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TO: MAYORS

MUNICIPAL MANAGERS

CHIEF FINANCIAL OFFICERS

KWAZULU-NATAL MUNICIPALITIES

PROVINCIAL TREASURY CIRCULAR PT/MF 05 OF 2018/19

FINDINGS ON THE 2018/19 MUNICIPAL BUDGET ASSESSMENT/EVALUATION

Provincial Treasury has assessed the 2018/19 Tabled Budgets of all 51 delegated municipalities as required by Section 22 of the Municipal Finance Management Act (Act No. 56 of 2003) (MFMA), read in conjunction with Section 23(1) of the MFMA which states that *the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget*. Provincial Treasury further conducted high level assessments on the 2018/19 Approved Budgets of all 51 delegated municipalities.

1. PURPOSE

The purpose of this circular is to:

- Share with all KwaZulu-Natal Mayors the findings of the Tabled Budget assessment/evaluation process and the Approved Budget high level assessments for the delegated municipalities in KwaZulu-Natal; and
- Highlight some of the key non-compliance areas and areas of weakness and common mistakes which municipalities should consider and address (where applicable) when preparing their 2018/19 Adjustments Budgets and the 2019/20 MTREF Budgets.

2. BACKGROUND AND DISCUSSION

Tabling of the 2018/19 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the MFMA requires the Mayor of a municipality to table in Council at least 10 months before the start of the budget year, a *Time schedule outlining key deadlines* for the budget process. The main objectives of this section are to ensure that the budget preparation process commences timeously and complies with all legislative requirements.

In this regard, 45 of the 51 delegated municipalities timeously tabled their *Time schedule*

outlining key deadlines in Council by 31 August 2017 as per the requirements of the MFMA. Table 1 shows the municipalities which did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2017. Non-compliance letters were sent to the Mayors of these municipalities.

Table 1: Municipalities which tabled their 2018/19 Time schedules outlining key deadlines after 31 August 2017

No	Name of municipality	No	Name of municipality
1	iNkosi Langalibalele	4	eDumbe
2	eNdumeni	5	Jozini
3	uPhongolo	6	uMfolozi

Source: KZN Provincial Treasury

All six municipalities shown in Table 1 above subsequently tabled their *Time schedule outlining key deadlines* in Council.

Provincial Treasury conducted a high level review on the *Time schedule outlining key deadlines* of the 51 delegated municipalities. Compliance and credibility issues were identified in the *Time schedule outlining key deadlines* of 18 municipalities as listed in Table 2 below. The issues identified were communicated to the municipalities in writing.

Table 2: Municipalities where gaps were identified in their 2018/19 Time schedules outlining key deadlines

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	7	uMngeni	13	Nquthu
2	uMzumbhe	8	Mpofana	14	uMsinga
3	uMuziwabantu	9	iMpindle	15	uMvoti
4	Ray Nkonyeni	10	Richmond	16	uMzinyathi DM
5	Ugu DM	11	uMgungundlovu DM	17	New castle
6	uMshwathi	12	eNdumeni	18	eMadlangeni

Source: KZN Provincial Treasury

Provincial Treasury's support to municipalities on the 2018/19 Municipal Budgets preparation process

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 which are licensed to supply 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 an improvement in the quality of the tariff increase applications by municipalities, NERSA together with Provincial Treasury conducted workshops on the 5th and 7th September 2017 in Pietermaritzburg and Richards Bay respectively. The purpose of the workshops was mainly to highlight the correct process of completing and submitting the relevant application forms as well as meeting the deadlines for the various processes. The workshops were conducted for all delegated and non-delegated municipalities which are licenced to supply electricity. Eighty three (83) municipal officials from 25 municipalities attended the workshop.

Furthermore, Provincial Treasury provided technical support to a number of delegated municipalities with a view of ensuring, amongst others:

- That the correct Version 6.2 of the prescribed A1 Schedule was used in the preparation of their 2018/19 Medium Term Revenue & Expenditure Framework (MTREF) Budget;
- That the Annual Budget returns were correctly captured and reconciled to the Council Approved Budget;
- That the 2018/19 MTREF budgets incorporated the requirements of the latest budget circulars, namely, MFMA Circulars No. 89 and 91; and
- That the application forms for the increase of electricity tariffs which are lodged with NERSA were completed.

On-site technical support for the preparation of the 2018/19 Budget was provided to the five municipalities shown in Table 3 at their request:

Table 3: On-site technical support to municipalities on the 2018/19 budget preparation process

No	Name of municipality	No	Name of municipality
1	Ray Nkonyeni	4	Mthonjaneni
2	Alfred Duma	5	Nkandla
3	uMlalazi		

Source: KZN Provincial Treasury

To further guide all 51 delegated municipalities with the preparation of their 2018/19 budgets and to monitor compliance with the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury (PT) issued Circular PT/MF 08 of 2017/18 dated 26 February 2018 (Preparation, submission and publication of the 2018/19 MTREF) to the municipalities. The circular covered the following areas relating to the Budget preparation process:

- Preparation of the 2018/19 MTREF municipal budgets;
- Format requirements for the 2018/19 MTREF municipal budgets;
- Funding position of the 2018/19 MTREF municipal budgets;
- Technical assistance on the 2018/19 MTREF draft budgets;
- Assessment of the 2018/19 draft budget and engagement with municipalities;
- Submission of the 2018/19 MTREF municipal budgets;
- Publication of the 2018/19 MTREF municipal budgets;
- 2018/19 MTREF municipal budget verification process;
- Functioning of the Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- Provincial Treasury and National Treasury transfers to municipalities; and
- Further matters for consideration in the 2018/19 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 have been considered and addressed (where applicable) by municipalities when preparing their 2018/19 MTREF budgets.

The status of Budget Steering Committees (BSCs)

Regulation 4(1) of the MBRR states that *the Mayor of a municipality must establish a budget steering committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.*

Provincial Treasury has embarked on a process to determine the number of municipalities that have approved and operational BSCs. This process involves obtaining the Council resolutions approving the BSCs and considering if the BSCs are adequately constituted in terms of Regulation 4(1) of the MBRR. An effectively functioning BSC is an integral component of the municipal budgeting and planning process to ensure that a reliable, relevant and credible budget is approved by the Municipal Council. Provincial Treasury issued Circular PT/MF 09 of 2016/17 dated 24 March 2017 (Budget Steering Committee) to update its information on the establishment and functioning of BSCs in KZN. According to the responses received, many municipalities do not appear to have BSCs as per Regulation 4(1) of the MBRR in order to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act *Budget processes and related matters*. Municipalities that do not have approved and functional BSCs for the 2019/20 MTREF Budget process are urged to immediately commence with the process to establish their BSCs.

Furthermore, Provincial Treasury offered training to the BSCs and/or EXCOs of municipalities on the preparation of funded budgets for the 2018/19 MTREF. The offer was made to 18 municipalities that tabled unfunded budgets for the 2017/18 budget year as well as those that posed an additional risk of tabling an unfunded budget for 2018/19. Only five municipalities as listed in Table 4 below accepted the offer and received the training.

Table 4: Municipalities that were trained on the 2018/19 budget preparation process

No	Name of municipality	No	Name of municipality
1	Big Five Hlabisa	4	Amajuba DM
2	Jozini	5	uMuziwabantu
3	uMvoti		

Source: KZN Provincial Treasury

Municipal Standard Chart of Accounts (mSCOA)

MFMA Circular No. 91 indicated in paragraph 6.2 that Version 6.2 of the mSCOA classification framework is effective from the 2018/19 financial year and must be used to compile the 2018/19 MTREF Budget. The circular further required all municipalities to prepare their 2018/19 MTREF Budgets on their financial systems and that the A1 Schedule be produced directly from their financial system. Based on this premise, all municipalities should be able to timely upload accurate mSCOA data strings to the portal as the A1 Schedule and the data strings would both be produced from the same financial system.

Paragraph 7.4 of the circular indicated that municipalities must upload the mSCOA data strings for the tabled (TABB) and adopted (ORGB) budget to the upload portal accompanied by the IDP project details data strings (PRTA and PROR). The deadlines for the submission

of the mSCOA data strings were set at the same dates as the deadlines for the submission of the tabled and approved budget documents.

Provincial Treasury compared the data strings uploaded for the 2018/19 Tabled budgets to those tabled in Council and found a significant number of differences for all municipalities. This was a key indicator that municipalities did not produce their A1 Schedules directly from their financial systems as required by MFMA Circular No. 91. The differences were communicated to all municipalities to make the necessary corrections.

Section 24(3) of the MFMA read together with Regulation 20(1) of the MBRR and paragraph 7.4 of MFMA Circular No. 91 requires that the mSCOA data strings for the Approved Budgets must be submitted to the National Treasury and relevant Provincial Treasury within ten working days after the Council has approved the annual budget. As at the 30th June 2018, only the iNkosi Langalibalele Local Municipality had not submitted their data strings, despite having approved their budget on the 30th May 2018. Furthermore, 29 municipalities while having submitted their mSCOA data strings, did not do so within ten working days of approving their budgets.

2018/19 Tabled Budget Assessment Process

Tabling of the 2018/19 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.*

All the 51 delegated municipalities tabled their 2018/19 Budgets in Council by the 31st March 2018 in line with Section 16(2) of the MFMA.

Submission of the 2018/19 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 formats. The MFMA Budget Circular No. 89 set the dates for the submission of the electronic copies at the 3rd April 2018 and the printed copies at the 6th April 2018. However, four municipalities did not submit their electronic copies and six municipalities did not submit their printed copies within the deadlines as per the Circular. All these municipalities received non-compliance letters in this regard as shown in Table 5 below.

Table 5: Municipalities that did not submit electronic or printed copies of their 2018/19 Tabled Budgets timely

No	Municipalities that did not submit electronic copies	No	Municipalities that did not submit printed copies
1	Nquthu	1	uMshwathi
2	Ugu DM	2	Ugu DM
3	Mkhambathini	3	Nquthu
4	uMshwathi	4	Ulundi
		5	Mkhambathini
		6	Jozini

Source: KZN Provincial Treasury

Outcomes of the 2018/19 Tabled Budgets Assessments/Evaluations

Upon the receipt of the tabled 2018/19 Budgets, Provincial Treasury undertook an assessment of the Tabled Budgets 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 Council 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 6.2 of the A1 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 2018/19 Tabled Budgets for all delegated municipalities were in the correct format of Version 6.2 of the A1 Schedule and the Tabled Budgets provided a reasonable basis for the assessments and comments.

Of the 51 delegated municipalities' budgets assessed, Provincial Treasury determined that only 23 Tabled Budgets were funded, 16 were unfunded while the funding position could not be established for the remaining 12 municipalities.

In a bid to improve the funding positions and the overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities throughout the 2018/19 Budget preparation process. The support included bilateral engagements with the municipalities during which detailed guidance was provided on the causes of the unfunded budgets and actions that could be taken to improve the funding position of the municipalities.

Key findings on the 2018/19 Tabled Budgets Assessments

The findings on the 2018/19 Tabled Budgets were communicated through feedback letters to all delegated municipalities. Prior to communicating the feedback to municipalities, Provincial Treasury held bilateral meetings with 45 delegated municipalities to discuss the comments and recommendations on the findings relating to their 2018/19 Tabled Budgets. The Mayors were invited to the meetings where municipalities had tabled unfunded budgets. At these meetings, Provincial Treasury requested the municipalities to consider the comments and recommendations provided by Provincial Treasury during the preparation of the final budgets to be approved by Council. The bilateral meetings could not be held with the remaining 6 delegated municipalities due to amongst others, the non-availability of senior managers of the municipalities. The municipalities were also requested to table in Council for noting, the Provincial Treasury's comments and responses by municipalities as part of the Approved 2018/19 Budget and related documents.

The following were the key findings with respect to the assessments of the 2018/19 Tabled Budgets:

- **Compliance with Municipal Budget and Reporting Regulations and other legislation**

The quality of budgets submitted by delegated municipalities continues to improve year on year, especially the submissions which are on the latest version of the budget format. As indicated earlier, all the delegated municipalities managed to submit their 2018/19 Tabled Budgets using the latest Version 6.2 of the A1 Schedule.

Compliance checks reflected that many municipalities did not provide all the required budget information and did not submit all the required budget supporting documents such as the Budget related policies, the Draft Service Delivery and Budget Implementation Plan (SDBIP), the Draft Integrated Development Plan (IDP) and the Budget Assumptions, etc. The Budget Narrative reports for some of the municipalities were of a poor quality and were not comprehensive, and in some cases contradicted information contained in the A1 Schedule. Provincial Treasury has also found that some municipalities did not submit key calculations supporting significant budget line items. Sixteen (16) out of the 51 delegated municipalities did not submit their draft SDBIPs as shown in Table 6. The corresponding non-compliance letters were sent to 15 municipalities with the exception of the uMdoni Local Municipality which requested an extension in terms of Section 27(2) of the MFMA.

Table 6: Municipalities that did not submit the draft SDBIP

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	7	uMgungundlovu DM	13	uMlalazi
2	uMdoni	8	iNkosi Langalibelele	14	Mthonjaneni
3	uMshwathi	9	uThukela DM	15	Maphumulo
4	Mkhambathini	10	Nquthu	16	Harry Gwala DM
5	iMpendle	11	Ulundi		
6	uMngeni	12	Jozini		

Source: KZN Provincial Treasury

Table A10: *Basic service delivery measurement* was not completed or poorly completed by most municipalities. Table A10 is critical for reflecting amongst others, the information on the number of households within a municipal area, a measurement of the number of households receiving basic services at the minimum service level, the number of households receiving free basic services, the cost of providing free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt-hour for electricity and how frequently refuse is being removed, etc. As a result of the poor quality of information in Table A10, Provincial Treasury was not able in many cases to determine the accuracy of budgets for the *Cost of Free Basic Services* and whether municipalities are effectively delivering basic services to their indigent customers.

Other critical supporting tables which were not completed or poorly completed were Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, and Table SA24: *Summary of personnel numbers*, Table SA34b: *Capital expenditure on the renewal of existing assets by asset class*, Table SA34e: *Capital expenditure on the upgrading of existing assets by asset class*, Table SA37: *Project delayed from previous financial year(s)*, and Table SA38: *Consolidated detailed operational projects*.

- **Credibility of budget figures**

The budget tables in the A1 Schedules for some municipalities were either not fully and/or accurately populated. Discrepancies were noted in the following areas:

- Audited Outcome figures did not reconcile to the audited Annual Financial Statement (AFS) figures;
- The full year forecasts figures for 2017/18 were merely replicated as the Adjusted Budget figures and were not in line with the performance trends;
- The 2017/18 Adjusted Budget figures did not reconcile to the approved B Schedule figures; and
- Differences were noted between the figures quoted in the narrative report and the A1 Schedule.

Challenges were also experienced in some cases where municipalities did not provide the basis for their budget assumptions and/or no budget assumptions were supplied at all for certain line items, thus limiting the analysis by Provincial Treasury.

- **Sustainability of the municipality**

Many municipalities' operating budgets continue to be funded mainly from grants. Provincial Treasury has noted with concern that some municipalities have **budgeted for operating deficits** for the 2018/19 MTREF. These municipalities were alerted to the fact that continued operating deficits may result in the erosion of municipal cash reserves leading to future unfunded budgets.

Many municipalities still continue to provide water, sanitation and refuse removal services at a deficit, despite the advice contained in the MFMA Circulars that the tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not indicate any plans aimed at rectifying the challenges that have resulted in providing these services at deficits, thereby exposing the municipality to the risk of not being sustainable.

- **Funding of budgets**

Despite the ongoing advice given to the municipalities through the MFMA Circulars that municipalities should prepare funded budgets as per Section 18 of the MFMA, many municipalities still table unfunded budgets.

Some municipalities still failed to adequately complete Tables A7: *Budgeted cash flow* and A8: *Cash backed reserves/accumulated surplus reconciliation* which are critical not only to reflect the cash flow status of the municipality but also to assist in determining the funding position of municipal budgets.

In Table A7, the most common error was the capturing of incorrect figures in the Adjusted Budget and Audited Outcomes columns. Consequently, incorrect opening balances were being carried over the MTREF. Furthermore, the majority of municipalities neither accurately populated the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2017/18 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2018/19 Opening *Cash and cash equivalents* balance. The budgeted cash inflow in some cases was also based on collection rate assumptions which were not realistic and adequately justified.

Provincial Treasury recalculates an estimate for the *other working capital requirements* in Table A8 based on the *Receivables* and *Payables* in the audited AFS as well as the Adjusted Budget for the current year (2017/18) and the budget assumptions for revenue and expenditure in the budget year (2018/19). This process highlighted that some municipalities significantly understated their cash outflows for *Suppliers and employees* in Table A7 and/or their *Trade and other creditors* balance as at the end of 2018/19 budget year in Table SA3: *Supporting detail to 'Budgeted Financial Position'*. Similarly, municipalities overstated their cash inflows for the various operating revenue line items in Table A7 and/or their *Consumer debtors, other debtors* and *Long term receivables* balances as at the end of 2018/19 budget year in Table SA3.

Table A8 was commonly characterised by incomplete information which did not correlate with information contained in the audited AFS, whereby estimates on *Unspent conditional transfers, Statutory requirements* and *Other provisions* were not reflected which, together with the unrealistic *Other working capital requirements* resulted in an incorrect status of *Cash backed reserves/accumulated surplus reconciliation*.

Some municipalities have reflected negative *Cash/cash equivalents at the year end* and *shortfall* positions over the entire MTREF period, thus raising concerns over their liquidity and whether or not the municipalities will be able to pay their debts as and when they fall due.

- **Operating revenue**

Regarding the operating revenue budget, some municipalities did not justify in their budget narratives all increases to their tariffs in excess of the 6.4 percent upper boundary of the South African Reserve Bank's inflation target as required by MFMA Circular No. 91.

Most municipalities did not disclose the rateable properties, market values as well as valuation reductions and any other rating criteria in Tables SA11 *Property rates summary*, SA12b *Property rates by category* which limited the analysis of the reasonableness of the budgets for *Property rates* revenue by Provincial Treasury. Due to the non-submission of *Property rates* policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could not determine whether these municipalities have incorporated the amendments resulting from the Municipal Property Rates Amendment Act (Act No. 29 of 2014).

Some municipalities that provide services such as water and electricity did not budget for the *Cost of Free Basic Services* against the relevant revenue items in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* as a result of incorrectly populating Table SA9: *Social, economic and demographic statistics and assumptions*.

- **Operating expenditure**

With regards to the operating expenditure budget, most municipalities did not justify all their increases above the inflationary rate of 6.4 percent against various expenditure items as required by MFMA Circular No. 91.

Tables SA22, SA23 and SA24 relating to councillors and staff benefits, salaries and allowances as well as personnel numbers for the municipality were either poorly populated or not populated thereby limiting the extent to which the reasonableness of the budgeted salary increases could be assessed.

Despite the guidance provided in MFMA Circular No. 71 for the ratio of *Remuneration (Employee related costs and Remuneration of councillors)* to *Total operating expenditure* to be between 20 and 40 percent, the ratio was found to be excessive in many municipalities.

Some municipalities under budgeted for *Debt impairment* and *Depreciation*. While both these are non-cash expenses, the municipalities could still incur unauthorised expenditure at the end of the financial year due to the under budgeting. Significant under budgeting also results in municipalities projecting unrealistic operating surpluses.

Despite the guidance of MFMA Circulars No. 58, 66 and subsequent MFMA Circulars to reduce non-priority spending, it was noted that some municipalities have still budgeted for items considered to be non-priority.

Other expenditure, in particular, was of concern as the increases in some cases were excessive. Furthermore, undefined projects and non-priority items were noted in *General expenses* resulting in significantly high budget amounts for *other expenditure*. Some municipalities also did not detail *other expenditure* sufficiently in Table SA1: *Supporting detail to 'Budgeted Financial Performance'*.

For most municipalities, *General expenses*, as detailed in Supporting Table SA1 contributes more than 10 percent towards *other expenditure* for 2018/19. In terms of the MFMA Budget Format Guide, *General expenses* should not exceed 10 percent of the *other expenditure* budget. Municipalities were advised to review their allocation of expenditure to *General expenses* and reallocate the expenditure to the appropriate expenditure items accordingly.

• **Capital Expenditure and Asset Management**

Some municipalities continue to submit incomplete Budget Tables relating to their capital budget, including Table SA36: *Detailed capital budget* and Table SA37: *Project delayed from previous financial year/s*. Most of the municipalities still have a challenge in budgeting for at least 40 percent of the *Capital expenditure* budget for *Renewal of existing assets* as per National Treasury's guide. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary - PPE* values in Table A9 *Asset Management* were also not linked to Asset Registers, thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.

Some municipalities did not indicate the budget allocations to sub-functions in Table A5 such as *Executive and Council*, *Internal audit* and *Public safety*, thereby raising concerns over the credibility of their budgets.

Notwithstanding the importance of supplementing the capital programme from *Internally generated funds*, the narrative reports of some municipalities could not adequately demonstrate that they have sufficient cash backed accumulated funds from previous financial years. With the poorly populated Tables A7 and A8, the municipalities' ability to finance capital programmes from internal funding in some cases could not be established.

For those municipalities intending to finance their capital programme through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the loan amortisation schedules and as a result, Provincial Treasury could not determine the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.

- **Submission of Service level standards**

Most municipalities did not submit their Service level standards as required by MFMA Circular No. 78, despite the guideline being issued to all municipalities on how to formulate Service level standards. Provincial Treasury will continue to monitor the municipalities to ensure that they put in place appropriate Service level standards.

Municipal responses to Provincial Treasury findings on the 2018/19 Tabled 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 with Regulation 20 of the MBRR. In this regard, the 16 municipalities shown in Table 7 provided responses to Provincial Treasury.

Table 7: Municipalities that provided formal responses to Provincial Treasury's comments

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	7	uMgungundlovu DM	13	uMlalazi
2	uMdoni	8	iNkosi Langalibalele	14	Mthonjaneni
3	uMshwathi	9	uThukela DM	15	Maphumulo
4	Mkhambathini	10	Nquthu	16	Harry Gwala DM
5	iMpindle	11	Ulundi		
6	uMngeni	12	Jozini		

Source: KZN Provincial Treasury

Summary of the 2018/19 Tabled Budget Assessment Process

KZN Provincial Treasury identified key focus areas that impact the budget process and have presented the outcomes of those key focus areas for the Tabled Budget process over a three year budget period (2016/17 – 2018/19) in Table 8.

Table 8: Areas for Continuous Improvement

No	Item	2016/17 Process	2017/18 Process	Year on year movement	2018/19 Process	Year on year movement
Budget Timelines						
1	Time Schedules outlining key deadlines NOT tabled by 31 August	9 (16%)	17 (33%)		6 (12%)	
2	Time Schedules outlining key deadlines NOT tabled	0 (0%)	1 (2%)		0 (0%)	
Tabled (Draft) Budget						
3	Technical support provided to munis. by PT on the budget preparation process	1 (2%)	2 (4%)		5 (10%)	
4	Nos. of munis. that did NOT submit their Tabled Budget to PT by the due date as per MFMA Budget circ.	4 (7%)	1 (2%)		4 (8%)	
5	Nos. of munis. that did NOT place their Budget on the municipal website within 5 working days of tabling	4 (7%)	6 (12%)		7 (14%)	
6	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)		0 (0%)	
7	Nos. of munis. whose Tabled budgets were NOT in the correct format/version applicable	0 (0%)	0 (0%)		0 (0%)	
8	Nos. of munis. with Funded Tabled budgets	25 (43%)	24 (47%)		23 (45%)	
9	Nos. of munis. with Unfunded Tabled budgets	16 (28%)	13 (25%)		16 (31%)	
10	Nos. of munis. where funding positions of the Tabled budget could not be determined	17 (29%)	14 (27%)		12 (24%)	
11	Nos. of munis. that were engaged by PT on the Tabled budget	50 (86%)	45 (88%)		45 (88%)	
12	Nos. of Feedback letters* sent (PT findings on Tabled budget)	56 (100%)	51 (100%)		51 (100%)	
SDBIP						
13	Nos. of Draft SDBIPs NOT submitted to PT	21 (36%)	11 (22%)		10 (20%)	

* Nos. of delegated munis. in KZN decreased from 58 to 51 after the August 2016 Local Government election

Key

- Year on year improvement noted or No improvement possible
- No change noted year on year
- Year on year regression noted

Source: KZN Provincial Treasury

A trend analysis of key activities for the Tabled Budget process over the three year period from 2016/17 to 2018/19 reflects significant improvement in the tabling of the *Time Schedule outlining key deadlines* which assists municipalities to fully comply with all legislative requirements for the budget process. While four municipalities submitted their budgets late to Provincial Treasury, all delegated municipalities submitted their budgets enabling Provincial Treasury to assess the budgets of all delegated municipalities. However, despite regular reminders some municipalities still failed to upload their budget documentation to their municipal websites timeously. This is of great concern to Provincial Treasury as this step in the process is integral to the municipalities' transparent communication with its communities. Some municipalities have indicated that the non-compliance was due to the non-functioning of their websites. Municipalities were thus reminded of the importance of Section 75 of the MFMA and an adequately functioning website in order to fully comply with this legislative requirements. While there has been an overall improvement in the planning and implementation of the budget process, the budget funding positions have regressed. Municipalities are also reminded to improve the quality of their Tabled Budgets in order for

Provincial Treasury to provide more detailed feedback on improving their budgeted funding positions.

2018/19 Approved Budget Assessment Process

Approval and submission of the 2018/19 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 fails to approve the budget.*

With the exception of three municipalities namely, uMuziwabantu and eNdumeni Local Municipalities and uMkhanyakude District Municipality, all the delegated municipalities tabled their 2018/19 MTREF Budgets for consideration at least 30 days before the start of the budget year. The three municipalities applied for an extension of that deadline in terms of Section 27(2) of the MFMA. Approval was granted to all three municipalities and they all subsequently approved their budgets as per the extended deadlines as shown in the table below.

Table 9: Municipalities that applied for an extension to the deadline in terms of Section 24(1) of the MFMA

No	Name of Municipality	Date of Approval of Final Budget
1	uMuziwabantu	05-Jun-18
2	eNdumeni	05-Jun-18
3	uMkhanyakude DM	06-Jun-18

Source: KZN Provincial Treasury

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting officer to submit the electronic and printed versions of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. Two non-compliance letters were issued to the municipalities that did not submit electronic and/or printed copies of their budgets as shown in the table below.

Table 10: Municipalities that did not submit electronic or printed copies of their 2018/19 Approved Budgets timely

No	Municipalities that did not submit electronic copies	No	Municipalities that did not submit printed copies
1	Nquthu	1	iNkosi Langelibalele
		2	Nquthu

Source: KZN Provincial Treasury

Outcomes of the High Level Assessment of the Approved 2018/19 Budgets

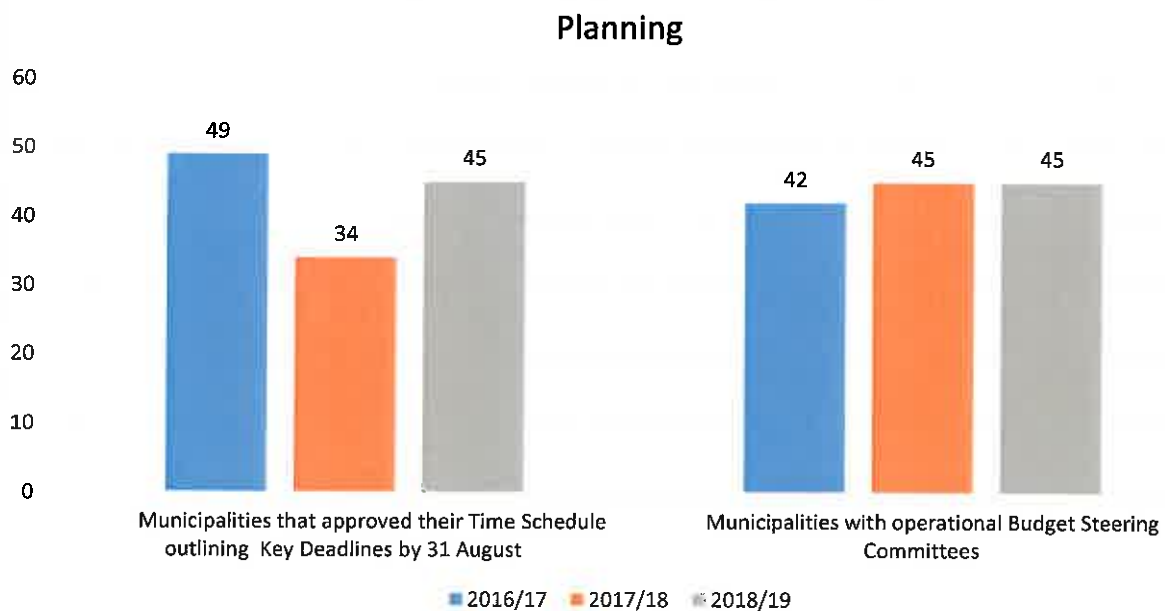
Provincial Treasury conducted a high level assessment of the 2018/19 Approved Budgets of all 51 delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury were considered in their 2018/19 Approved Budgets. Municipalities with unfunded budgets and those municipalities whose funding positions could not be determined, were requested to re-table and approve a funded budget before the start of the financial year (by 30th June 2018), where possible. In other cases, the municipalities were reminded to table funded 2018/19 Adjustments Budgets in terms of Section 28 of the MFMA, failing which the I would report the errant municipalities to National Treasury to consider the stopping of their Equitable Share transfers in terms of Section 38 of the MFMA. These municipalities were also requested to table a plan in Council indicating how and by when their budgets will be funded as required by MFMA Circular No. 89.

Ugu District Municipality re-tabled their budget before the start of the financial year as requested. Despite the assistance of Provincial Treasury, the municipality re-tabled and approved an unfunded budget before the start of the financial year.

Key findings on the 2018/19 Approved Budgets High Level Assessments

The following key findings are based on the Approved Budget assessments conducted on the 51 delegated municipalities. Figure 1 compares the number of municipalities that approved their *Time schedules outlining key deadlines* by 31st August as well as the number of municipalities with operational BSCs.

Figure 1: Planning for the Budget Process

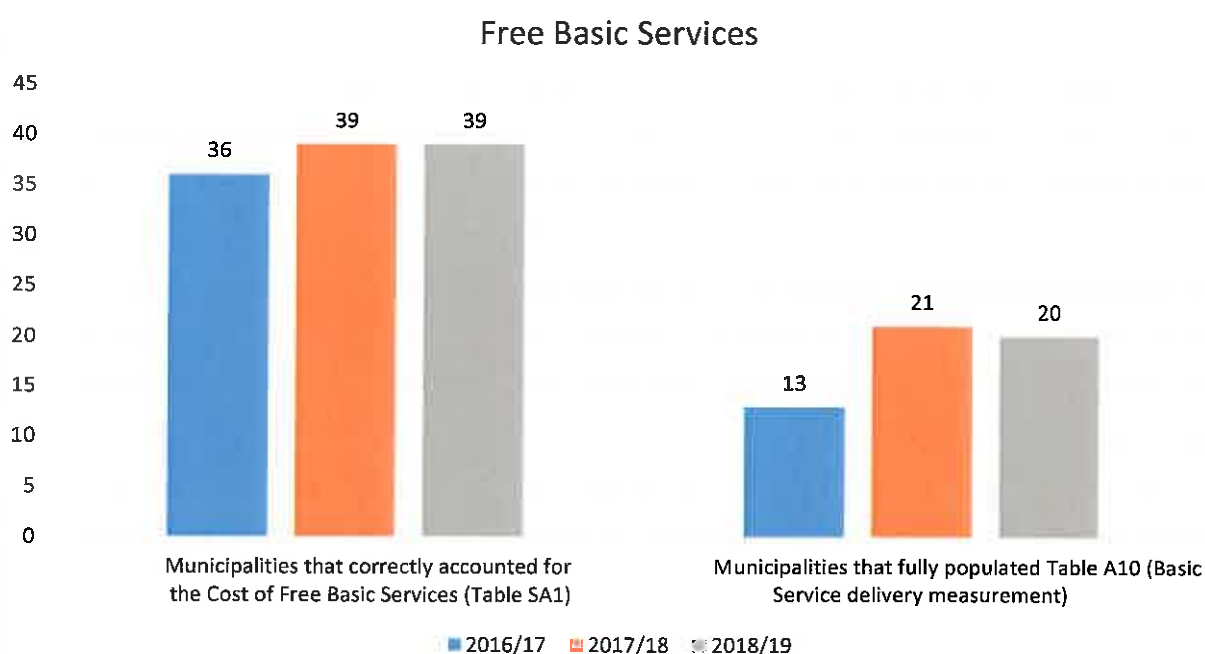


Source: KZN Provincial Treasury

There has been an increase in the number of municipalities from 34 in 2017/18 to 45 in 2018/19 that tabled their *Time schedules outlining key deadlines* within the within the prescribed date as per Section 21(1)(b) of the MFMA. This is encouraging as better planning will lead to improved compliance and possibly more credible budgets. During the budget process, 45 municipalities indicated that they had operational BSCs. However, only 12 municipalities were able to provide the Council Resolutions for the approval of their BSCs. Provincial Treasury is still currently engaging with municipalities to ensure they all have effective and functional BSCs.

Figure 2 highlights the number of municipalities that correctly accounted for the Cost of Free Basic Services Table SA1: *Supporting detail to 'Budgeted Financial Performance'* as well as the number of municipalities that fully populated Table A10: *Basic service delivery*.

Figure 2: Budgeting for Free Basic Services



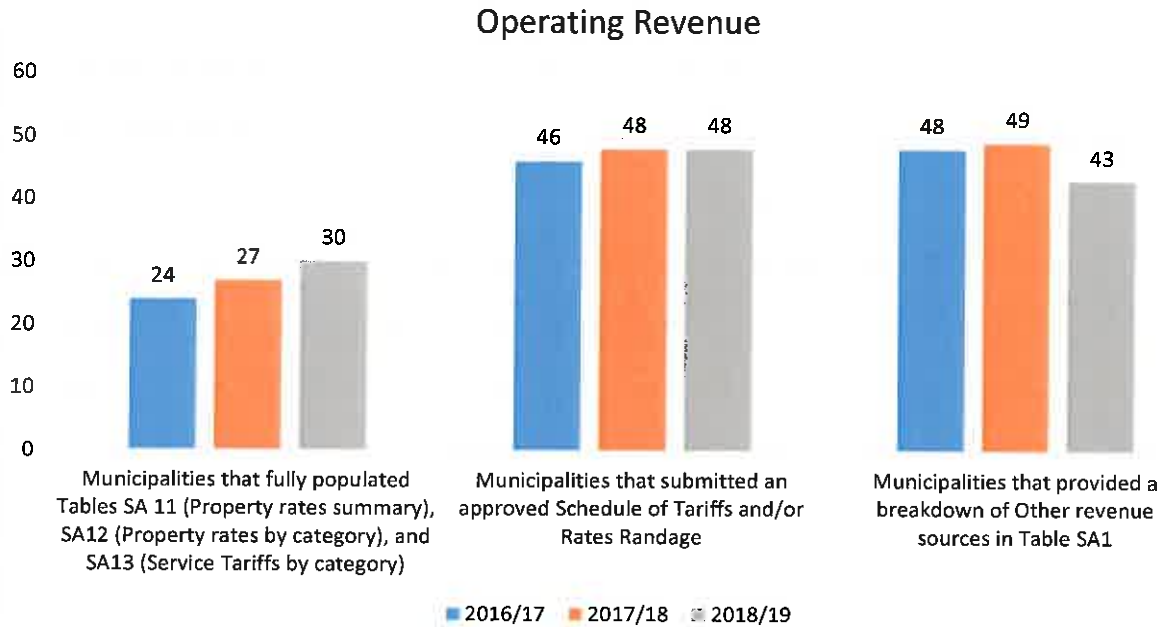
Source: KZN Provincial Treasury

Figure 2 indicates that 39 municipalities (76.5 percent) correctly accounted for the *Cost of Free Basic Services* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* of the A1 Schedule. However only 20 municipalities (39.2 percent) fully populated Table A10: *Basic service delivery measurement*. Table A10 is essential to provide statistics on the cost of free basic services according to national policy as well as the revenue cost of free services, of rebates, exemptions and discounts as per the municipal Council policy. MFMA Circular No. 58 indicates that the purpose of this information is to enable the Council and the municipality to gain an understanding of the impact that these discounts and free services have on the municipality's revenues in order to tailor its social package appropriately taking into consideration the equitable share funds provided to subsidise the provision of free basic services. Information in Table A10 also facilitates the analysis of which customer group's benefit from a municipality's social package as well as actual service delivery and service delivery backlogs. As a result of the incomplete information, Provincial Treasury was not in a position to fully comment in the feedback letters to the municipalities on the credibility of the

budgets for *Free Basic Services*.

Figure 3 indicates the number of municipalities that fully populated supporting tables in the A1 Schedule that are crucial to the budget for *Property rates* and other services. The figure also shows the number of municipalities that submitted an approved Schedule of Tariffs and/or Rates Randage as well as the number of municipalities that provided a breakdown of *Other revenue* sources in Table SA1.

Figure 3: Budgeting for Operating Revenue

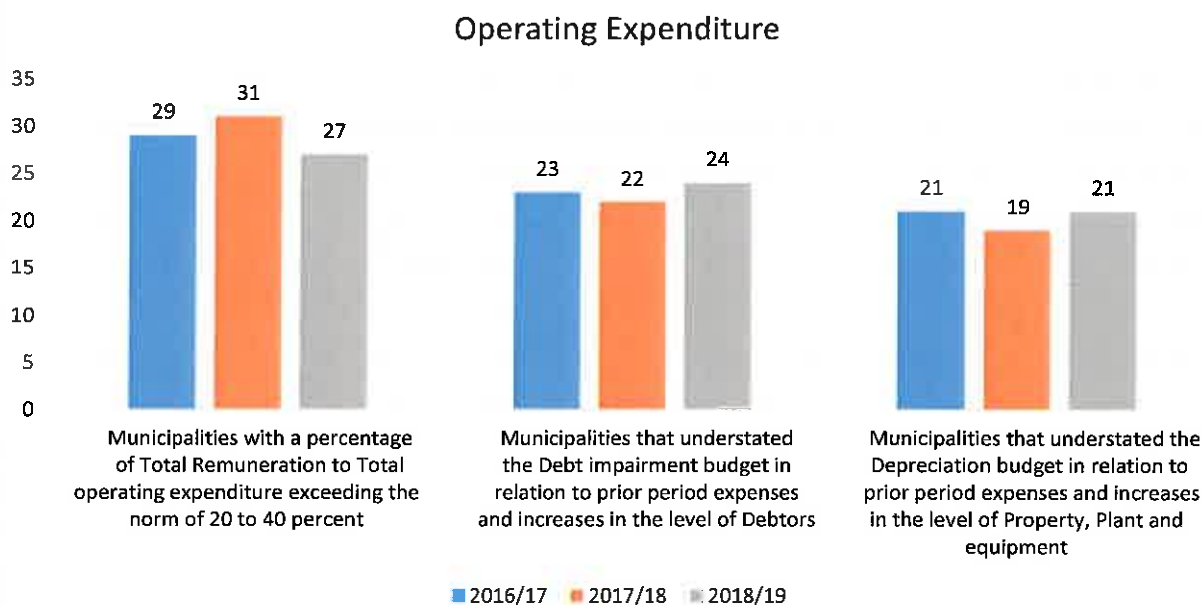


Source: KZN Provincial Treasury

There is an increasing number of municipalities that are fully populating Tables SA11 *Property rates summary*, SA12 *Property rates by category* and SA13 *Service Tariff by category*. Despite the increase, only 30 municipalities (58.8 percent) provided this information that is used to determine the credibility of the budget for *Property rates* and other services. Forty-eight (48) municipalities submitted their approved schedule of tariffs with their budgets which enabled Provincial Treasury to assess the reasonability of the budget for applicable revenue items against the approved tariffs. All municipalities must therefore submit their approved schedule of tariffs with their budgets. Municipalities are also reminded to ensure that Table SA1: *Supporting detail to 'Budgeted Financial Performance'* and the narrative budget document are effectively used to provide a detailed breakdown of *Other revenue* as this information provides an indication of realistically anticipated revenue. Only 43 out of the 51 delegated municipalities provided a breakdown of *other revenue* sources in Table SA1.

Figure 4 shows statistics relevant to budgeting for *Operating expenditure*. The first graph shows the number of municipalities with excessive ratios when comparing *Total remuneration to Total operating expenditure*. The next two graphs indicate the number of municipalities that under budgeted for *Debt impairment* and the number of municipalities that under budgeted for *Depreciation and asset impairment* resulting in an understated budget for *Operating expenditure*.

Figure 4: Budgeting for Operating Expenditure

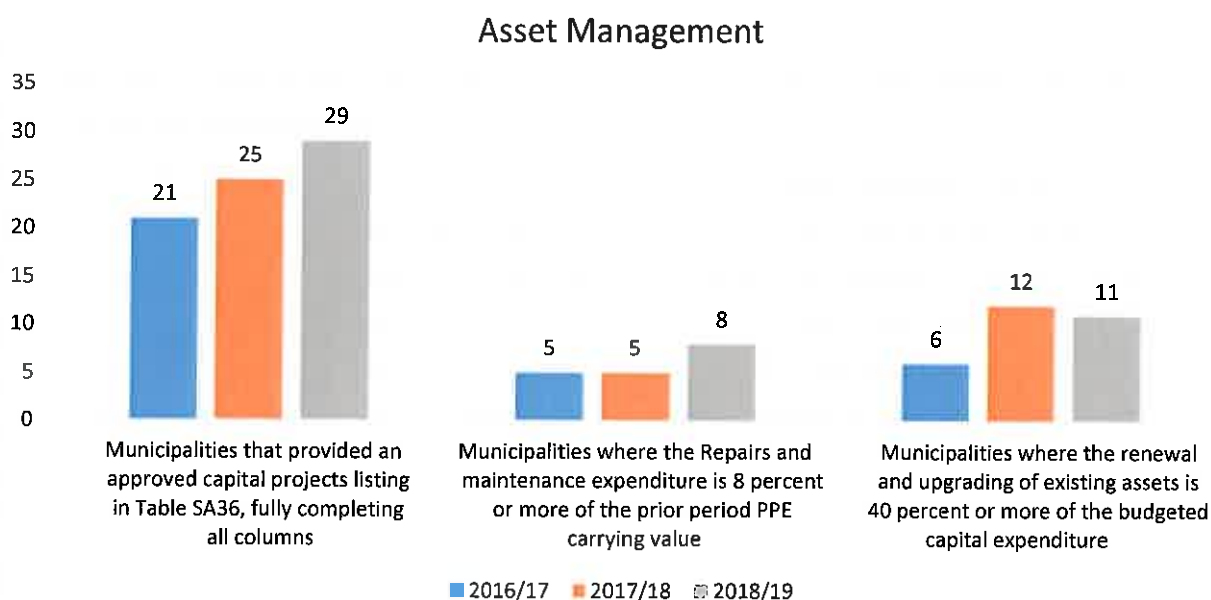


Source: KZN Provincial Treasury

MFMA Circular No. 71 determined the norm for the percentage of *Total remuneration to Total operating expenditure* to be between 25 to 40 percent. Based on Provincial Treasury's assessments, at least 27 municipalities (52.9 percent) are above this norm. This indicates that the municipality is labour intensive in their operations and effective management thereof is required for optimal service delivery. Figure 4 reflects that at least 24 municipalities (47.1 percent) understated their *Debt impairment* budget, and 21 municipalities (41.2 percent) understated their *Depreciation* budget. While these two line items in the statement of financial performance are non-cash items, they do contribute to the calculation of the surplus/deficit of the municipality. Understating the *Operating expenditure* budgets also implies that municipalities are not taking all costs into account when determining cost reflective tariffs for their municipalities.

Figure 5 shows the statistics that relate to Asset Management. The first graph shows the number of municipalities that provided an approved capital projects listing in Table SA SA36 *Detailed capital budget*. Figure 5 also shows the number of municipalities where *Repairs and maintenance* expenditure is 8 percent or more of the prior period carrying value of *Property, plant and equipment* and the number of municipalities that budgeted 40 percent or more of their capital expenditure for the renewal and upgrading of assets.

Figure 5: Asset Management



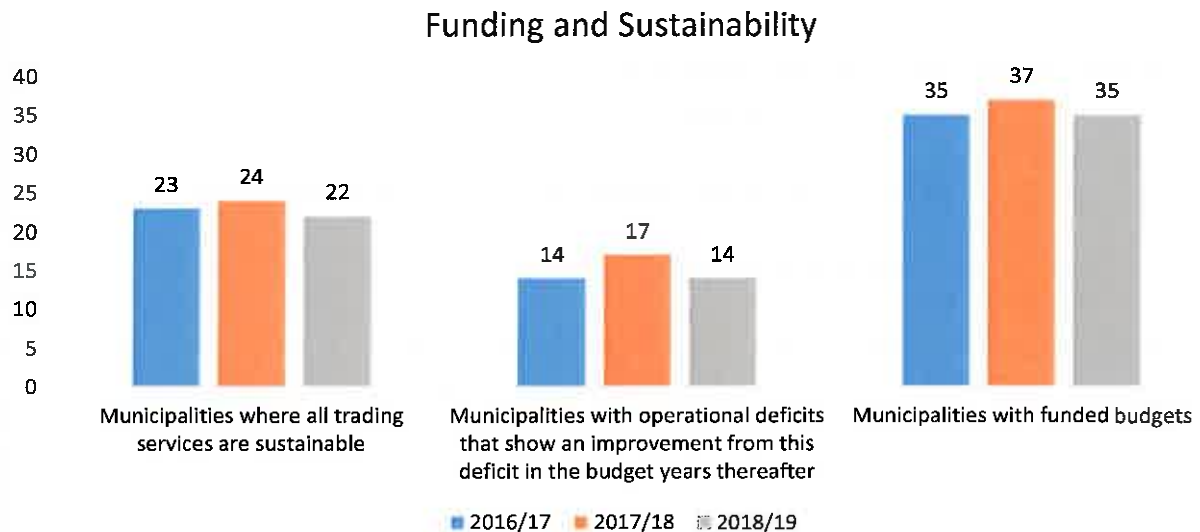
Source: KZN Provincial Treasury

Figure 5 reflects an increasing trend in municipalities fully populating Table SA36 *Detailed capital budget*. During the 2018/19 budget period 29 municipalities (56.9 percent) fully completed Table SA36 which requires a *description* of the projects, *asset classifications*, *GPS co-ordinates*, the relevant *wards*, whether the project is a *new* or *renewal of an asset* and the estimated *rand value*. This information assists with effective planning for the capital budget and therefore all municipalities must provide the required details. MFMA Circular No. 55 noted that municipalities have serious repairs and maintenance and asset renewal backlogs which are impacting negatively on the financial sustainability of municipalities as well as their ability to provide reliable municipal services of a good standard. Therefore, the Circular requested municipalities to prioritise allocations in their budgets for *Repairs and maintenance* as well as *Asset renewal*, providing the guidance that the budget for *Repairs and maintenance* should be at least 8 percent of the municipality's *Property, plant and equipment (PPE)* value reflected in their latest AFS and the budget for *Asset renewal* should be at least 40 percent of the total capital budget. However, municipalities are still not budgeting adequately for the repairs and maintenance or the renewal and upgrade of their assets. Only 8 municipalities (15.7 percent) budgeted for *Repairs and maintenance* that equates to 8 percent or more of the prior period *PPE* value, while only 11 municipalities (21.6 percent) allocated 40 percent or more to the *Renewal and upgrading of municipal assets*. This indicates that municipalities do not have adequate plans to effectively maintain the health of their municipal infrastructure which could lead to future financial instability at the municipality and/or the municipality not being able to carry out its mandate of service

delivery.

Figure 6 is a reflection of the funding and sustainability of municipalities. The first graph shows the number of municipalities where all trading services are sustainable, the number of municipalities with operational deficits that show an improvement from this deficit in the budget years thereafter as well as the number of municipalities with funded budgets.

Figure 6: Funding and Sustainability



Source: KZN Provincial Treasury

Figure 6 reflects that only 22 municipalities (43.1 percent) are in a position where all their trading services are sustainable. The remaining 29 municipalities have budgeted to trade at a deficit on some or all of their services which will negatively impact the future sustainability of the municipality. These budgeted trading losses are caused by the municipalities not having cost reflective tariffs as well as inefficiencies in the provision of these services. MFMA Circular No. 55 notes that a municipality should budget for a moderate operating surplus determined by their *Operating revenue* and *Operating expenditure*, to contribute to the funding of the capital budget. The Circular further notes that an *Operating deficit* is indicative of financial imbalances that need to be addressed. There are 14 municipalities that budgeted for operational deficits during the 2018/19 budget year but indicated improvements in the two outer years. While this is encouraging, the municipalities did not always provide turnaround plans to support this improvement. Figure 6 also indicates that only 35 delegated municipalities approved funded budgets for the 2018/19 budget year. One of the causes of municipalities to approve unfunded budgets is due to the fact that some municipalities' have trading services that are not sustainable. Municipalities must therefore increase revenue and decrease expenditure to the extent necessary to improve their financial performance and approve funded budgets.

Summary of 2018/19 Approved Budget Process

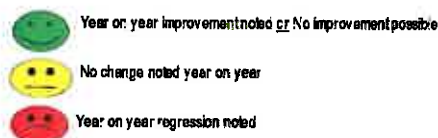
KZN Provincial Treasury identified key focus areas that impact the budget process and have presented the outcomes of those key focus areas for the Approved Budget process over a three year budget period (2016/17 – 2018/19) in Table 11.

Table 11: Areas for Continuous Improvement

No	Item	2016/17 Process	2017/18 Process	Year on year movement	2018/19 Process	Year on year movement
Approved (Final) Budget						
1	Nos. of Approved budgets NOT considered by 31 May (30 days prior to the start of the financial year)	1 (2%)	1 (2%)		3 (6%)	
2	Nos. of munis. that did NOT submit their Approved Budget to PT within 10 working days	0 (0%)	1 (2%)		2 (4%)	
3	Nos. of munis. whose Approved budgets were NOT in the correct format/version, applicable	0 (0%)	0 (0%)		0 (0%)	
4	Nos. of munis. that did NOT place their Budget on the municipal website within 5 working days of tabling	7 (12%)	15 (28%)		3 (6%)	
5	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)		0 (0%)	
6	Nos. of munis. that re-tabled an Approved Budget before 30 June (start of the financial year)	0 (0%)	3 (20%)		1 (7%)	
7	Nos. of munis. with Funded Approved budgets	41 (71%)	37 (73%)		35 (68%)	
8	Nos. of munis. with Unfunded Approved budgets	13 (22%)	13 (25%)		13 (25%)	
9	Nos. of munis. where funding positions of the Approved budget could not be determined	4 (7%)	1 (2%)		3 (6%)	
10	Nos. of munis. that formally responded to PT's findings on the Tabled Budget	16 (28%)	11 (22%)		14 (27%)	
11	Nos. of munis. that provided Council resolution indicating that PT comments were considered		16 (31%)		22 (43%)	
SDBIP						
12	Nos. of FINAL SDBIPs NOT submitted to PT	4 (7%)	1 (2%)		1 (2%)	

* Nos. of delegated munis. in KZN decreased from 58 to 51 after the August 2016 Local Government election

Key



Source: KZN Provincial Treasury

The three year trend analysis reflects that there was an increase in the number of municipalities that did not consider their budgets for approval by the 31st May 2018. However, it must be noted that these municipalities did apply for an extension in terms of Section 27(2) of the MFMA and all KZN municipalities approved their budgets before the commencement of the 2018/19 financial year. Significant improvement is noted in the number of municipalities that uploaded their Approved Budgets to their municipal websites from 15 non-compliant municipalities in 2017/18 to only 3 municipalities in 2018/19. However there was an overall decline in the number of funded budgets approved in the province as well as the number of unfunded Approved Budgets that were re-tabled before the start of the financial year. Provincial Treasury has also noted an increase in the number of municipalities that are formally responding to Provincial Treasury's findings on their Tabled Budgets from 11 in 2017/18 to 14 2018/19 as well as those that are tabling Provincial Treasury's comments on their Tabled Budget assessments in Council. The tabling of Provincial Treasury's comments on the Tabled Budgets enables municipalities to have

transparent discussions on the budget and take decisions on the measures required to improve the finances of the municipalities.

Table 12 shows a summary of the statistics on the 2018/19 municipal budget assessment process and the funding position of the Approved Budgets:

Table 12: Summary of the outcomes on the 2018/19 Budget Assessment Process

	No. of Budgets	Name of municipality
2018/19 Tabled Budgets		
Budgets tabled late (after 31 March 2018)	0	
Budgets received (electronic and printed copies)	51	
Budgets Assessed	51	
Budgets Tabled in correct formats	51	
Funded Budgets	23	
Unfunded Budgets	16	
Undetermined Funding Position	12	
2018/19 Approved Budgets		
Budgets not considered for Approval by 31 May 2018	3	uMuziwabantu, eNdumeni, uMkanyakude DM
Budgets approved in correct formats	51	
Budgets received (electronic and printed copies)	51	
High level assessments conducted on Approved Budgets	51	
Funded Budgets	35	
Unfunded Budgets	13	
Undetermined Funding Position	3	

Source: KZN Provincial Treasury

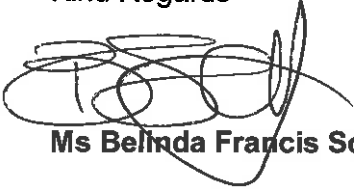
Table 12 shows the funding positions of the 2018/19 Tabled and Approved Budgets of all delegated municipalities. The table shows that initially there were only 23 Tabled Budgets which were funded, 16 were unfunded while the funding position for 12 municipalities could not be determined mainly due to incomplete information. However, through further engagement and support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved. Table 12 shows that 35 of the Approved Budgets were funded, 13 were unfunded while the funding position of only 3 municipalities could not be determined. Refer to Annexure A for the funding position of each municipality's 2018/19 Tabled Budget and 2018/19 Approved Budget. Annexure B provides a trend analysis of the funding position of all KZN municipalities over the last six budget years (2013/14 – 2018/19).

3. RECOMMENDATIONS

- As emphasised in the budget processes of previous years, municipalities are encouraged to commence with their budget process timeously by tabling their *Time schedule outlining key deadlines* for the following financial year's IDP and Budget processes by 31 August as per the requirements of the MFMA;
- Municipalities should strive to align their IDP and Budget processes as set-out in the *Time schedule outlining key deadlines*;
- The IDP's and SDBIP's should be timeously submitted together with the Tabled Budgets for a comprehensive assessment of the budget by Provincial Treasury;
- Municipalities should also commence earlier with regard to the population of the budget tables and supporting documents. This will allow for sufficient review of the budget by the Chief Financial Officer (CFO) and BSC as well as the timeous resolution of any problems that might be experienced by municipalities with the preparation of the budget;
- Municipalities should strive to improve their budget narration relating to explanations, assumptions and projections of their budgets. This can be achieved by using the Dummy Budget Guide issued by National Treasury;
- Municipalities are encouraged to invite Provincial Treasury to attend their Finance Committee or BSC meetings during the budget preparation process;
- Municipalities are recommended to prepare and maintain a Budget Working Paper file, in order to support the budget estimates and assumptions contained in their budgets. The guide in this regard was included in Provincial Treasury Circular (PT/MF 08 of 2017/18 dated 26 February 2018) which was submitted to all delegated municipalities;
- Municipal information systems should be linked to the prescribed budget and reporting templates to ensure the correct application of approved tariffs, control of budget implementation as well as the population of the correct In-Year-Monitoring reports and be mSCOA compliant;
- Municipalities must ensure that they table Provincial Treasury's budget assessment comments in their Councils and obtain resolutions thereon;
- Municipalities must also improve the completion of budget cash flow Tables A7 *Budgeted Cash Flows* and A8 *Cash backed reserves/accumulated surplus reconciliation* in order to eliminate the instances where Provincial Treasury is unable to determine the funding position due to insufficient information;
- As a funded budget is one of the key "game changers", I will be recommending that National Treasury consider stopping the equitable share transfers of municipalities with unfunded budgets that have not approved and implemented a financial recovery plan, in terms of Section 38 of the MFMA which states that *National Treasury may stop the transfer of funds due to a municipality as its share of the local government's equitable share referred to in Section 214(1)(a) of the Constitution, but only if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(1) of the Constitution* which includes reporting obligations as set out in the MFMA and National Treasury's request for information in terms of Section 74 of the MFMA.

I look forward to receiving your continued support in ensuring all our municipalities adopt funded and credible budgets which will improve the services to our people.

Kind Regards

A handwritten signature in black ink, appearing to read 'B. Scott', with several loops and flourishes.

Ms Belinda Francis Scott

MEC FOR FINANCE – KZN

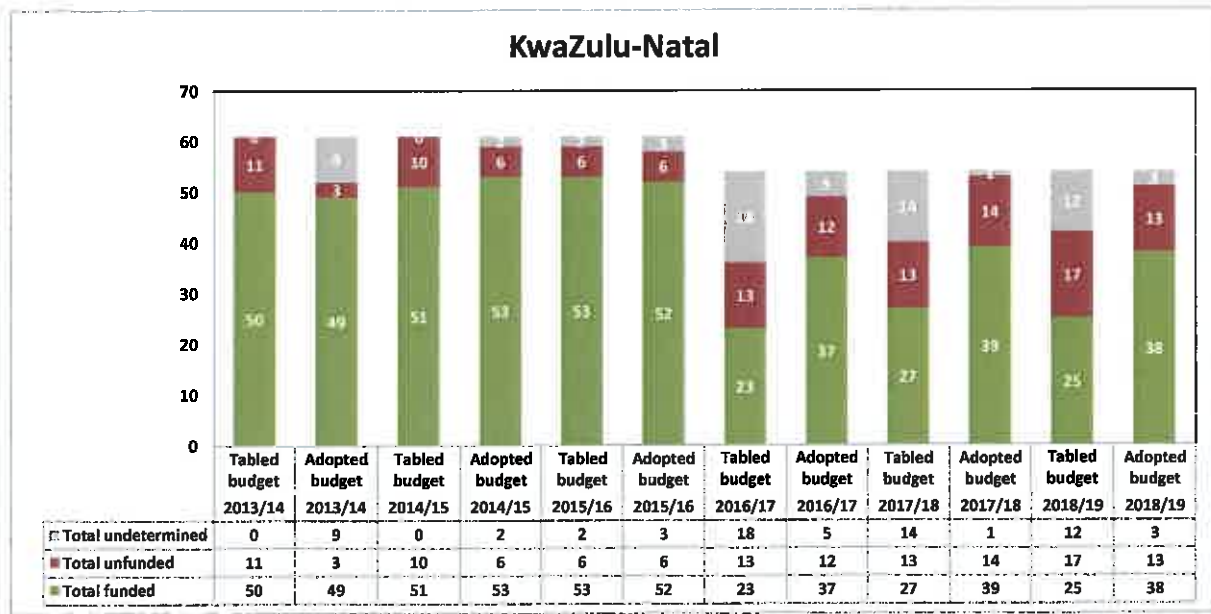
Annexure A – Funding positions for 2018/19 Tabled Budgets and Approved Budgets

Funding Position of 2018/19 Tabled and Approved Budgets as per Provincial Treasury's assessments

No.	Name of Municipality	2018/19 Tabled Budget	2018/19 Approved Budget
1	uMdoni	Funded	Funded
2	uMzumbhe	Funded	Funded
3	uMuziwabantu	Funded	Funded
4	Ray Nkonyeni	Funded	Funded
5	Ugu DM	Undetermined	Unfunded
6	uMshwathi	Funded	Funded
7	uMngeni	Funded	Funded
8	Mpofana	Unfunded	Unfunded
9	Impendle	Unfunded	Funded
10	Mkhambathini	Funded	Funded
11	Richmond	Undetermined	Funded
12	uMgungundlovu DM	Unfunded	Unfunded
13	Okhahlamba	Funded	Funded
14	Inkosi Langalibalele	Unfunded	Unfunded
15	Alfred Duma	Funded	Funded
16	uThukela DM	Unfunded	Unfunded
17	eNdumeni	Funded	Funded
18	Nquthu	Undetermined	Undetermined
19	uMsinga	Undetermined	Undetermined
20	uMvoti	Unfunded	Undetermined
21	uMzinyathi DM	Undetermined	Funded
22	New castle	Unfunded	Unfunded
23	eMadlangeni	Unfunded	Funded
24	Dannhauser	Funded	Unfunded
25	Amajuba DM	Unfunded	Unfunded
26	eDumbe	Unfunded	Unfunded
27	uPhongolo	Funded	Funded
28	Abaqulusi	Unfunded	Unfunded
29	Nongoma	Undetermined	Funded
30	Ulundi	Unfunded	Unfunded
31	Zululand	Undetermined	Funded
32	uMhlabyalingana	Funded	Funded
33	Jozini	Undetermined	Funded
34	Mtubatuba	Undetermined	Funded
35	Big Five Hlabisa	Undetermined	Funded
36	uMkhanyakude	Undetermined	Funded
37	uMfolozi	Unfunded	Funded
38	uMlalazi	Funded	Funded
39	Mthonjaneni	Unfunded	Unfunded
40	Nkandla	Funded	Funded
41	King Cetshwayo DM	Funded	Funded
42	Mandeni	Undetermined	Funded
43	KwaDukuza	Funded	Funded
44	Ndwedwe	Unfunded	Funded
45	Maphumulo	Funded	Funded
46	iLembe DM	Funded	Funded
47	Greater Kokstad	Funded	Funded
48	uBuhlebezwe	Funded	Funded
49	uMzimkhulu	Funded	Funded
50	Dr Nkosazana Dlamini Zuma	Funded	Funded
51	Hany Gwala DM	Unfunded	Unfunded

Source: KZN Provincial Treasury

Annexure B - Analysis of the funding position of municipal budgets, 2013/14 - 2018/19



Source: KZN Provincial Treasury

Note: The table and the graph above includes data for the non-delegated municipalities namely eThekweni Metro, Msunduzi and uMhlathuze Local Municipalities. The number of municipalities in KZN decreased from 61 to 54 after the August 2016

Local Government elections.