | - | - | - | - | - | - | - | - | 22 | 3 672 |
| Total: Umzinyathi Municipalities | - | - | - | - | - | 3 650 | 26 893 | - | - | - | - | - | 120 | - | 22 | 30 685 |
| B KZN252 Newcastle | - | - | 678 | - | - | - | - | - | - | - | - | - | - | - | - | 678 |
| B KZN253 Emadlangeni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN254 Dannhauser | - | - | - | - | - | - | 449 | - | - | - | - | - | - | - | 20 | 469 |
| C DC25 Amajuba District Municipality | - | - | - | - | - | - | - | - | - | - | - | 8 650 | - | - | - | 8 650 |
| Total: Amajuba Municipalities | - | - | 678 | - | - | - | 449 | - | - | - | - | 8 650 | - | - | 20 | 9 797 |
| B KZN261 eDumbe | - | - | 270 | - | - | - | - | - | - | - | - | - | - | - | 122 | 392 |
| B KZN262 uPhongolo | 2 471 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2 471 |
| B KZN263 Abaqulusi | - | - | - | - | - | - | 911 | - | - | - | - | - | - | - | 83 | 994 |
| B KZN265 Nongoma | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN266 Ulundi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC26 Zululand District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Zululand Municipalities | 2 471 | - | 270 | - | - | - | 911 | - | - | - | - | - | - | - | 205 | 3 857 |
| B KZN271 Umhlabuyalingana | 1 337 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 337 |
| B KZN272 Jozini | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN273 The Big 5 False Bay | 5 034 | - | 401 | - | - | - | - | - | - | - | - | - | - | - | - | 5 435 |
| B KZN274 Hlabisa | 3 000 | - | 308 | 45 | - | - | 338 | - | - | - | - | - | - | 263 | - | 3 974 |
| B KZN275 Mtubatuba | - | - | - | - | - | - | - | - | - | - | 914 | - | - | - | - | 914 |
| C DC27 Umkhanyakude District Municipality | - | - | - | - | - | 1 900 | - | - | 8 | 2 500 | - | - | - | - | 1 324 | 5 732 |
| Total: Umkhanyakude Municipalities | 9 371 | - | 709 | 45 | - | 1 900 | 338 | - | 8 | 2 500 | 914 | - | - | - | 1 607 | 17 392 |
| B KZN281 uMfokazi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN282 uMhlatuze | - | 104 | - | - | - | 1 100 | 8 100 | - | - | - | - | 9 300 | - | - | 6 | 18 610 |
| B KZN283 Ntambanana | 1 100 | - | 13 | 8 | - | - | - | - | - | - | - | - | - | - | - | 1 121 |
| B KZN284 Umlalazi | 1 300 | - | - | - | - | - | 4 300 | - | - | - | - | - | - | - | 404 | 6 004 |
| B KZN285 Mthorjaneni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN286 Nkandla | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC28 uThungulu District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: uThungulu Municipalities | 2 400 | 104 | 13 | 8 | - | 1 100 | 12 400 | - | - | - | - | 9 300 | - | - | 410 | 25 735 |
| B KZN291 Mandeni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN292 KwaDukuza | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN293 Ndwedwe | - | - | - | - | 886 | - | - | - | - | - | - | - | - | - | - | 886 |
| B KZN294 Maphumulo | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC29 iLembe District Municipality | - | - | - | - | - | - | - | - | - | 105 | - | - | - | - | - | 105 |
| Total: iLembe Municipalities | - | - | - | - | 886 | - | - | - | - | 105 | - | - | - | - | - | 991 |
| B KZN431 Ingwe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN432 Kwa Sani | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN433 Greater Kokstad | - | - | - | - | - | - | - | - | - | - | 2 831 | - | - | - | - | 2 831 |
| B KZN434 Ubuhlebezwe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B KZN435 Umzimkhulu | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C DC43 Harry Gwala District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Harry Gwala Municipalities | - | - | - | - | - | - | - | - | - | - | 2 831 | - | - | - | - | 2 831 |
| Total | 21 742 | 104 | 2 345 | 53 | 30 895 | 6 650 | 53 093 | 165 200 | 8 | 2 605 | 8 071 | 26 348 | 120 | 2 974 | 2 374 | 322 582 |

Source: National Treasury

Appendix 11: Breakdown of Unspent National Conditional Grants - 2014/15

| R000 | Municipal Infrastructure Grant (MIG) | Municipal human Settlements Capacity Grant (MHSCG) | Municipal Systems Improvement Grant (MSIG) | Financial Mgmt Grant (FMG) | Neighbourhood Development Partnership Grant (NDPG) | Water Services Operating Subsidy Grant (WSOS) | Integrated National Electrification Programme (INEP) | Public Transport Infrastructure Grant (PTIS) | Public Transport Network Operations Grant (PTNOG) | Rural Households Infrastructure Grant (RHIG) | Rural Roads Asset Management Grant (RRAMS) | Energy Efficiency Demand Side Management (EDSM) | Municipal Water Infrastructure Grant (MWIG) | Municipal Disaster Grant (MDG) | Municipal Disaster Recovery Grant (MDRG) | Expanded Public Works Programme (EPWP) | Total Amount Unspent | |
|--|--------------------------------------|--|--|----------------------------|--|---|--|--|---|--|--|---|---|--------------------------------|--|--|----------------------|---------------|
| A KZN200 eThekweni | - | 12 100 | - | - | 18 400 | - | - | 422 200 | 84 700 | - | - | 3 206 | - | - | - | - | 537 406 | |
| B KZN211 Vlamahlo | 3 900 | - | - | - | - | - | - | - | - | - | - | - | - | 648 | 401 | 463 | 4 764 | |
| B KZN212 Umdoni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN213 Umzumbe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN214 uMuziwabantu | 6 490 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6 490 | |
| B KZN215 Ezinqoleni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN216 Hibiscus Coast | 3 400 | - | - | - | - | - | 4 913 | - | - | - | - | - | - | - | - | 37 | 8 350 | |
| C DC21 Ugu District Municipality | - | - | 34 | - | - | - | - | - | - | - | - | - | 8 571 | - | - | 326 | 8 931 | |
| Total: Ugu Municipalities | 13 790 | - | 34 | - | - | - | 4 913 | - | - | - | - | - | 8 571 | 648 | 401 | - | 826 | 28 535 |
| B KZN221 uMshwathi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN222 uMngeni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN223 Mporofana | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN224 Impendle | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN225 Msunduzi | - | - | - | - | - | - | 2 000 | 37 904 | - | - | - | - | - | - | - | - | 39 904 | |
| B KZN226 Mkhambathini | - | - | - | 271 | - | - | 1 467 | - | - | - | - | - | - | - | - | - | 1 758 | |
| B KZN227 Richmond | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C DC22 uMgungundlovu District Municipality | - | - | - | - | - | - | - | - | - | - | 765 | - | - | 1 300 | - | 3 879 | 5 944 | |
| Total: uMgungundlovu Municipalities | - | - | - | 271 | - | - | 3 487 | 37 904 | - | - | 765 | - | - | 1 300 | - | 3 879 | 47 606 | |
| B KZN232 Emnambethi-Ladysmith | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 122 | - | 122 | |
| B KZN233 Indaka | 2 024 | - | 513 | 128 | - | - | - | - | - | - | - | - | - | - | - | - | 2 665 | |
| B KZN234 Umshazi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN235 Okhahlamba | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN236 Imbabazane | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C DC23 Uthukela District Municipality | - | - | - | - | - | 742 | - | - | - | - | - | - | - | - | - | - | 742 | |
| Total: Uthukela Municipalities | 2 024 | - | 513 | 128 | - | 742 | - | - | - | - | - | - | - | - | 122 | - | 3 529 | |
| B KZN241 Endumeni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN242 Nquthu | - | - | 394 | 76 | - | - | 699 | - | - | - | - | - | - | - | - | 192 | 1 361 | |
| B KZN244 Msinga | 2 376 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 500 | 3 876 | |
| B KZN245 Umtoti | 3 956 | - | - | 149 | - | - | 677 | - | - | - | - | - | - | - | - | - | 4 941 | |
| C DC24 Umzimnyathi District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | 159 | - | - | - | |
| Total: Umzimnyathi Municipalities | 6 332 | - | 394 | 225 | - | - | 1 376 | - | - | - | - | - | - | 159 | - | 1 692 | 10 178 | |
| B KZN252 Newcastle | - | - | - | - | 15 000 | - | 22 | - | - | - | - | - | 5 700 | - | - | 344 | 21 066 | |
| B KZN253 Emadlangeni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN254 Darnhauser | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C DC25 Amajuba District Municipality | 31 | - | 54 | 57 | - | - | - | - | - | - | - | - | 259 | - | - | - | 401 | |
| Total: Amajuba Municipalities | 31 | - | 54 | 57 | 15 000 | - | 22 | - | - | - | - | - | 5 959 | - | - | 344 | 21 467 | |
| B KZN261 eDumbe | - | - | 135 | - | - | - | - | - | - | - | - | - | - | - | - | 371 | 506 | |
| B KZN262 uPhongolo | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN263 Abaqulusi | 447 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 447 | |
| B KZN265 Nongoma | 3 061 | - | - | - | 1 500 | - | - | - | - | - | - | - | - | - | - | - | 4 341 | |
| B KZN266 Ulundi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C DC26 Zululand District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total: Zululand Municipalities | 3 508 | - | 135 | - | 1 500 | - | - | - | - | - | - | - | - | - | - | 371 | 5 294 | |
| B KZN271 Umhlabuyalingana | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN272 Jozini | - | - | 278 | 281 | - | - | - | - | - | - | - | - | - | - | - | - | 559 | |
| B KZN273 The Big 5 False Bay | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 145 | 145 | |
| B KZN274 Hlabisa | - | - | 14 | - | - | - | - | - | - | - | - | - | - | - | - | 123 | 137 | |
| B KZN275 Mtubatuba | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| C DC27 Umkhanyakude District Municipality | - | - | - | - | - | - | - | - | - | - | 1 115 | - | - | - | - | 1 000 | 2 115 | |
| Total: Umkhanyakude Municipalities | - | - | 292 | 281 | - | - | - | - | - | - | 1 115 | - | - | - | - | 1 268 | 2 956 | |
| B KZN281 uMfolozi | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN282 uMshahuze | - | - | - | - | - | 1 300 | - | - | - | 2 300 | - | - | 4 131 | - | - | - | 7 731 | |
| B KZN283 Ntambanana | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN284 Umhlabazi | 810 | - | 491 | 61 | - | - | 2 263 | - | - | - | - | - | - | - | - | - | 3 625 | |
| B KZN285 Mthonjaneni | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN286 Nkandla | - | - | - | 121 | - | - | - | - | - | - | - | - | - | - | - | 83 | 204 | |
| C DC28 uThungulu District Municipality | - | - | - | - | - | - | - | - | - | - | 1 600 | - | 30 833 | - | - | - | 32 433 | |
| Total: uThungulu Municipalities | 810 | - | 491 | 182 | - | 1 300 | 2 263 | - | - | 2 300 | 1 600 | - | 34 964 | - | - | 83 | 43 993 | |
| B KZN291 Manderi | - | - | - | - | 6 546 | - | - | - | - | - | - | - | - | - | - | - | 6 546 | |
| B KZN292 KwaDukuza | - | - | - | - | 3 585 | - | - | - | - | - | - | - | - | - | - | - | 3 585 | |
| B KZN293 Ndwedwe | 14 600 | - | - | 101 | 12 579 | - | 3 700 | - | - | - | - | - | - | - | - | - | 30 980 | |
| B KZN294 Maphumulo | - | - | - | - | - | - | 4 270 | - | - | - | - | - | - | - | - | - | 4 270 | |
| C DC29 iLembe District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - | 999 | - | 2 267 | 3 266 | |
| Total: iLembe Municipalities | 14 600 | - | - | 101 | 22 710 | - | 7 970 | - | - | - | - | - | - | 999 | - | 2 267 | 48 647 | |
| B KZN431 Ingwe | 11 985 | - | 131 | 292 | - | - | - | - | - | - | - | - | - | - | - | 123 | 12 531 | |
| B KZN432 Kwa Sani | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN433 Greater Kokstad | 1 318 | - | - | 6 | - | - | - | - | - | - | - | - | - | - | - | - | 1 324 | |
| B KZN434 Utshebezwe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| B KZN435 Umzimkhulu | - | - | - | - | 612 | - | - | - | - | - | - | - | - | - | - | - | 612 | |
| C DC43 Harry Gwala District Municipality | - | - | - | - | - | - | - | - | - | - | 195 | 2 439 | - | - | - | - | 2 634 | |
| Total: Harry Gwala Municipalities | 13 303 | - | 131 | 298 | 612 | - | - | - | - | - | 195 | 2 439 | - | - | - | 123 | 17 101 | |
| Total | 54 398 | 12 100 | 2 044 | 1 543 | 58 222 | 2 042 | 20 031 | 460 104 | 84 700 | 2 300 | 3 675 | 5 645 | 49 494 | 3 106 | 523 | 10 853 | 766 712 | |

Source: National Treasury

Appendix 12: Unspent National Conditional Grants - 2010/11 to 2015/16

| R'000 | | | Unspent Conditional Grants for 2010/11 | Unspent Conditional Grants for 2011/12 | Unspent Conditional Grants for 2012/13 | Unspent Conditional Grants for 2013/14 | Unspent Conditional Grants for 2014/15 | Unspent Conditional Grants for 2015/16 | Total |
|--|----------------|----------------------|---|---|---|---|---|---|------------------|
| A | KZN2000 | eThekwini | 47 629 | - | 317 434 | 7 351 | 537 406 | 4 587 | 914 407 |
| B | KZN211 | Vulamehlo | 133 | 1 452 | 4 956 | 648 | 4 764 | 3 645 | 15 598 |
| B | KZN212 | Umdoni | 4 536 | 424 | - | - | - | - | 4 960 |
| B | KZN213 | Umzumbe | - | - | - | - | - | - | - |
| B | KZN214 | uMuzwabantu | 11 101 | 171 | - | - | 6 490 | - | 17 762 |
| B | KZN215 | Ezinqoleni | - | - | - | 830 | - | - | 830 |
| B | KZN216 | Hibiscus Coast | 18 000 | - | 1 604 | 3 871 | 8 350 | - | 31 825 |
| C | DC21 | Ugu DM | 11 609 | 30 | 2 837 | 2 940 | 8 931 | 8 398 | 34 745 |
| Total: Ugu Municipalities | | | 45 379 | 2 077 | 9 397 | 8 289 | 28 535 | 12 043 | 105 720 |
| B | KZN221 | uMshwathi | 342 | - | - | - | - | - | 342 |
| B | KZN222 | uMngeni | 748 | 465 | - | 996 | - | 9 682 | 11 891 |
| B | KZN223 | Mpofana | - | 178 | 162 | 1 700 | - | - | 2 040 |
| B | KZN224 | Impendle | 1 019 | 4 948 | - | - | - | - | 5 967 |
| B | KZN225 | Msunduzi | 8 688 | 7 879 | 52 386 | 77 545 | 39 904 | 196 603 | 383 005 |
| B | KZN226 | Mkhambathini | - | - | 8 662 | - | 1 758 | - | 10 420 |
| B | KZN227 | Richmond | - | 6 412 | - | - | - | - | 6 412 |
| C | DC22 | uMgungundlovu DM | - | - | 1 223 | - | 5 894 | - | 7 117 |
| Total: uMgungundlovu Municipalities | | | 10 797 | 19 882 | 62 433 | 80 241 | 47 556 | 206 285 | 427 194 |
| B | KZN232 | Emnambithi/Ladysmith | 2 472 | 8 000 | - | - | 122 | - | 10 594 |
| B | KZN233 | Indaka | 4 118 | 1 187 | 1 968 | 10 789 | 2 665 | - | 20 727 |
| B | KZN234 | Umtshezi | 2 097 | - | 8 508 | 4 600 | - | 1 743 | 16 948 |
| B | KZN235 | Okhahlamba | 9 460 | 3 919 | - | - | - | - | 13 379 |
| B | KZN236 | Imbabazane | 6 206 | 188 | - | 3 189 | - | 6 636 | 16 219 |
| C | DC23 | Uthukela DM | 227 | 7 544 | 7 045 | - | 742 | - | 15 558 |
| Total: Uthukela Municipalities | | | 24 580 | 20 838 | 17 521 | 18 578 | 3 529 | 8 379 | 93 425 |
| B | KZN241 | Endumeni | 78 | 4 694 | - | - | - | 7 497 | 12 269 |
| B | KZN242 | Nquthu | 630 | 484 | 3 799 | - | 1 361 | - | 6 274 |
| B | KZN244 | Msinga | 8 000 | - | 3 791 | 2 200 | 3 876 | 19 396 | 37 263 |
| B | KZN245 | Umvoti | 274 | 2 187 | - | 646 | 4 941 | 120 | 8 168 |
| C | DC24 | Umzinyathi DM | - | - | 1 000 | 6 370 | - | 3 672 | 11 042 |
| Total: Umzinyathi Municipalities | | | 8 982 | 7 365 | 8 590 | 9 216 | 10 178 | 30 685 | 75 016 |
| B | KZN252 | Newcastle | - | 19 224 | 9 000 | - | 21 066 | 678 | 49 968 |
| B | KZN253 | eMadlangeni | 1 238 | 5 285 | 2 303 | 696 | - | - | 9 522 |
| B | KZN254 | Dannhauser | 115 | - | - | 146 | - | 469 | 730 |
| C | DC25 | Amajuba DM | 5 276 | 1 305 | 5 000 | 7 231 | 401 | 8 650 | 27 863 |
| Total: Amajuba Municipalities | | | 6 629 | 25 814 | 16 303 | 8 073 | 21 467 | 9 797 | 88 083 |
| B | KZN261 | eDumbe | 2 945 | - | - | 4 600 | 506 | 392 | 8 443 |
| B | KZN262 | uPhongolo | 9 417 | 1 996 | - | - | - | 2 471 | 13 884 |
| B | KZN263 | Abaqulusi | 4 932 | - | 149 | - | 447 | 994 | 6 522 |
| B | KZN265 | Nongoma | 224 | - | 259 | 7 973 | 4 341 | - | 12 797 |
| B | KZN266 | Ulundi | 239 | 1 489 | - | 1 267 | - | - | 2 995 |
| C | DC26 | Zululand DM | - | - | - | - | - | - | - |
| Total: Zululand Municipalities | | | 17 757 | 3 485 | 408 | 13 840 | 5 294 | 3 857 | 44 641 |
| B | KZN271 | Umhlabuyalingana | 2 437 | - | - | - | - | 1 337 | 3 774 |
| B | KZN272 | Jozini | 3 492 | 8 096 | 1 615 | 559 | 559 | - | 14 321 |
| B | KZN273 | The Big 5 False Bay | 1 729 | - | - | 1 400 | 145 | 5 435 | 8 709 |
| B | KZN274 | Hlabisa | 3 449 | 2 557 | - | 239 | 137 | 3 974 | 10 356 |
| B | KZN275 | Mtubatuba | - | - | 4 110 | - | - | 914 | 5 024 |
| C | DC27 | Umkhanyakude DM | 1 050 | 1 765 | 1 082 | 1 600 | 2 115 | 5 732 | 13 344 |
| Total: Umkhanyakude Municipalities | | | 12 157 | 12 418 | 6 807 | 3 798 | 2 956 | 17 392 | 55 528 |
| B | KZN281 | Mfolozi | 1 082 | 373 | 8 160 | 113 | - | - | 9 728 |
| B | KZN282 | uMhlathuze | 1 385 | 374 | - | - | 7 731 | 18 610 | 28 100 |
| B | KZN283 | Ntambanana | 1 117 | 3 218 | - | - | - | 1 121 | 5 456 |
| B | KZN284 | uMlalazi | - | - | - | - | 3 625 | 6 004 | 9 629 |
| B | KZN285 | Mthonjaneni | - | 10 695 | - | - | - | - | 10 695 |
| B | KZN286 | Nkandla | 15 081 | - | 2 833 | 98 | 204 | - | 18 216 |
| C | DC28 | uThungulu DM | 280 | - | - | 127 | 32 433 | - | 32 840 |
| Total: uThungulu Municipalities | | | 18 945 | 14 660 | 10 993 | 338 | 43 993 | 25 735 | 114 664 |
| B | KZN291 | Mandeni | - | 7 418 | - | - | 6 546 | - | 13 964 |
| B | KZN292 | KwaDukuza | 1 054 | - | 8 604 | 7 126 | 3 585 | - | 20 369 |
| B | KZN293 | Ndwedwe | 62 | - | - | 51 | 30 980 | 886 | 31 979 |
| B | KZN294 | Maphumulo | 268 | 7 455 | 640 | - | 4 270 | - | 12 633 |
| C | DC29 | iLembe DM | 434 | - | - | - | 3 266 | 105 | 3 805 |
| Total: iLembe Municipalities | | | 1 818 | 14 873 | 9 244 | 7 177 | 48 647 | 991 | 82 750 |
| B | KZN431 | Ingwe | - | - | - | - | 12 531 | - | 12 531 |
| B | KZN432 | Kwa Sani | - | - | 463 | - | - | - | 463 |
| B | KZN433 | Greater Kokstad | - | - | - | - | 1 324 | 2 831 | 4 155 |
| B | KZN434 | Ubuhlebezwe | - | 723 | 412 | - | - | - | 1 135 |
| B | KZN435 | Umzimkhulu | - | - | - | - | 612 | - | 612 |
| C | DC43 | Harry Gwala DM | - | - | 2 500 | - | 2 634 | - | 5 134 |
| Total: Harry Gwala Municipalities | | | - | 723 | 3 375 | - | 17 101 | 2 831 | 24 030 |
| Total | | | 194 673 | 122 135 | 462 505 | 156 901 | 766 662 | 322 582 | 2 025 458 |

Source: National Treasury

Appendix 13: Approved Rollovers - 2015/16

| R'000 | Municipal Improvement Grant (MIG) | Municipal Systems Improvement Grant (MSIG) | Municipal Water Infrastructure Grant (MWIG) | Financial Management Grant (FMG) | Neighbourhood Development Partnership Grant (NDPG) | Water Services Operating Subsidy Grant (WSOS) | Energy Demand Sided Management Grant (EDSM) | Integrated National Electrification Programme (INEP) | Public Transport Infrastructure Grant (PTIS) | Rural Roads Asset Management Grant (RRAMS) | Municipal Human Settlements Capacity Grant (MSHCG) | Rural Household Infrastructure Grant (RHIG) | Municipal Disaster Grant (MDG) | Expanded Public Works Programme (EPWP) | Total Amount Approved |
|--|-----------------------------------|--|---|----------------------------------|--|---|---|--|--|--|--|---|--------------------------------|--|-----------------------|
| A | KZN2000 | eThekweni | - | - | - | - | 4 318 | - | - | - | 14 300 | - | - | - | 18 618 |
| B | KZN211 | Vulamehlo | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN212 | Umdoni | 301 | - | - | - | - | - | - | - | - | - | - | - | 301 |
| B | KZN213 | Umzumbe | 275 | - | - | - | - | 1 150 | - | - | - | - | 783 | - | 2 208 |
| B | KZN214 | uMuzwabantu | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN215 | Ezinqoleni | - | - | - | 199 | - | - | - | - | - | - | - | - | 199 |
| B | KZN216 | Hibiscus Coast | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC21 | Ugu District Municipality | - | - | - | - | 3 650 | - | - | - | - | - | - | - | 3 650 |
| Total: Ugu Municipalities | | | 576 | - | - | 199 | 3 650 | 1 150 | - | - | - | - | 783 | - | 6 358 |
| B | KZN221 | uMshwathi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN222 | uMngeni | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN223 | Mpofana | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN224 | Impendle | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN225 | Msunduzi | - | - | 1 300 | - | - | - | - | - | - | - | - | - | 1 300 |
| B | KZN226 | Mkhambathini | - | - | - | - | - | 54 | - | - | - | - | - | 46 | 100 |
| B | KZN227 | Richmond | 2 117 | - | - | - | - | - | - | - | - | - | - | - | 2 117 |
| C | DC22 | uMgungundlovu District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: uMgungundlovu Municipalities | | | 2 117 | - | 1 300 | - | - | 54 | - | - | - | - | - | 46 | 3 517 |
| B | KZN232 | Ennambethi-Ladysmith | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN233 | Indaka | 1 702 | - | - | - | - | 1 304 | - | - | - | - | - | - | 3 006 |
| B | KZN234 | Umtshezi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN235 | Okhahlamba | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN236 | Imbabazane | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC23 | Uthukela District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Uthukela Municipalities | | | 1 702 | - | - | - | - | 1 304 | - | - | - | - | - | - | 3 006 |
| B | KZN241 | Endumeni | - | - | - | - | - | - | - | - | - | - | - | - | 284 |
| B | KZN242 | Nquthu | 284 | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN244 | Msinga | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN245 | Umvoti | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC24 | Umkhanyathi District Municipality | 12 968 | - | - | - | - | - | - | - | - | - | - | - | 12 968 |
| Total: Umkhanyathi Municipalities | | | 13 252 | - | - | - | - | - | - | - | - | - | - | - | 13 252 |
| B | KZN252 | Newcastle | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN253 | Emadlangeni | - | - | - | - | - | 1 800 | - | - | - | - | - | - | 1 800 |
| B | KZN254 | Dannhauser | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC25 | Amajuba District Municipality | - | - | - | - | 830 | - | - | - | - | - | - | - | 830 |
| Total: Amajuba Municipalities | | | - | - | - | - | 830 | 1 800 | - | - | - | - | - | - | 2 630 |
| B | KZN261 | eDumbe | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN262 | uPhongolo | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN263 | Abaqulusi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN265 | Nongoma | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN266 | Ulundi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC26 | Zululand District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Zululand Municipalities | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN271 | Umkhanyakude | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN272 | Jozini | 2 281 | - | - | - | - | 3 517 | - | - | - | - | - | - | 5 798 |
| B | KZN273 | The Big 5 False Bay | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN274 | Hlabisa | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN275 | Mtubatuba | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC27 | Umkhanyakude District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Umkhanyakude Municipalities | | | 2 281 | - | - | - | - | 3 517 | - | - | - | - | - | - | 5 798 |
| B | KZN281 | uMfolozi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN282 | uMhlatuze | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN283 | Niambanana | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN284 | Umlalazi | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN285 | Mthonjaneni | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN286 | Nkandla | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC28 | uThungulu District Municipality | - | - | 3 954 | 1 | - | - | - | - | - | - | - | - | 3 955 |
| Total: uThungulu Municipalities | | | - | - | 3 954 | 1 | - | - | - | - | - | - | - | - | 3 955 |
| B | KZN291 | Mandeni | - | - | - | - | - | 4 245 | - | - | - | - | - | - | 4 245 |
| B | KZN292 | KwaDukuza | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN293 | Ndwedwe | - | - | - | - | - | 461 | - | - | - | - | - | - | 461 |
| B | KZN294 | Maphumulo | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC29 | iLembe District Municipality | - | - | - | - | 2 916 | - | - | - | - | - | - | - | 2 916 |
| Total: iLembe Municipalities | | | - | - | - | - | 2 916 | 4 706 | - | - | - | - | - | - | 7 622 |
| B | KZN431 | Ingwe | 2 841 | - | - | - | - | - | - | - | - | - | - | - | 2 841 |
| B | KZN432 | Kwa Sani | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN433 | Greater Kokstad | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN434 | Ubulhebezwe | - | - | - | - | - | - | - | - | - | - | - | - | - |
| B | KZN435 | Umkhanyakude | - | - | - | - | - | - | - | - | - | - | - | - | - |
| C | DC43 | Harry Gwala District Municipality | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total: Harry Gwala Municipalities | | | 2 841 | - | - | - | - | - | - | - | - | - | - | - | 2 841 |
| Total | | | 22 769 | - | 5 254 | 200 | 7 396 | 4 318 | 12 531 | - | 14 300 | - | 783 | 46 | 67 597 |

Source: National Treasury

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