

REPORT TO PARLIAMENT

Over- and underspending of municipalities as at 30 June 2017

OCTOBER 2017

PURPOSE:

1. To inform Parliament of municipalities' financial performance relating to over- and under spending of their council's adopted adjustment budgets for the 2016/17 financial year ended 30 June 2017;
2. To highlight the trends in revenue with respect to over- and under collection for the 2016/17 financial year; and
3. To provide an update on the reforms and ongoing support initiatives being implemented to address the challenges in local government.

BACKGROUND:

4. The Municipal Budget Reporting Regulations (MBRR) is an integral part of the Municipal Finance Management Act, 2003 with the purpose of aligning municipal budgets to the requirements of the Constitution of the Republic of South Africa. Post the promulgation of the MBRR in 2009, municipalities has made significant progress in the implementation of the MBRR. This is evidenced with all municipalities tabling and adopting multi-year budgets that are informed by their Integrated Development Plans (IDP) and Spatial Development Framework (SDF). However, although all municipalities report on their monthly financial performance against their approved budgets, the accuracy and reliability of the information submitted and quarterly reporting on the service delivery performance still remains a challenge.
5. The National Treasury and respective provincial treasuries are required to conduct oversight over municipal budgets, financial performance (i.e. actual revenues and expenditure), compliance with the conditions of the Division of Revenue Act (DoRA), the financial position and cash flows of municipalities. The oversight and support responsibility of 240 municipalities have been delegated to the Provincial Treasuries, while National Treasury is responsible for 17 non-delegated municipalities, which include the eight metropolitan councils, eight secondary cities and one district council.
6. On a monthly basis, all municipalities are submitting their monthly financial reports to the Local Government Database. This reporting serves as an early warning mechanism for council and municipal officials to identify potential cash flow challenges and pro-actively implement corrective measures.
7. On quarterly basis, the National Treasury prepares and publishes on its website, a consolidated report on financial performance of all municipalities. This is part of compliance to the requirements of Sections 71 of the Municipal

Finance Management Act, 2003 (Act No. 56 of 2003) and 30(3) of the Division of Revenue Act, 2016 (Act No. 3 of 2016). The preliminary (unaudited) financial results of the fourth quarter ended 30 June 2017 were published on the National Treasury's website on 16 August 2017.

8. The preliminary financial results for the fourth quarter ended 30 June 2017 is presented on National Treasury website – www.treasury.gov.za. The financial information allows stakeholders and users of this data to further analyse on the financial performance of municipalities.
9. This report includes the analysis for the 257 municipalities that was established post the 2016 Municipal Elections.

DISCUSSION:

10. The financial performance of municipalities as at 30 June 2017, relating to the over- and under expenditure is consolidated per province below. It should be noted that the information presented in this report is based on preliminary results as the auditing process conducted by the Auditor General was still underway at the time of reporting.

Expenditure Performance: Total Budget

11. Table 1 below shows the over- and under expenditure, aggregated per province, as at 30 June 2017.

Table 1: Over and under spending of total expenditure as at 30 June 2017 (Preliminary results)

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands									
Summary per Province									
Eastern Cape	39 622 444	39 419 120	31 576 492	79.7%	80.1%	(23 013)	7 865 641	(0.1%)	20.0%
Free State	19 798 148	18 295 554	16 390 291	82.8%	88.6%	(1 055 401)	2 960 664	(5.8%)	16.2%
Gauteng	140 971 083	141 327 735	128 463 167	91.1%	90.9%	-	12 864 568	-	9.1%
Kwazulu-Natal	68 856 422	69 848 195	64 615 485	93.8%	92.5%	(459 890)	5 692 600	(0.7%)	8.1%
Limpopo	20 675 953	20 868 202	16 167 271	78.2%	77.5%	(125 372)	4 826 303	(0.6%)	23.1%
Mpumalanga	20 002 643	20 191 157	15 590 180	77.9%	77.2%	-	4 600 977	-	22.8%
North West	16 673 382	19 545 929	15 460 554	92.7%	79.1%	-	4 085 374	-	20.9%
Northern Cape	7 928 117	7 773 864	6 251 868	78.9%	80.4%	(95 777)	1 617 774	(1.2%)	20.8%
Western Cape	61 091 648	62 670 264	54 097 795	88.6%	86.3%	(6 803)	8 579 272	(0.0%)	13.7%
Total National	395 619 820	399 940 022	348 613 103	88.1%	87.2%	(1 766 257)	53 093 175	(0.4%)	13.3%
					Net		51 326 919		

Source: National Treasury Local Government database

12. The year-to-date total aggregated expenditure under spending was R53.1 billion; whereas the total aggregated overspending reported for the same period last year was R1.8 billion, constituting a net under spending of R51.3 billion. This is an increase of 20.8 per cent when compared to the net under spending R42.7 billion reported on previous year's corresponding period.
13. An increase in the adjustment budget was reported by six out of nine provinces. Eastern Cape, Free State and Northern Cape have reduced their adopted budgets by 0.51 per cent, 7.6 per cent, and 1.95 per cent respectively during the adjustment budget process. The total budgetary increase for all provinces is 1.1 per cent. This is marginally lower than the 1.4 percentage increase reported in the previous year.

14. Municipalities in North West increased their adjusted budgets by 17.2 per cent, whereas those in the Western Cape reported an increase of 0.25 per cent.
15. Municipalities in KwaZulu-Natal and Gauteng continued to perform better than those in other provinces when it comes to spending against their adjusted budgets with underspending of 8.1 per cent and 9.1 per cent, respectively.
16. Municipalities in Limpopo reported the highest levels of underspending at 23.1 per cent against their adjusted budgets, followed by Mpumalanga at 22.8 per cent. This is a cause for concern considering that both provinces are predominantly rural with significant backlogs in basic services.
17. Table 2 below shows the number of municipalities that have over- or under spent against their total adjustments budgets as at 30 June 2017.

Table 2 : Analysis of over and under spending of total expenditure as at 30 June 2017 (Preliminary results)

	(Over)			Target		Under			Insufficient information
	More than -15%	Between -15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	0	0	1	0	4	2	0	32	0
Free State	3	1	0	0	1	2	2	14	0
Gauteng	0	0	0	0	2	5	1	3	0
Kwazulu-Natal	2	0	2	6	7	8	6	23	0
Limpopo	0	1	0	0	1	0	4	21	0
Mpumalanga	0	0	0	0	0	0	5	15	0
North West	0	0	0	0	0	6	2	14	0
Northern Cape	1	0	1	1	0	1	8	19	0
Western Cape	0	0	1	1	2	2	9	15	0
Total	6	2	5	8	17	26	37	156	0

Source: National Treasury Local Government database

- a. Twenty five municipalities performed within a 5 per cent margin against their adjustments budget compared to the 29 municipalities in the previous year's corresponding period;
 - b. Thirteen municipalities overspent their budget allocations by more than 5 per cent, of which 6 municipalities overspent their adjusted budgets by more than 15 per cent; and
 - c. The total number of municipalities that underspent their total adjustment budgets by more than 5 per cent has decreased to 219, when compared to 235 municipalities reported for 2015/16 financial year. Of these municipalities, 26 underspent their adjustment budgets between 5 and 10 per cent, 37 underspent their adjustment budgets by between 10 and 15 per cent, and 156 underspent by more than 15 per cent.
18. It should be noted that the underspending of budgets does not translate into an equivalent amount of cash in the bank of the affected municipalities. Therefore, underspending should not be construed as indicative of an accumulation of cash in the bank. Underspending can be attributed to liquidity challenges that emanates from the adoption of unrealistic budgets (overstated revenue, understated expenses and inadequate planning), poor expenditure management and delays in the payment of creditors.

Expenditure Performance: Operating Budget

19. Table 3 below shows the over- and underspending of operating expenditure as at 30 June 2017 per province. The net underspending against their 2016/17 adjusted operating budgets was R36.9 billion.

Table 3 : Over and under spending of operating expenditure as at 30 June 2017 (Preliminary results)

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands									
Summary per Province									
Eastern Cape	30 182 104	30 697 806	24 860 581	82.4%	81.0%	(107 158)	5 944 382	(0.3%)	19.4%
Free State	16 522 003	16 679 889	14 173 992	85.0%	85.0%	(363 997)	2 889 894	(2.3%)	17.3%
Gauteng	120 498 216	120 629 374	112 941 253	93.7%	93.6%	(5 819)	7 693 940	(0.0%)	6.4%
Kwazulu-Natal	55 039 803	55 626 043	52 501 501	95.4%	94.4%	(716 629)	3 841 170	(1.3%)	6.9%
Limpopo	14 862 094	14 828 026	11 987 201	80.7%	80.8%	(149 710)	2 990 535	(1.0%)	20.2%
Mpumalanga	16 639 684	16 761 901	13 163 780	79.1%	78.5%	-	3 598 121	-	21.5%
North West	14 245 803	16 555 013	13 325 262	93.5%	80.5%	-	3 229 751	-	19.5%
Northern Cape	6 672 681	6 686 909	5 492 829	82.3%	82.1%	(94 160)	1 288 240	(1.4%)	19.3%
Western Cape	51 433 699	52 626 055	45 756 024	89.0%	86.9%	(25 267)	6 895 298	(0.0%)	13.1%
Total National	326 096 087	331 091 016	294 202 425	90.2%	88.9%	(1 482 741)	38 371 331	(0.4%)	11.6%
					Net		36 888 591		

Source: National Treasury Local Government database

20. Compared to the previous financial year, an increase in underspending is reported in North West (50.5 per cent), Western Cape (36.3 per cent), Gauteng (32.6 per cent) and Eastern Cape (27.4 per cent). However, the following provinces reported a reduction in underspending: Limpopo (12.9 per cent), Northern Cape (9.5 per cent) and Mpumalanga (1.6 per cent).
21. It is clear that the risk of a cash flow crisis is imminent on municipalities incurring operational expenditure that exceeds revenue collected. Furthermore, overspending of budget allocations is reflective of weakness in internal controls and regarded as unauthorised expenditure. A stronger emphasis on generating operating surpluses is required to enable additional allocation to capital budget by way of increasing the own contributions to fund the capital budgets. This will only be achieved with the implementation of austerity measures, minimising operational inefficiencies and ensuring value for money with every Rand spent.
22. Table 4 below shows the number of municipalities that have over- or underspent their 2016/17 adjusted operating budget. It should be noted that over or underspending within 5 per cent of budget is regarded as on-target in respect of operating budgets.

Table 4 : Analysis of over and under spending of operating expenditure as at 30 June 2017 (Preliminary results)

	(Over)			Target		Under			Insufficient Information
	More than -15%	Between -15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	0	1	0	1	3	2	3	29	0
Free State	2	0	0	2	2	3	2	12	0
Gauteng	0	0	0	1	3	3	2	2	0
Kwazulu-Natal	2	0	1	4	6	11	6	18	0
Limpopo	1	0	0	1	2	2	5	16	0
Mpumalanga	0	0	0	0	0	1	5	14	0
North West	0	0	0	0	0	5	3	14	0
Northern Cape	1	1	0	0	1	1	8	19	0
Western Cape	1	0	1	1	1	4	10	12	0
Total	7	2	8	10	18	32	44	136	0

Source: National Treasury Local Government database

- a. The number of municipalities that are on-target is 28, having over- or underspent within a 5 per cent range of the adjusted operating budget, which is an increase from the 21 municipalities reported for the financial year ended 30 June 2016;
- b. A total of 212 municipalities underspent on their adjusted operating budgets by more than 5 per cent, with 136 municipalities underspending by more than 15 per cent; and
- c. Seven municipalities overspent their adjusted operating budgets by more than 15 per cent, and this is a significant reduction in number of municipalities when compared to 23 reported for the financial year 2015/16.

Expenditure Performance: Capital Budget

23. Table 5 below shows that municipalities spent a total of R54.4 billion or 78.3 per cent of the total adjusted capital budget of R68.8 billion. The net underspending against the 2016/17 adjusted capital budget was R14.4 billion, which is an increase when compared to net underspending of R13.3 billion reported for 2015/16 financial year.

Table 5 : Over and under spending of capital expenditure as at 30 June 2017 (Preliminary results)

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands									
Summary per Province									
Eastern Cape	9 440 340	8 721 314	6 715 911	71.1%	77.0%	(48 101)	2 053 504	(0.6%)	23.5%
Free State	3 276 145	1 615 665	2 216 299	67.6%	137.2%	(1 067 423)	466 789	(66.1%)	28.9%
Gauteng	20 472 867	20 698 362	15 521 914	75.8%	75.0%	-	5 176 448	-	25.0%
KwaZulu-Natal	13 816 619	14 222 153	12 113 984	87.7%	85.2%	(128 807)	2 237 976	(0.9%)	15.7%
Limpopo	5 813 859	6 040 176	4 180 059	71.9%	69.2%	(22 834)	1 882 941	(0.4%)	31.2%
Mpumalanga	3 362 958	3 429 256	2 426 400	72.2%	70.8%	(28 419)	1 031 275	(0.8%)	30.1%
North West	2 427 559	2 990 916	2 135 292	88.0%	71.4%	(74 422)	930 045	(2.5%)	31.1%
Northern Cape	1 255 436	1 086 955	759 038	60.5%	69.8%	(18 973)	346 890	(1.7%)	31.9%
Western Cape	9 657 949	10 044 209	8 341 770	86.4%	83.1%	-	1 702 439	-	16.9%
Total National	69 523 733	68 849 006	54 410 678	78.3%	79.0%	(1 389 980)	15 828 308	(2.0%)	23.0%
					Net		14 438 328		

Source: National Treasury Local Government database

24. The main contributors to the underspending on the capital budgets as at 30 June 2017 were reported by municipalities in Gauteng (R5.1 billion), KwaZulu-Natal (R2.2 billion), Eastern Cape (R2.0 billion) and Limpopo (R1.9 billion).
25. Despite efforts by National Treasury and the respective provincial treasuries in assisting municipalities to improve their performance, through the initiatives that are discussed later in this report; underspending of capital budgets persists and is attributed to the following factors, among other:
 - a. *Adoption of unrealistic budgets* – Municipalities continued to adopt budgets that are either not funded or inadequately funded from a cash flow position, resulting in the adoption of capital budgets that are not realistic. This has resulted in funding shortfalls during the implementation of projects which is placing pressure on the finances of these municipalities;
 - b. *Increases in adjustments budgets* – Despite advising municipalities that they should not increase their capital budgets at mid-year to avoid underspending, municipalities in Gauteng, KwaZulu-Natal, Limpopo,

Mpumalanga, North West and Western Cape increased their adjustments budgets and still underspent on their capital budgets at year end;

- c. *Multi-year budgeting* – Although progress has been made in adopting multi-year budgets, municipalities continued to focus on single year budgeting instead of the medium term. This is despite a legal requirement for municipalities to do so. Also, the budget allocations by National and Provincial governments to municipalities are multi-year allocation in order to provide certainty with regard to future allocations;
 - d. *Weaknesses in supply chain management* – Often delays are caused by poor planning of capital projects, appointment of incompetent service providers resulting in poor workmanship and failure to meet project milestones, high occurrence of variation orders, costs overruns and litigation by aggrieved and unsuccessful applicants owing to the allegations of irregularities in the appointment of service providers and contractors;
 - e. *Social unrest* – Stopping the construction of infrastructure projects due to local communities demanding the hiring of locals in the implementation of projects. The high level of unemployment in the country has created a desperate situation in such a way that the unemployed are demanding jobs from on-site contractors and in other cases they even threaten the contractors with violence, hence the projects are stopped until the situation is returned to normality. Due to such incidents occurring unexpectedly, there is no certainty with respect of the timeline it takes to resolve such situations, hence the project implementation is being delayed;
 - f. *Poor project and contract management* – There is poor oversight over project implementation, especially multi-year infrastructure projects. In situations where the project implementation is behind the scheduled project timeline, municipalities are not taking corrective action timeously. In most cases there is insufficient contract management, as evidenced by the inability to implement punitive measures against recurrent underperformers and no termination of non-performing contracts as a last resort;
 - g. *Interference in governance* – Political principals interfering in administrative duties of senior management and Council decisions to abruptly suspend senior managers (heads of divisions) interrupts the implementation of key infrastructure projects leading to delays in completion of projects; and
 - h. *Failure to roll over unspent funds* - Poor cash flow management and submission of insufficient supporting documents for roll-over applications to the National Treasury (unspent conditional grants by end of the financial year) results in rejection of applications and this further delays the completion of infrastructure projects.
26. Table 6 below shows the number of municipalities per province that have over-, or underspent on their adjusted capital budgets. It should be noted that spending within 10 per cent of the budget is regarded as acceptable in respect of capital budgets, considering the various factors impacting on the performance of the capital budget.

Table 6 : Analysis of over and under spending of capital expenditure as at 30 June 2017 (Preliminary results)

	(Over)		Target				Under		Insufficient Information
	More than -15%	Between -15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	3	0	0	1	0	1	5	29	0
Free State	3	2	0	0	0	1	2	15	0
Gauteng	0	0	0	0	1	1	0	9	0
Kwazulu-Natal	5	0	0	1	2	6	10	30	0
Limpopo	1	0	0	2	1	0	0	22	1
Mpumalanga	2	0	0	0	0	1	2	15	0
North West	3	1	0	0	1	0	2	15	0
Northern Cape	3	1	1	2	1	3	1	19	0
Western Cape	0	0	0	0	3	3	4	20	0
Total	20	4	1	6	9	16	28	174	1

Source: National Treasury Local Government database

27. The following can be observed on table 6 above:
- A total of 32 municipalities are considered to be on-target, having spent within 10 per cent of their adjusted capital budgets. This is a regress when compared to the 45 municipalities in the 2015/16 financial year;
 - The number of municipalities that underspent their adjusted capital budgets between 10 per cent and 15 per cent, is the same (26) as in the previous reporting period; and
 - Twenty municipalities overspent and 174 [2015/16: 181] underspent their adjusted budgets by more than 15 per cent.

Expenditure Performance: Conditional Grants

28. Table 7 below shows the total spending on conditional grants at 87.6 per cent of the transferred amount which is slightly less than spending level (89.3 per cent) reported in the previous financial year. The net underspending on conditional grants transferred to municipalities in 2016/17 was R3.7 billion, compared to the R14.4 billion underspending on capital budgets in the same period in the previous financial year.

Table 7: Aggregated conditional grant over and under spending as at 30 June 2017 (Preliminary results)

	Adjusted allocation	Transfers	Year to date: 30 June 2017	Total Expenditure as % of Adjusted	Total Expenditure as % of Transfers	(Over)	Under	(Over) as % of Transfers	Under as % of Transfers
R thousands									
Summary per Province									
Eastern Cape	4 961 676	4 943 547	4 295 506	86.6%	86.9%	(119 260)	767 301	(2.4%)	15.5%
Free State	1 342 472	1 330 303	1 077 181	80.2%	81.0%	(39 069)	292 191	(2.9%)	22.0%
Gauteng	3 771 060	3 625 584	3 344 228	88.7%	92.2%	(119 974)	401 329	(3.3%)	11.1%
Kwazulu-Natal	7 127 048	7 070 825	6 638 004	93.1%	93.9%	(124 857)	557 678	(1.8%)	7.9%
Limpopo	4 440 199	4 424 812	3 771 436	84.9%	85.2%	(56 265)	709 641	(1.3%)	16.0%
Mpumalanga	2 907 686	2 907 686	2 500 053	86.0%	86.0%	(43 775)	451 408	(1.5%)	15.5%
North West	2 548 274	2 548 274	1 891 997	74.2%	74.2%	(24 417)	680 695	(1.0%)	26.7%
Northern Cape	916 055	916 055	789 685	86.2%	86.2%	(7 506)	133 879	(0.8%)	14.6%
Western Cape	2 047 871	2 002 857	1 765 064	86.2%	88.1%	(47 206)	284 999	(2.4%)	14.2%
Total	30 062 341	29 769 943	26 073 153	86.7%	87.6%	(582 330)	4 279 120	(2.0%)	14.4%
				Nett		3 696 790			

Source: National Treasury Local Government database

29. A major proportion of unspent conditional grants are earmarked for the construction of municipal infrastructure necessary for the provision of basic services to communities. The inability of municipalities to spend their conditional grants is hindering the reduction of infrastructure backlogs.

Table 8 : Analysis of over and under spending of conditional grants as at 30 June 2017 (Preliminary results)

Count	(Over)			Target		Under			Insufficient Information
	More than -15%	Between -15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	3	2	0	8	4	5	4	10	3
Free State	4	0	1	4	3	3	0	8	0
Gauteng	1	0	1	1	3	0	1	4	0
Kwazulu-Natal	5	1	2	6	14	9	3	12	2
Limpopo	2	0	1	1	2	5	4	12	0
Mpumalanga	0	0	1	2	4	2	2	7	2
North West	0	0	1	2	2	0	1	16	0
Northern Cape	1	1	1	3	7	4	3	11	0
Western Cape	3	1	2	3	3	6	4	7	1
Total	19	5	10	30	42	34	22	87	8

Source: National Treasury Local Government database

30. In relation to Table 8 above, the following observations can be made:
- A total of 116 municipalities have over- or underspent their conditional grants by 10 per cent;
 - The number of municipalities that underspent on their conditional grants allocations by more than 10 per cent is 109 compared to 138 in the previous reporting period, with 87 municipalities underspending by more than 15 per cent; and
 - A total of 24 municipalities overspent on their conditional grant allocations, of which 19 municipalities over spend by more than 15 per cent.
31. Table 9 below shows the over- or under spending on adjusted conditional grant allocations for 2016/17 per grant.

Over- and underspending of municipalities as at 30 June 2017

Table 9: Over and under expenditure of the Conditional Grants as at 30 June 2017 (Preliminary results)

	Main allocation	Adjusted allocation	Transfers	Actual Expenditure by Municipalities	Exp as % of Adj allocation by Municipalities	Exp as % of Transfers by Municipalities	(Over)	Under	(Over) as % of Adjusted Allocation	Under as % of Adjusted Allocation
R thousands										
Per Grant										
Infrastructure Transfers	28 233 356	28 285 555	27 993 157	24 552 621	86.8%	82.3%	(22 962)	3 756 886	(0.1%)	13.3%
Municipal infrastructure grant	14 914 028	14 914 028	14 914 028	13 775 480	92.4%	92.3%	-	1 138 548	-	7.6%
Public transport network grant	5 592 691	5 592 691	5 592 691	4 905 041	87.7%	68.1%	-	687 650	-	12.3%
Integrated national electrification programme (municipal) grant	1 946 246	1 946 246	1 946 246	1 930 066	99.2%	65.8%	-	16 180	-	0.8%
Neighbourhood development partnership grant (capital grant)	577 090	624 000	624 000	394 177	63.2%	68.8%	-	229 823	-	36.8%
Rural roads assets management systems grant	101 514	106 803	95 419	76 697	71.8%	75.7%	-	30 106	-	28.2%
Municipal water infrastructure grant	-	-	-	22 952	-	-	(22 952)	-	-	-
Municipal disaster recovery grant	140 000	140 000	140 000	132 484	94.6%	22.6%	-	7 516	-	5.4%
Integrated city development grant	266 805	266 805	-	187 125	70.1%	-	-	79 680	-	29.9%
Regional bulk infrastructure grant	1 850 000	1 850 000	1 849 791	1 226 296	66.3%	82.6%	-	623 704	-	33.7%
Water services infrastructure grant	2 844 982	2 844 982	2 830 982	1 902 302	66.9%	82.8%	-	942 680	-	33.1%
Capacity Building and Other Current Transfers	1 776 786	1 776 786	1 776 786	1 520 532	85.6%	85.0%	(1 924)	268 177	(0.1%)	14.5%
Local government financial management grant	465 264	465 264	465 264	431 339	92.7%	94.1%	-	33 925	-	7.3%
Municipal systems improvement grant	-	-	-	401	-	-	(401)	-	-	-
Expanded public works programme integrated grant for infrastructure skills development grant	663 991	663 991	663 991	665 224	100.2%	88.6%	(1 233)	-	(0.2%)	-
Infrastructure skills development grant	130 471	130 471	130 471	99 793	76.5%	68.3%	-	30 678	-	23.5%
Energy efficiency and demand side management grant	185 625	185 625	185 625	130 984	70.6%	77.0%	-	54 641	-	29.4%
Water services operating subsidy grant	-	-	-	290	-	-	(290)	-	-	-
Municipal demarcation transition grant	213 360	213 360	213 360	192 501	90.2%	63.0%	-	20 859	-	9.8%
Total	30 010 142	30 062 341	29 769 943	26 073 153	86.7%	82.4%	(24 876)	4 014 063	(0.1%)	13.4%
							Nett	3 889 188		
Per Province										
Eastern Cape	4 863 646	4 961 676	4 943 547	4 295 506	86.6%	86.3%	(125 883)	792 053	(2.5%)	16.0%
Free State	1 341 829	1 342 472	1 330 303	1 077 181	80.2%	79.1%	(38 750)	304 042	(2.9%)	22.6%
Gauteng	3 796 764	3 771 090	3 625 564	3 344 228	88.7%	65.5%	(55 228)	482 059	(1.5%)	12.8%
Kwazulu-Natal	7 087 031	7 127 048	7 070 825	6 638 004	93.1%	84.8%	(98 805)	587 349	(1.4%)	8.2%
Limpopo	4 596 317	4 440 199	4 424 812	3 771 436	84.9%	84.1%	(79 612)	748 375	(1.8%)	16.5%
Mpumalanga	2 955 329	2 907 686	2 907 686	2 500 053	86.0%	92.8%	(43 775)	451 408	(1.5%)	15.5%
North West	2 470 035	2 548 274	2 548 274	1 891 597	74.2%	85.6%	(24 417)	680 695	(1.0%)	26.7%
Northern Cape	877 676	916 055	916 055	789 685	86.2%	81.1%	(7 508)	133 879	(0.8%)	14.6%
Western Cape	2 021 515	2 047 671	2 002 657	1 765 064	86.2%	76.5%	(47 206)	330 013	(2.3%)	16.1%
Total	30 010 142	30 062 341	29 769 943	26 073 153	86.7%	82.4%	(521 184)	4 510 371	(1.7%)	15.0%

Source: National Treasury - Local Government Database

32. For the financial year ended 30 June 2017, actual spending by municipalities was R26.1 billion or 82.4 per cent of the total transferred conditional grants allocations of R29.8 billion. Municipalities reported a net underspending at 13.4 per cent, amounting to R4 billion as at 30 June 2017.
33. The following grants were overspent as at 30 June 2017: Municipal Water Infrastructure Grant (R23 million), Municipal Systems Improvement Grant (R401 thousand), Expanded Public Works Programme grant (R1.2 million) and Water Service Operating Subsidy Grant (R290 thousand).
34. Overspending of conditional grants can be attributed to inaccurate reporting of financial results, insufficient allocations of budgets and poor project planning.
35. Table 10 below provides a summary of over- and underspending by all municipalities as at 30 June 2017.

Table 10 : Summarised over and under spending by municipalities as at 30 June 2017

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted	(Over)	Under	Nett
<i>R thousands</i>								
Operating Expenditure	326 096 087	331 091 016	294 202 425	90.2%	88.9%	(1 482 741)	38 371 331	36 888 591
Capital Expenditure	69 523 733	68 849 006	54 410 678	78.3%	79.0%	(1 389 980)	15 828 308	14 438 328
Total expenditure	395 619 820	399 940 022	348 613 103	88.1%	87.2%	(2 872 720)	54 199 639	51 326 919
of which								
Conditional grants Spending	30 062 341	29 769 943	26 073 153	86.7%	87.6%	(582 330)	4 279 120	3 696 790

Source: National Treasury Local Government Database

Operating Budgets

The total net underspending against the adjusted operating budget was R36.9 billion which represents 11.1 per cent of the total adjusted budget. When broken down further:

- Aggregated overspending against the operating adjusted budget by municipalities was R1.4 billion or 0.45 per cent; and
- Aggregated underspending against the adjusted operating budget was R38.4 billion or 11.6 per cent.

Capital budgets

The total aggregated net underspending against the adjusted capital budget was R14.4 billion or 21.1 per cent of total adjusted budget. When broken down further:

- Aggregated overspending was R1.4 billion or 2 per cent of the total adjusted budget; and
- Total underspending on against the adjusted budget was R15.8 billion, representing 23 per cent of the total adjusted budget.

Conditional Grants

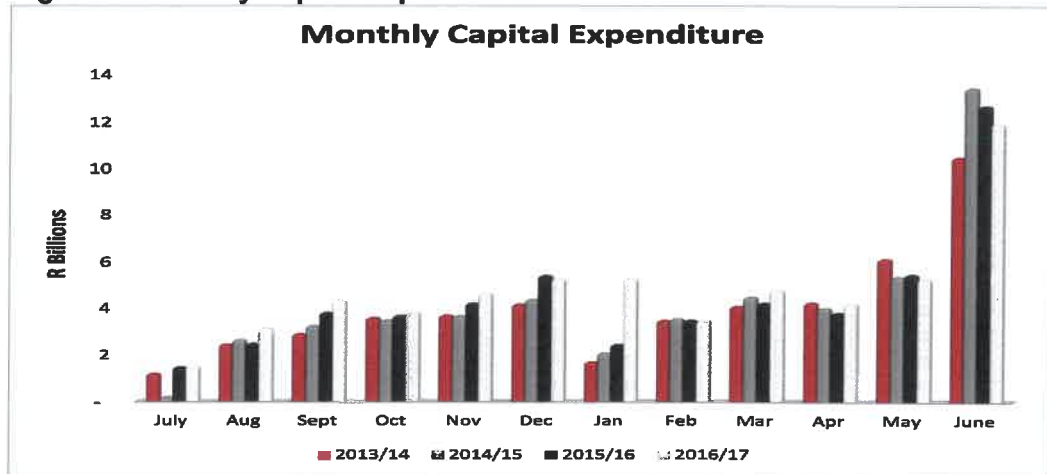
Aggregated total net underperformance was R3.7 billion which is 12.4 per cent of the adjusted budget. When broken down further:

- Total overspending on conditional grant allocations was R582 million or 1.96 per cent; and
- Municipalities underspent their conditional grants allocations by R4.2 billion or 14.4 per cent.

'Hockey stick' phenomenon (the June Spike)

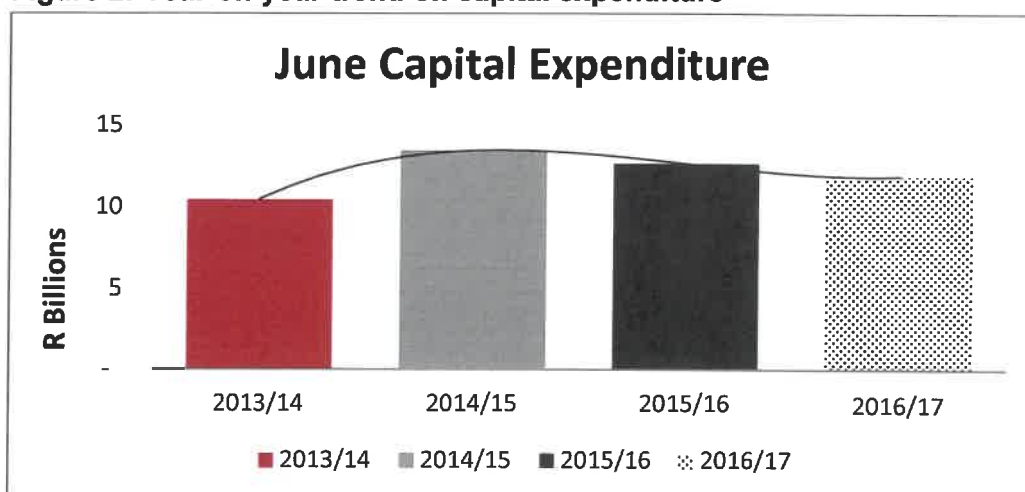
36. Figure 1 below illustrates the year-on-year comparison of monthly capital expenditure for local government over the past four financial years, i.e. 2013/14, 2014/15, 2015/16 and 2016/17.

Figure 1: Monthly capital expenditure



37. It should be noted that municipalities keep a portion of capital budget allocations as a retainer until a capital project has been completed in order to ensure there are no defects and projects are fully completed as per their specifications. Often project implementation is hurried in the last quarter of the financial year to avoid the rollover of unspent grants and it contributes to the hockey stick phenomenon or 'June Spike' in capital expenditure.
38. Another contributor to the 'June Spike' is the practice by municipalities to pay the bulk of the money to contractors in the last quarter of the financial year to manage their cash available and serves as an incentive for contractors not to abandon the projects prior to its completion.
39. Capital spending levels of below 45 per cent at mid-year is more likely to result in underspending of the adjusted capital budget by end of the financial year. The high level of under spending is prevalent in municipalities located in provinces that are predominantly rural. This is very concerning as it indicates either weakness in the ability of municipalities to compile credible budgets, or to effectively manage the implementation of their infrastructure programs.
40. Municipalities should implement stringent contract management and enforce punitive clauses against underperforming contractors or those delivering sub-standard outputs.
41. As at 30 June 2017, an aggregated R6.8 billion has been under spent by metropolitan municipalities when implementing their capital budgets. The City of Johannesburg is the major contributor to underspending amongst all the metropolitan municipalities and reported an underspending of R2.6 billion which is 26.4 per cent of their total adjusted capital budget of R9.9 billion.

Figure 2: Year-on-year trend on capital expenditure



42. Figure 2 above shows a declining trend of the June Spike, between the financial years 2013/14 to 2016/17, an indication that municipalities have put measures in place to address the 'Hockey Stick' occurrence. Despite the declining trend, it should however be noted that expenditure in June 2017 is still significantly higher than the June 2014.

Revenue Performance

Over – and Under Collection of Revenue

43. Table 11 below shows that municipalities achieved an aggregate collection of 91.2 per cent against the aggregated adjusted budget of R394.1 billion in 2016/17. This is a marginal decline when compared to the 93 per cent reported for financial year 2015/16.
44. For the financial year ended 30 June 2017, the total aggregated under collection amounted to R36.6 billion, whereas the aggregate over collection for the same period was R1.8 billion. This resulted in a net under collection of R34.8 billion as at 30 June 2017.

Table 11: Over and under collection of total revenue as at 30 June 2017 (Preliminary results)

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Revenue as % of main appropriation	Total Revenue as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands									
Summary per Province									
Eastern Cape	39 203 827	37 478 387	31 274 266	79.8%	83.4%	(105 803)	6 309 925	(0.3%)	16.8%
Free State	19 688 168	18 077 284	16 949 403	86.2%	93.8%	(280 554)	1 408 434	(1.6%)	7.8%
Gauteng	142 827 992	141 732 812	130 568 074	91.4%	92.1%	-	11 164 738	-	7.9%
Kwazulu-Natal	68 763 534	69 761 045	65 413 861	95.1%	93.8%	(261 938)	4 609 122	(0.4%)	6.6%
Limpopo	20 775 018	20 384 223	16 849 209	81.1%	82.7%	(111 240)	3 646 253	(0.5%)	17.9%
Mpumalanga	18 957 436	18 735 187	16 164 814	85.3%	86.3%	(61 163)	2 631 536	(0.3%)	14.0%
North West	16 043 754	18 528 202	16 263 492	101.4%	87.8%	(306 816)	2 571 527	(1.7%)	13.9%
Northern Cape	7 732 719	7 385 469	7 245 553	93.7%	98.1%	(639 386)	779 302	(8.7%)	10.6%
Western Cape	60 066 998	62 045 054	58 639 368	97.6%	94.5%	(54 091)	3 459 777	(0.1%)	5.6%
Total National	394 039 446	394 127 662	359 368 040	91.2%	91.2%	(1 820 991)	36 580 613	(0.5%)	9.3%
					Net	34 759 622			

Source: National Treasury Local Government Database

45. In aggregate, municipalities in the Eastern Cape, Free State, Gauteng, Limpopo, Mpumalanga and Northern Cape reduced their total budgets during the 2016/17 adjustments budget process.
46. Municipalities increased their adopted revenue budgets by 0.02 per cent to R394.1 billion during the adjustment budget process.
47. Table 12 below shows the number of municipalities that have over- or under collected on their total adjusted budgets for the 2016/17 financial year. It should be noted that over or under collection of revenue within 5 per cent of budget is regarded as on-target.

Table 12 : Analysis of over and under collection of revenue of total budget as at 30 June 2017 (Preliminary results)

Count	(Over)			Target		Under			Insufficient Information
	More than -15%	Between 15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	1	0	0	2	5	5	7	19	0
Free State	4	0	0	4	4	1	1	9	0
Gauteng	0	0	0	0	2	6	1	2	0
Kwazulu-Natal	2	1	0	8	12	10	6	15	0
Limpopo	0	0	2	0	1	4	6	14	0
Mpumalanga	0	1	0	0	6	2	2	9	0
North West	1	2	0	2	1	1	7	8	0
Northern Cape	5	0	1	0	2	7	4	12	0
Western Cape	1	0	1	1	7	7	7	6	0
Total	14	4	4	17	40	43	41	94	0

Source: National Treasury Local Government Database

- a. A total of 57 municipalities were on target with the collection of their revenue, having over- or under collected within 5 per cent range of their adjusted total budgets;
- b. A total of 22 municipalities over collected on their adjusted budget by more than 5 per cent and 14 municipalities in this category over collected by more than 15 per cent;
- c. There is a significant decline in the number of municipalities that under collected on their adjustments budget by 5 per cent; from 195 to 178 reported for 2016/17; and
- d. Of the 178 municipalities that under collected their revenue, 43 under collected between 5 and 10 per cent of their adjustments budget, 41 between 10 and 15 per cent and 94 by more than 15 per cent.

Revenue Performance: Operational Budget

48. Table 13 below table shows the over- and under collection of operating revenue as at 30 June 2017.

Over- and underspending of municipalities as at 30 June 2017

Table 13 : Over and under collection of operating revenue as at 30 June 2017 (Preliminary results)

	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Revenue as % of main appropriation	Total Revenue as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands									
Summary per Province									
Eastern Cape	29 763 487	28 757 073	24 558 354	82.5%	85.4%	(132 886)	4 331 605	(0.5%)	15.1%
Free State	16 392 024	16 461 618	14 733 104	89.9%	89.5%	(234 786)	1 963 300	(1.4%)	11.9%
Gauteng	122 355 125	121 034 450	115 046 161	94.0%	95.1%	-	5 988 290	-	4.9%
Kwazulu-Natal	54 946 915	55 538 892	53 299 877	97.0%	96.0%	(520 305)	2 759 320	(0.9%)	5.0%
Limpopo	14 961 159	14 344 047	12 669 140	84.7%	88.3%	(157 836)	1 832 743	(1.1%)	12.6%
Mpumalanga	15 594 478	15 305 931	13 738 414	88.1%	89.8%	(125 100)	1 692 617	(0.8%)	11.1%
North West	13 616 195	15 537 287	14 128 199	103.8%	90.9%	(257 832)	1 666 919	(1.7%)	10.7%
Northern Cape	6 477 282	6 298 513	6 486 514	100.1%	103.0%	(697 360)	509 359	(11.1%)	8.1%
Western Cape	50 409 048	52 000 845	50 297 598	98.8%	96.7%	(74 645)	1 777 892	(0.1%)	3.4%
Total National	324 515 714	325 278 656	304 957 363	94.0%	93.8%	(2 200 750)	22 522 044	(0.7%)	6.9%
				Net			20 321 294		

Source: National Treasury Local Government Database

49. The aggregated figures indicate a reduction in the over collection of revenue by 0.7 per cent or R2.2 billion and an under collection thereof by 6.9 per cent or R22.5 billion at 30 June 2017. Municipalities in Eastern Cape, Limpopo, Free State and Mpumalanga reported the highest level of under collection of their adjusted budgets.
50. The net under collection of operating revenue for the 2016/17 financial year is R20.3 billion, which is significantly higher than the R12.9 billion net under collection reported in the 2015/16 financial year. The main factor for the higher level of under collection is the adoption of unrealistic budgets with overstated revenue projections.
51. Table 14 below shows the number of municipalities that over- or under collected on their adjusted budgets for 2016/17:

Table 14 : Analysis of over and under collection of operating revenue as at 30 June 2017 (Preliminary results)

Count	(Over)			Target		Under			Insufficient Information
	More than -15%	Between -15% and -10%	Between -5% and -10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 15% and 10%	More than 15%	
Summary per Province									
Eastern Cape	1	1	2	3	4	8	4	16	0
Free State	4	1	0	2	4	5	1	6	0
Gauteng	0	0	0	0	5	3	3	0	0
Kwazulu-Natal	3	0	3	10	13	12	6	7	0
Limpopo	1	1	1	1	2	7	5	9	0
Mpumalanga	1	0	1	2	6	0	4	6	0
North West	3	0	0	2	4	1	6	6	0
Northern Cape	5	1	1	0	4	8	2	10	0
Western Cape	1	0	1	2	10	8	4	4	0
Total	19	4	9	22	52	52	35	64	0

Source: National Treasury Local Government Database

- a. A total of 74 municipalities over or under collected their revenue within a 5 per cent range of their adjusted revenue budgets; compared to the 82 municipalities reported for the 2015/16 financial year;
- b. Out of the 151 municipalities that under collected more than 5 per cent of their adjusted operating revenue budgets, 64 under collected by more than 15 per cent; and
- c. 32 municipalities over collected on their adjusted operating budget by more than 5 per cent, with 19 municipalities over collecting by more than 15 per cent which can be attributed to the collection of historical debt.

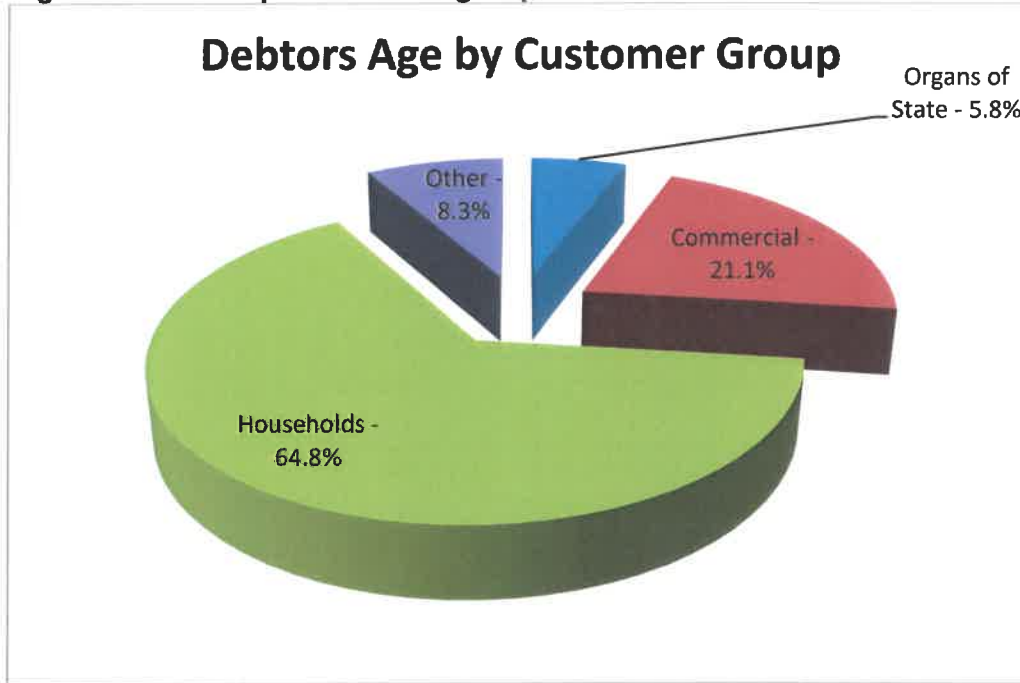
52. Poor performance on revenue management might be the result of the following, amongst other factors:

- *Unrealistic revenue estimates* - There is a tendency for councils to prepare over optimistic budgets so as to get community support during the public participation (consultation) processes. This makes it exceedingly difficult for municipalities to realise their revenue projections and directly impacts negatively on liquidity and cash position of the affected municipalities. In addition, lack of functional integration, limited accountability, weak municipal leadership, weaknesses in billing, faulty metering and challenging governance arrangements are among the contributing factors to municipal revenue management inefficiencies;
- *Poor implementation of debt collection and credit control policies* – An increasing number of municipalities adopted stringent controls over debtors and commenced with the implementation of debtor recovery plan. This includes the following corrective measures, among others: termination of electricity supply to defaulters, the appointment of debt recovery agents for older debts, introduction of incentive scheme offering discounts on payment of municipal account in arrears accounts certain category of debtors while a stringent policy on defaulters is enforced. Despite the implementation of these strategies, outstanding consumer debtors are increasing at an alarming rate. This is reflective of such efforts not yielding the desired results.
- *Illegal electricity connections* – Municipalities are losing a significant amount of revenue through electricity theft. This remains a serious challenge as customers whose service was terminated, reconnects illegally to the electricity grid. Another common act involves the tampering with the electricity meters to reduce the quantities of units consumed in order to pay less for electricity usage. This is complex matter as evidence shows that such act of criminality also involves municipal employees working at electricity department;
- *Distribution losses due to ageing infrastructure* – A high number of municipalities are experiencing water and electricity losses due to abrupt pipe bursts and electricity outages. In spite of the ageing infrastructure, municipalities continued to appropriate inadequate budget allocations for repairs and maintenance and renewal of existing infrastructure; and
- *Weaknesses in implementation of Indigent Policy* – A large number of municipalities are not properly profiling indigent households that are included in their indigent register. This has resulted in the provision of Free Basic Services to beneficiaries that are not eligible to the benefits due to earning income that is higher than the targeted group (household income equals to combined government pensions of R2300 per month per household). Another cause for under-collection is where council, ignore their financial realities and adopt an indigent policy that exceeds the minimum benefit prescribed by National Government Policy on Free Basic Services (i.e. 6 kl water and 50kw/h electricity) per households per month.

Under collection of revenue versus the Debtors' Book

53. As shown in Table 15 below, total debtors as at 30 June 2017 amounted to R128.3 billion.

Figure 3: Debtors per customer group



54. Figure 3 above illustrates that household debtors (R83.1 billion) continues the most at 64.8 per cent to the total debtors. An amount of R7.4 billion is being owed by government departments, representing 5.8 per cent of total outstanding debtors.

Table 15: Consolidated Debtors Age Analysis as at 30 June 2017 (Preliminary Results)

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total		Actual Bad Debts Written Off to Debtors		Impairment-Bad Debts to Council	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	3 356 663	8.9%	1 513 125	4.0%	1 351 246	3.7%	31 608 287	83.5%	37 869 341	29.5%	397 562	1.1%	3 741 789	9.9%
Trade and Other Receivables from Exchange Transactions - Electricity	5 667 251	31.3%	1 356 780	7.5%	790 794	4.4%	10 271 080	56.6%	18 085 904	14.1%	322 537	1.8%	1 410 806	7.8%
Receivables from Non-exchange Transactions - Property Rates	3 227 254	12.5%	966 623	3.7%	728 693	2.8%	20 956 777	81.0%	26 879 347	20.2%	218 982	0.9%	3 363 787	13.1%
Receivables from Exchange Transactions - Waste Water Management	1 162 077	9.3%	493 070	3.9%	463 149	3.7%	10 410 057	83.1%	12 528 353	9.8%	142 143	1.1%	933 864	7.5%
Receivables from Exchange Transactions - Waste Management	755 503	7.5%	336 795	3.3%	337 055	3.3%	8 647 117	65.8%	10 076 470	7.9%	127 523	1.3%	779 130	7.7%
Receivables from Exchange Transactions - Property Rental Debtors	97 846	4.5%	37 150	1.7%	33 945	1.8%	2 016 238	92.3%	2 185 179	1.7%	3 824	0.2%	184 217	8.4%
Interest on Arrear Debtor Accounts	453 556	3.5%	291 610	2.2%	423 338	3.2%	11 888 134	91.1%	13 056 637	10.2%	186 415	1.4%	676 483	5.2%
Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	-	-	-	-	-	-	0	100.0%	0	-	4 172	-	-	-
Other	543 737	6.3%	255 742	3.0%	172 614	2.0%	7 695 230	88.8%	8 967 522	6.9%	317 152	3.7%	991 633	11.4%
Total	15 263 906	11.9%	5 250 894	4.1%	4 341 033	3.4%	103 492 921	80.6%	128 348 754	100.0%	1 720 310	1.3%	12 101 728	9.4%
Debtors Age Analysis By Customer Group														
Organs of State	692 631	12.1%	306 966	4.1%	334 353	4.5%	5 875 271	79.3%	7 408 822	5.8%	14 508	0.2%	887 332	9.3%
Commercial	6 907 381	25.5%	1 568 720	5.6%	1 114 768	4.1%	17 545 687	64.7%	27 136 565	21.1%	2 365 007	8.7%	1 599 669	5.9%
Households	6 876 199	8.3%	3 015 011	3.6%	2 722 095	3.3%	70 536 287	84.9%	83 149 531	64.8%	809 235	1.0%	9 296 465	11.2%
Other	587 665	5.5%	360 597	3.4%	169 847	1.6%	9 536 576	89.5%	10 653 815	8.3%	(1 468 440)	(13.8%)	518 241	4.9%
Total	15 263 906	11.9%	5 250 894	4.1%	4 341 033	3.4%	103 492 921	80.6%	128 348 754	100.0%	1 720 310	1.3%	12 101 728	9.4%

Source: National Treasury Local Government Database

55. It should be noted that not all the outstanding debt is realistically collectable as these amounts are inclusive of debt older than 90 days, interest on arrears and other recoveries.

56. The under collection of billed revenue has a direct bearing on the cash and liquidity position of municipalities considering that expenditure projections are based on the level of revenue collection. Outstanding debt has increased by 13 per cent to R128.3 billion when compared to the same period in the previous financial year (2015/16: R113.5 billion).
57. It should also be noted that the following has an impact on the collection of revenue:
- a. The economic slowdown contributing to increase in job losses which is more acute in mining towns impacts negatively on the ability of households to pay for municipal services;
 - b. A substantial hike in the prices of basic municipal services is making tariff increases unaffordable and increase the non-payment for services; and
 - c. Traditionally, electricity has been the highest revenue generator for municipalities. However, the increase in the number of households and businesses opting for alternative sources of energy such as solar panel and gas is impacting negatively on the generation of electricity revenue.
58. The credibility of debtors and creditors information submitted in terms of Section 71 of the MFMA are not reliable, particularly in the following areas:
- Creditors are understated (R43.8 billion);
 - Net debtors are overstated (R24.9 billion);
 - Actual cash flow is often reported as billings; and
 - There is no correlation between the consumer collection rate (which is reported as high in most cases) and outstanding debtors (which is increasing at an alarming rate instead of decreasing as would be expected when the collection rate is high).

National Treasury's responses to improve municipal performance

59. The National Treasury has established a number of initiatives to strengthen the performance of municipalities:

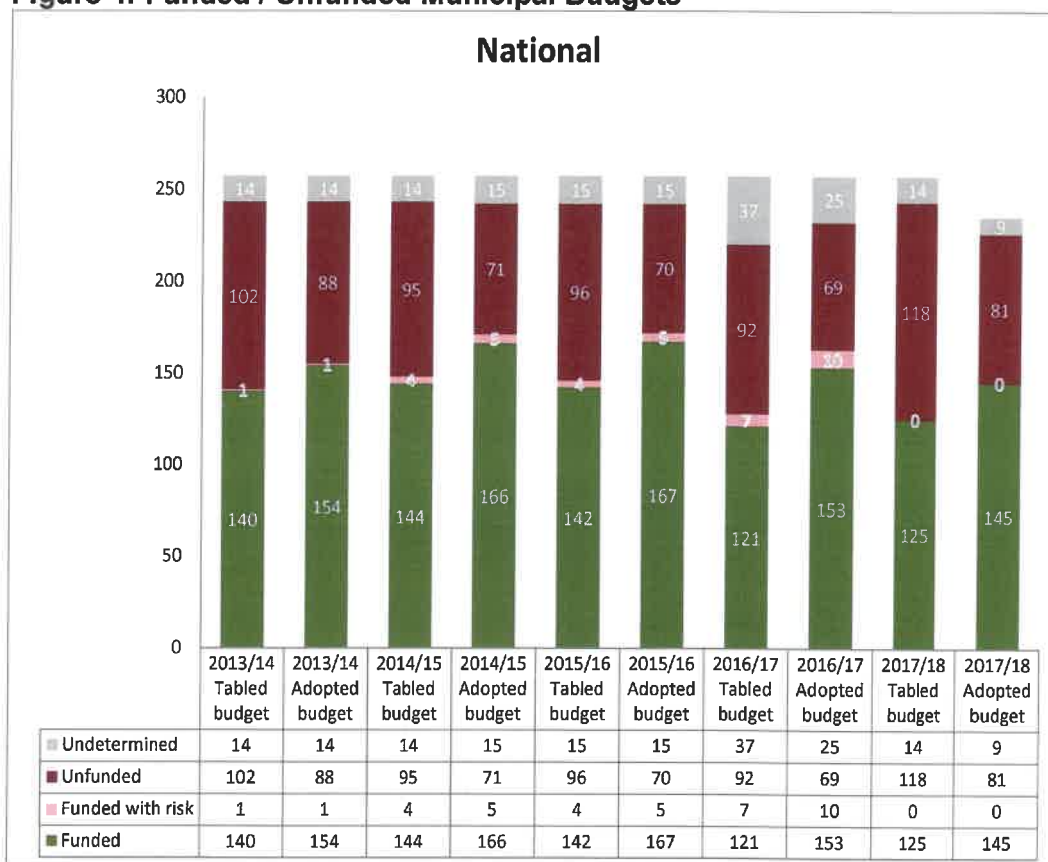
a. Funded municipal budgets

The National Treasury has institutionalised two annual strategic engagements to improve and strengthen the quality and oversight of municipal performance. The first engagement is the mid-year budget and performance assessment, while the municipal budget and benchmark and the engagement interrogates the tabled Medium-term Revenue and Expenditure Frameworks as informed by the broader municipal planning and development framework.

In addition to the annual budget circulars to provide guidelines to municipalities on the preparation of their annual budgets, a Budget Assessment Methodology and Funding Assessment Tool has been developed by the National Treasury to provide a consistent and reliable method across National and Provincial Treasuries to verify the funding compliance as defined in the MFMA Funding Compliance Guideline dated 10 March 2008. The tool is used to assess if both the draft (tabled) and adopted budget are funded.

As shown in figure 4 below, some progress have been made since 2013/14 to ensure that funded budgets are adopted by municipalities.

Figure 4: Funded / Unfunded Municipal Budgets



b. The Municipal Financial Sustainability Challenges

There is a group of municipalities that have liquidity challenges and are failing at effectively delivering services, billing for services and collecting the revenue due; consequently outstanding debtors are increasing and they are not able to maintain positive cash flows to pay creditors within the thirty days timeframe as legally prescribed.

Contributing to municipal failures is the skills deficit, organisational structure challenges and non-permanent incumbents in critical positions that have led to the widespread municipal financial instability. Provincial interventions in terms of section 139 of the Constitution as well as isolated attempts to assist have not necessarily yielded the desired outcomes.

In order to address the “culture of non-payment” it is imperative that the broader scope of remedial action required is recognised and that all spheres of government are informed of their required contribution to the rehabilitation process. Therefore, a multi-pronged approach that includes addressing operational inefficiencies, incompetence and governance failures are required to ensure sound fiscal discipline.

The Budget Council at its meeting held on 14 July 2017 endorsed that a holistic approach to improving financial management and sustainability

should be implemented by Government (Department of Cooperative Government, National Treasury, the South African Local Government Association and all appropriate role players in the space of Local Government).

National Treasury also supports the decision of state owned entities and municipalities to implement their credit control initiatives as this is sound business practice and the only leverage that they have at their disposal to collect outstanding revenue.

c. *mSCOA*

While significant progress has been made with reporting in terms of the Municipal Finance Management Act (MFMA) and its Regulations, there are still several challenges with the quality, reliability and overall credibility of municipal information.

In response to this challenge, the National Treasury commissioned the development of a standardised classification framework for local government. Phases 1 to 3 of *mSCOA* focussed on the research into and development of a standard classification framework for municipalities, and the drafting and gazetting of the Regulations and required stakeholder consultation in this regard. The Minister of Finance approved publication of the Municipal Regulation on a Standard Chart of Accounts (Notice No. 37577) on 22 April 2014. Phase four of *mSCOA* focussed on piloting and change management and concluded on 31 March 2017.

mSCOA has been by far the biggest reform in the history of Local Government. It is not only a standard financial classification system at a transactional level across all 257 municipalities, but also a business reform that affects every part of the operations of a municipality. The Regulation provided for a three-year preparation and readiness window and all 257 municipalities had to be compliant to the *mSCOA* classification framework by 1 July 2017.

This means that municipalities should have been able to transact and report in *mSCOA* and that planning and reporting integrate seamlessly across the accountability cycle by 01 July 2017.

However, experience has shown that this may take up to two or three budget cycles to achieve. *mSCOA* will undoubtedly bring about higher levels of accountability, transparency and overall governance within the entire local government system. Phase 5 of the *mSCOA* project is supporting provincial treasuries and municipalities to achieve this.

d. *City Support and Neighbourhood Development Programmes*

Cities are the growth engines of the SA economy. However, the spatial fragmentation within Cities as a result of Apartheid planning policies imposes huge costs on public investment and service delivery.

The importance of urban spatial transformation has been recognised by the National Development Plan, the Integrated Urban Development Framework, Treasury's Budget Policy Statements as well as Department of Planning, Monitoring and Evaluation's Mandate Papers over the last two

years. Urban spatial transformation is a fundamental outcome in the chain of outcomes leading towards inclusive economic growth.

The National Treasury has been working with metros and secondary cities towards an outcomes-based approach for spatial transformation and inclusive economic growth. The annual Built Environment Performance Plans (BEPPS) of metros identify and prioritise catalytic development programmes for a number of spatially targeted areas based on a spatial targeting tool (the Urban Network Strategy) provided to cities by Treasury.

The programmes consist of precinct plans (including precinct development targets, land use plans, land use budgets and intergovernmental project pipelines - public transport, subsidised housing, community facilities) aimed at catalysing private investment (retail, commercial, light industrial and bonded housing) in the targeted areas.

e. *Cities Infrastructure Delivery Management System (CIDMS)*

The National Treasury has, in partnership with the Cities of eThekweni, Cape Town and Johannesburg, developed a CIDMS toolkit that will provide an integrated system to:

- Identify infrastructure needs, risks and opportunities;
- Develop optimised asset lifecycles;
- Appraise investment options;
- Procure and deliver on infrastructure needs; and
- Establish a sustainable asset management system.

The system has been specifically tailored for the South African metropolitan environment and fully supports the urban spatial transformation agenda. The Cities IDMS will focus on improved service delivery as a key point of departure so that it is able to offer a balanced approach to enhancing the level and effectiveness of infrastructure spending. It will assist cities to optimise performance right across the urban infrastructure value chain to achieve city strategic objectives and desired outcomes.

CONCLUSION:

60. The increase in creditors is indicative of liquidity and cash challenges faced by municipalities; in many instances municipalities are spending more than they generate (collect) resulting in increased outstanding creditors. According to the S71 results for Quarter 4 of 2016/17, 97 municipalities did not have sufficient cash and investments in the bank to pay their creditors / salaries on 30 June 2017.
61. The slow payment of outstanding creditors by municipalities and non-responsiveness by municipalities impacts negatively on the business operations of suppliers and contractors; this in turn contributes towards the higher pricing of goods and services where suppliers and contractors compensate for additional risk. It is also noted that municipalities are not up to date with payment of their accounts for Eskom and the Water Boards.

62. MFMA Circular No. 82 (dated March 2016), requested municipalities to adopt cost containment measures as part of their budget. However, very few municipalities have done this and it is clear that insufficient effort is being made to ensure that public resources are used effectively, efficiently, economically and in the best interests of the local community. Going forward, the National and Provincial Treasuries will focus in ensuring these measures are implemented as per the Cabinet directive.
63. An incorrect conclusion is often drawn that the smaller municipalities (especially in rural areas) find themselves in financial distress because they are 'non-viable' (no revenue base). However, National Treasury's research, backed-up strongly by the Auditor-General's audit findings, indicates that failures in governance, financial management and administration are the primary causes of financial distress municipalities finding themselves in financial difficulties of which contributing factors include weak management practices and processes.
64. It is widely acknowledged that the key "game changers" required to address municipal financial performance failures are funded budgets, revenue management, *m*SCOA, asset management, Supply Chain Management and favourable audit outcomes.

Annexure B: Total Expenditure

AGGREGATED BUDGETS OF TOTAL EXPENDITURE AS AT 30 JUNE 2017 (Preliminary results)

		Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget	
R thousands	Code										
EASTERN CAPE											
A	Buffalo City	BUF	1 558 134	1 491 448	1 190 451	76.4%	79.8%	-	300 997	-	20.2%
A	Nelson Mandela Bay	NMA	1 416 400	1 552 012	1 296 936	91.6%	83.6%	-	255 076	-	16.4%
B	Dr Beyers Naude	EC101	99 309	99 309	19 984	20.1%	20.1%	-	79 325	-	79.9%
B	Blue Crane Route	EC102	33 196	20 631	15 854	47.8%	76.8%	-	4 777	-	23.2%
B	Makana	EC104	170 043	43 168	16 017	9.4%	37.1%	-	27 151	-	62.9%
B	Ndlambe	EC105	37 285	42 335	33 514	89.9%	79.2%	-	8 821	-	20.8%
B	Sundays River Valley	EC106	52 797	46 369	28 815	54.6%	62.1%	-	17 553	-	37.9%
B	Kouga	EC108	63 069	68 365	48 259	76.5%	70.6%	-	20 126	-	29.4%
B	Kou-Kamma	EC109	19 197	23 157	19 304	100.6%	83.4%	-	3 853	-	16.6%
C	Sarah Baartman	DC10	3 863	3 906	5 709	147.8%	146.2%	(1 803)	-	(46.2%)	-
B	Mbhashe	EC121	158 211	138 508	118 021	74.6%	85.2%	-	20 487	-	14.8%
B	Mnquma	EC122	72 226	72 226	9 341	12.9%	12.9%	-	62 885	-	87.1%
B	Great Kei	EC123	20 675	21 719	12 994	62.9%	59.8%	-	8 724	-	40.2%
B	Amahlathi	EC124	41 130	37 794	33 944	82.5%	89.8%	-	3 850	-	10.2%
B	Ngqushwa	EC126	31 517	31 552	25 427	80.7%	80.6%	-	6 125	-	19.4%
B	Raymond Mhlaba	EC129	50 499	50 499	51 851	102.7%	102.7%	(1 352)	-	(2.7%)	-
C	Amathole	DC12	509 933	509 933	270 121	53.0%	53.0%	-	239 812	-	47.0%
B	Inxuba Yethemba	EC131	32 977	32 977	16 190	49.1%	49.1%	-	16 787	-	50.9%
B	Intsika Yethu	EC135	38 101	38 101	23 382	61.4%	61.4%	-	14 718	-	38.6%
B	Ermelahlani (Ec)	EC136	41 470	36 847	32 843	79.2%	89.1%	-	4 004	-	10.9%
B	Engcobo	EC137	95 615	103 316	73 717	77.1%	71.4%	-	29 598	-	28.6%
B	Sakhisizwe	EC138	19 182	19 182	5 085	26.5%	26.5%	-	14 097	-	73.5%
B	Enoch Mgijima	EC139	101 066	108 248	68 512	67.8%	63.3%	-	39 736	-	36.7%
C	Chris Hani	DC13	634 700	814 171	713 666	112.4%	87.7%	-	100 505	-	12.3%
B	Elundini	EC141	53 372	64 135	41 262	77.3%	64.3%	-	22 872	-	35.7%
B	Senqu	EC142	75 578	75 578	40 161	53.1%	53.1%	-	35 417	-	46.9%
B	Walter Sisulu	EC145	-	26 610	16 437	-	61.8%	-	10 173	-	38.2%
C	Joe Gqabi	DC14	278 736	278 736	191 947	68.9%	68.9%	-	86 789	-	31.1%
B	Ngquzu Hills	EC153	114 777	91 264	125 559	109.4%	137.6%	(34 295)	-	(37.6%)	-
B	Port St Johns	EC154	79 332	65 607	36 777	46.4%	56.1%	-	28 830	-	43.9%
B	Nyandeni	EC155	59 147	74 283	50 560	85.5%	68.1%	-	23 723	-	31.9%
B	Mhlonlo	EC156	49 341	54 241	64 892	131.5%	119.6%	(10 651)	-	(19.6%)	-
B	King Sabata Dalindyebo	EC157	266 002	268 034	180 980	68.0%	67.5%	-	87 054	-	32.5%
C	O.R. Tambo	DC15	1 221 593	1 221 593	1 012 164	82.9%	82.9%	-	209 429	-	17.1%
B	Mataiele	EC441	154 046	155 394	133 961	87.0%	86.2%	-	21 433	-	13.8%
B	Umtzimvubu	EC442	130 517	130 734	118 441	90.7%	90.6%	-	12 293	-	9.4%
B	Mbizana	EC443	52 383	117 250	75 876	144.8%	64.7%	-	41 373	-	35.3%
B	Ntabankulu	EC444	108 142	120 152	74 775	69.1%	62.2%	-	45 377	-	37.8%
C	Alfred Nzo	DC44	1 496 783	571 916	422 184	28.2%	73.8%	-	149 732	-	26.2%
Total Eastern Cape			9 440 340	8 721 314	6 715 911	71.1%	77.0%	(48 101)	2 053 504	(0.6%)	23.5%
FREE STATE											
A	Mangaung	MAN	1 806 094	124 191	1 128 329	62.5%	908.5%	(1 004 138)	-	(808.5%)	-
B	Lesemeng	FS161	71 635	74 140	41 701	58.2%	56.2%	-	32 440	-	43.8%
B	Kopangong	FS162	66 379	66 379	13 390	20.2%	20.2%	-	52 989	-	79.8%
B	Mohokare	FS163	95 105	93 721	27 704	29.1%	29.6%	-	66 017	-	70.4%
C	Xhariep	DC16	-	61	-	-	-	-	61	-	100.0%
B	Masilanyana	FS181	22 500	22 724	12 587	55.9%	55.4%	-	10 138	-	44.6%
B	Tokologo	FS182	75 608	75 608	120 467	159.3%	159.3%	(44 859)	-	(59.3%)	-
B	Tswelopele	FS183	44 906	46 106	8 909	19.8%	19.3%	-	37 197	-	80.7%
B	Majhabeng	FS184	133 363	153 363	144 091	108.0%	94.0%	-	9 272	-	6.0%
B	Nala	FS185	34 300	34 300	38 675	112.8%	112.8%	(4 375)	-	(12.8%)	-
C	Lejweleputswa	DC18	700	3 014	1 386	198.0%	46.0%	-	1 629	-	54.0%
B	Setsoib	FS191	89 052	88 983	101 642	114.1%	114.2%	(12 659)	-	(14.2%)	-
B	Dintabeng	FS192	79 889	79 889	60 998	76.4%	76.4%	-	18 891	-	23.6%
B	Nkelobana	FS193	64 218	64 218	28 535	44.4%	44.4%	-	35 683	-	55.6%
B	Matlê-a-Phokung	FS194	257 920	266 520	216 089	83.8%	81.1%	-	50 431	-	18.9%
B	Phumelela	FS195	47 530	47 530	41 638	87.6%	87.6%	-	5 892	-	12.4%
B	Mantsopa	FS196	58 418	58 418	16 481	28.2%	28.2%	-	41 937	-	71.8%
C	Thabo Mofutsanyana	DC19	2 412	2 412	3 804	157.7%	157.7%	(1 392)	-	(57.7%)	-
B	Moghaka	FS201	102 888	72 094	55 547	54.1%	77.0%	-	16 547	-	23.0%
B	Ngwathe	FS203	64 920	69 920	60 928	93.9%	87.1%	-	8 992	-	12.9%
B	Metsimaholo	FS204	113 245	126 440	83 444	73.7%	73.7%	-	42 996	-	34.0%
B	Matlêbe	FS205	41 932	41 932	8 184	19.5%	19.5%	-	33 747	-	80.5%
C	Fezile Dabi	DC20	3 330	3 702	1 770	53.1%	47.8%	-	1 932	-	52.2%
Total Free State			3 276 145	1 615 665	2 216 299	67.6%	137.2%	(1 067 423)	466 789	(66.1%)	28.9%

Over- and underspending of municipalities as at 30 June 2017

		Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget
R thousands	Code									
GAUTENG										
A	Ekurhuleni Metro	EKU	5 130 961	5 130 906	4 217 378	82.2%	-	913 528	-	17.8%
A	City Of Johannesburg	JHB	9 543 581	9 905 570	7 286 958	76.4%	-	2 618 612	-	26.4%
A	City Of Tshwane	TSH	4 465 209	4 465 209	3 167 429	70.9%	-	1 297 780	-	29.1%
B	Emfuleni	GT421	345 673	350 773	182 085	52.7%	-	168 688	-	48.1%
B	Midvaal	GT422	81 969	92 683	84 318	102.9%	-	8 375	-	9.0%
B	Lesedi	GT423	57 011	43 244	28 615	50.2%	-	14 629	-	33.8%
C	Sedibeng	DC42	20 820	9 471	5 279	25.4%	-	4 193	-	44.3%
B	Mogale City	GT481	424 969	275 508	209 136	49.2%	-	66 372	-	24.1%
B	Merabong City	GT484	151 892	151 892	146 211	96.3%	-	5 681	-	3.7%
B	Rand West City	GT485	240 783	247 552	178 706	74.2%	-	68 846	-	27.8%
C	West Rand	DC48	10 000	25 545	15 800	158.0%	-	9 745	-	38.1%
Total Gauteng			20 472 867	20 698 362	15 521 914	75.8%	-	5 176 448	-	25.0%
KWAZULU-NATAL										
A	eThekweni	ETH	6 725 067	6 693 732	6 066 717	90.2%	-	627 015	-	9.4%
B	Umdoni	KZN212	110 194	109 643	70 321	63.8%	-	39 321	-	35.9%
B	Umzumbe	KZN213	56 166	60 071	43 454	77.4%	-	16 616	-	27.7%
B	uMuzwabantu	KZN214	46 257	35 348	33 940	73.4%	-	1 408	-	4.0%
B	Ray Nkonyeni	KZN216	146 428	146 428	64 529	44.1%	-	81 899	-	55.9%
C	Ugu	DC21	369 147	349 233	329 449	89.2%	-	19 784	-	5.7%
B	uMshwathi	KZN221	28 629	40 729	35 199	122.9%	-	5 530	-	13.6%
B	uMngeni	KZN222	29 148	40 079	34 894	119.7%	-	5 185	-	12.9%
B	Mpofana	KZN223	18 680	25 880	16 543	88.9%	-	9 337	-	36.1%
B	Impendle	KZN224	11 412	11 459	14 885	130.4%	(3 426)	-	(29.9%)	-
B	Msunduzi	KZN225	726 241	726 241	648 258	89.3%	-	77 983	-	10.7%
B	Mkhambathini	KZN226	19 426	18 697	15 659	80.6%	-	3 038	-	16.2%
B	Richmond	KZN227	36 320	39 643	37 736	103.9%	-	1 906	-	4.8%
C	uMgungundlovu	DC22	201 268	242 587	254 558	126.5%	(11 971)	-	(4.9%)	-
B	Okhahlamba	KZN235	38 089	83 798	65 331	171.5%	-	18 467	-	22.0%
B	Imkosi Langalibalele	KZN237	62 414	57 747	49 008	78.5%	-	8 739	-	15.1%
B	Alfred Duma	KZN238	210 248	248 817	127 754	60.8%	-	121 062	-	48.7%
C	Uthukela	DC23	265 244	329 244	243 463	91.8%	-	85 781	-	26.1%
B	Endumeni	KZN241	24 441	37 163	31 289	128.0%	-	5 873	-	15.8%
B	Nquthu	KZN242	88 785	88 785	73 679	83.0%	-	15 106	-	17.0%
B	Misinga	KZN244	43 800	37 800	21 578	49.3%	-	16 222	-	42.9%
B	Umvoli	KZN245	45 077	43 887	31 937	70.8%	-	11 951	-	27.2%
C	Umzinyathi	DC24	375 493	386 675	337 683	89.9%	-	48 992	-	12.7%
B	Newcastle	KZN252	275 667	263 990	208 244	75.5%	-	55 747	-	21.1%
B	eMadlangeni	KZN253	25 222	27 396	19 675	78.0%	-	7 722	-	28.2%
B	Dannhauser	KZN254	51 353	50 683	32 024	62.4%	-	18 659	-	36.8%
C	Amajuba	DC25	91 041	91 041	66 911	73.5%	-	24 130	-	26.5%
B	eDumbe	KZN261	35 960	34 680	27 601	76.8%	-	7 079	-	20.4%
B	uPhongolo	KZN262	82 408	85 996	62 281	75.6%	-	23 715	-	27.6%
B	Abaqulusi	KZN263	70 617	70 617	869	1.2%	-	69 748	-	98.8%
B	Nongoma	KZN265	54 167	50 116	46 775	86.4%	-	3 341	-	6.7%
B	Ulundi	KZN266	61 105	61 105	83 056	135.9%	(21 951)	-	(35.9%)	-
C	Zululand	DC26	439 325	473 390	426 167	97.0%	-	47 224	-	10.0%
B	Umhlabuyalingana	KZN271	74 380	82 088	72 946	98.1%	-	9 142	-	11.1%
B	Jozini	KZN272	78 988	78 988	33 683	42.6%	-	45 305	-	57.4%
B	Mtubatuba	KZN275	58 590	55 523	49 461	84.4%	-	6 062	-	10.9%
B	The New Big 5 False Bay	KZN276	27 050	27 050	23 010	85.1%	-	4 040	-	14.9%
C	Umkhanyakude	DC27	267 517	284 442	182 143	68.1%	-	102 299	-	36.0%
B	Mfolozi	KZN281	62 049	52 049	32 588	52.5%	-	19 461	-	37.4%
B	uMhlatuze	KZN282	479 397	548 524	436 365	91.0%	-	112 159	-	20.4%
B	uMlalazi	KZN284	77 287	82 008	73 633	95.3%	-	8 375	-	10.2%
B	Mthonjaneni	KZN285	34 242	52 655	47 803	139.6%	-	4 851	-	9.2%
B	Nkandla	KZN286	43 302	42 602	38 746	89.5%	-	3 856	-	9.1%
C	King Cetshwayo	DC28	466 192	464 457	328 930	70.6%	-	136 527	-	29.2%
B	Mandeni	KZN291	50 732	37 682	72 752	143.4%	(35 070)	-	(93.1%)	-
B	KwaDukuza	KZN292	303 158	293 135	260 115	85.8%	-	33 019	-	11.3%
B	Nolwedwe	KZN293	-	81 926	49 899	60.9%	-	32 027	-	39.1%
B	Maphumulo	KZN294	-	24 697	29 360	-	(4 663)	-	(18.9%)	-
C	Ilembe	DC29	347 899	326 324	379 081	109.0%	(52 727)	-	(16.2%)	-
B	Greater Kokstad	KZN433	45 225	65 712	37 633	83.2%	-	28 079	-	42.7%
B	Ubuhlebezwe	KZN434	65 912	70 745	55 689	84.5%	-	15 056	-	21.3%
B	Umzimkhulu	KZN435	57 350	82 269	59 009	102.9%	-	23 260	-	28.3%
B	Dr Nkosazana Dlamini Zuma	KZN436	62 210	93 233	79 929	128.5%	-	13 304	-	14.3%
C	Harry Gwala	DC43	350 289	313 344	149 771	42.8%	-	163 573	-	52.2%
Total Kwazulu-Natal			13 816 619	14 222 153	12 113 984	87.7%	(129 807)	2 237 976	(0.9%)	15.7%

Over- and underspending of municipalities as at 30 June 2017

R thousands	Code	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget	
LIMPOPO											
B	Greater Giyani	LIM331	112 877	141 318	111 085	98.4%	78.6%	-	30 233	-	21.4%
B	Greater Letaba	LIM332	143 405	165 055	105 419	73.5%	63.9%	-	59 636	-	36.1%
B	Greater Tzaneen	LIM333	133 688	147 582	150 508	112.6%	102.0%	(2 926)	-	(2.0%)	-
B	Ba-Fhalaborwa	LIM334	48 460	49 768	33 651	69.4%	67.5%	-	16 117	-	32.4%
B	Maruleng	LIM335	81 666	84 329	60 101	73.6%	71.3%	-	24 228	-	28.7%
C	Mopani	DC33	446 786	524 458	325 056	72.8%	62.0%	-	199 402	-	38.0%
B	Musina	LIM341	40 064	40 064	28 760	71.8%	71.8%	-	11 304	-	28.2%
B	Thulamela	LIM343	202 030	204 061	159 748	79.1%	78.3%	-	44 313	-	21.7%
B	Makhado	LIM344	140 276	140 276	94 327	67.2%	67.2%	-	45 949	-	32.8%
B	Makhado-Thulamela	LIM345	107 370	122 970	74 884	69.7%	60.9%	-	48 086	-	39.1%
C	Vhembe	DC34	719 503	719 503	337 256	46.9%	48.9%	-	382 247	-	53.1%
B	Blouberg	LIM351	64 756	94 023	88 558	106.6%	72.9%	-	25 465	-	27.1%
B	Molemole	LIM353	70 727	70 727	56 787	80.3%	80.3%	-	13 940	-	19.7%
B	Polokwane	LIM354	1 096 467	1 063 499	815 422	74.4%	76.7%	-	248 077	-	23.3%
B	Lepelle-Nkumpi	LIM355	142 477	142 477	83 313	58.5%	58.5%	-	59 164	-	41.5%
C	Capricorn	DC35	286 956	336 284	321 658	112.1%	95.7%	-	14 626	-	4.3%
B	Thabazimbi	LIM361	85 627	85 627	31 114	36.3%	36.3%	-	54 513	-	63.7%
B	Lephalele	LIM362	68 080	68 080	87 630	128.7%	128.7%	(19 550)	-	(28.7%)	-
B	Bela Bela	LIM366	80 752	80 752	58 730	72.7%	72.7%	-	22 023	-	27.3%
B	Mogalakwena	LIM367	408 402	408 402	408 760	100.1%	100.1%	(358)	-	(0.1%)	-
B	Modimolle-Mookgopong	LIM368	87 442	106 204	83 076	95.0%	78.2%	-	23 128	-	21.8%
C	Waterberg	DC36	-	-	-	-	-	-	-	-	-
B	Ephraim Mogale	LIM471	65 508	69 926	51 957	79.3%	74.3%	-	17 969	-	25.7%
B	Elias Mokoaledi	LIM472	94 449	87 620	60 688	64.3%	69.3%	-	26 932	-	30.7%
B	Makhuduthamaga	LIM473	154 910	168 071	137 850	89.0%	82.0%	-	30 221	-	18.0%
B	Fetakgomo-Greater Tubatse	LIM476	241 014	230 623	180 120	74.7%	78.1%	-	50 502	-	21.9%
C	Sekhukhune	DC47	690 166	688 476	253 609	36.7%	36.8%	-	434 867	-	63.2%
Total Limpopo			5 813 859	6 040 176	4 180 069	71.9%	69.2%	(22 834)	1 882 941	(0.4%)	31.2%
MPUMALANGA											
B	Albert Luthuli	MP301	120 602	120 602	98 487	81.7%	81.7%	-	22 115	-	18.3%
B	Muskatigwa	MP302	76 564	76 564	37 724	49.3%	49.3%	-	38 839	-	50.7%
B	Mkhondo	MP303	77 266	103 605	86 873	112.4%	83.8%	-	16 733	-	16.2%
B	Pitsofeng	MP304	30 959	32 698	28 491	92.0%	87.1%	-	4 207	-	12.9%
B	Lekwa	MP305	43 613	45 637	39 218	89.9%	85.9%	-	6 419	-	14.1%
B	Dipaleseng	MP306	21 644	21 644	30 237	139.7%	139.7%	(8 592)	-	(39.7%)	-
B	Govan Mbeki	MP307	100 894	87 395	63 229	62.7%	72.3%	-	24 167	-	27.7%
C	Gert Sibande	DC30	16 500	12 100	4 148	25.1%	34.3%	-	7 952	-	65.7%
B	Victor Khanye	MP311	94 488	94 488	3 882	4.1%	4.1%	-	90 606	-	95.9%
B	Emlathele (Mp)	MP312	261 138	319 203	96 331	36.9%	30.2%	-	222 872	-	69.8%
B	Steve Tshwete	MP313	257 135	308 979	215 868	84.0%	69.9%	-	93 111	-	30.1%
B	Emakhazeni	MP314	75 841	76 427	18 857	24.9%	24.7%	-	57 570	-	75.3%
B	Themba Mkhize	MP315	135 672	114 187	88 389	65.1%	77.4%	-	25 798	-	22.6%
B	Dr J.S. Moroka	MP316	123 602	123 602	95 004	76.9%	76.9%	-	28 598	-	23.1%
C	Nkangala	DC31	8 050	39 339	32 628	405.3%	82.9%	-	6 711	-	17.1%
B	Thaba Chweu	MP321	71 174	76 341	96 188	135.1%	126.0%	(19 827)	-	(26.0%)	-
B	Nkomazi	MP324	354 405	366 966	227 461	64.2%	62.0%	-	139 504	-	38.0%
B	Bushbuckridge	MP325	704 634	630 845	574 614	81.5%	91.1%	-	56 231	-	8.9%
B	City of Mbombela	MP326	751 719	741 424	560 745	74.6%	75.6%	-	180 679	-	24.4%
C	Ehlanzeni	DC32	37 058	37 208	28 047	75.7%	75.4%	-	9 161	-	24.6%
Total Mpumalanga			3 362 958	3 429 256	2 426 400	72.2%	70.8%	(28 419)	1 031 275	(0.8%)	30.1%
NORTH WEST											
B	Moretele	NW371	159 759	159 759	155 988	97.6%	97.6%	-	3 771	-	2.4%
B	Madibeng	NW372	255 211	258 232	295 604	115.8%	114.5%	(37 372)	-	(14.5%)	-
B	Rustenburg	NW373	486 874	646 252	488 801	100.4%	75.6%	-	157 451	-	24.4%
B	Kgetlengrivier	NW374	34 789	34 769	23 498	67.6%	67.6%	-	11 271	-	32.4%
B	Moses Kotane	NW375	185 872	211 780	160 763	86.5%	75.9%	-	51 017	-	24.1%
C	Bojanala Platinum	DC37	2 157	2 234	1 313	60.9%	58.8%	-	920	-	41.2%
B	Ratou	NW381	45 279	64 808	53 560	118.3%	82.6%	-	11 248	-	17.4%
B	Tswaing	NW382	29 739	29 739	25 455	85.6%	85.6%	-	4 284	-	14.4%
B	Maikeng	NW383	127 057	127 057	55 077	43.3%	43.3%	-	71 980	-	56.7%
B	Ditsobotla	NW384	39 875	39 875	47 841	120.0%	120.0%	(7 956)	-	(20.0%)	-
B	Ramotshere Moiloa	NW385	33 533	35 082	42 535	128.8%	121.2%	(7 453)	-	(21.2%)	-
C	Ngaka Modiri Molema	DC38	291 133	291 133	87 772	30.1%	30.1%	-	203 361	-	69.9%
B	Naledi (Nw)	NW392	56 288	84 003	39 633	70.4%	47.2%	-	44 370	-	52.8%
B	Mamusa	NW393	20 279	20 279	12 362	61.0%	61.0%	-	7 917	-	39.0%
B	Greater Taung	NW394	63 279	63 279	56 323	89.0%	89.0%	-	6 956	-	11.0%
B	Lekwa-Teemane	NW396	44 536	44 536	30 223	67.9%	67.9%	-	14 313	-	32.1%
B	Kagisano-Molopo	NW397	47 897	47 897	21 423	44.7%	44.7%	-	26 474	-	55.3%
C	Dr Rufin Segomotsi Mompati	DC39	325 756	325 756	177 651	54.5%	54.5%	-	148 105	-	45.5%
B	City Of Matlosana	NW403	144 616	173 941	97 900	67.7%	56.3%	-	76 041	-	43.7%
B	Maquassi Hills	NW404	29 275	29 275	51 356	172.8%	172.8%	(21 631)	-	(72.8%)	-
B	Tlokwe-Ventersdorp	NW405	-	296 024	209 384	-	-	-	86 641	-	29.3%
C	Dr Kenneth Kaunda	DC40	3 925	4 755	829	21.1%	17.4%	-	3 926	-	82.6%
Total North West			2 427 559	2 990 916	2 135 292	88.0%	71.4%	(74 422)	930 045	(2.5%)	31.1%

Over- and underspending of municipalities as at 30 June 2017

R thousands		Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget	
NORTHERN CAPE											
B	Joe Morolong	NC451	137 326	137 326	137 921	100.4%	100.4%	(596)	-	(0.4%)	-
B	Ga-Segonyana	NC452	127 435	144 231	134 274	105.4%	93.1%	-	9 957	-	6.9%
B	Gamagara	NC453	278 844	80 393	28 891	10.4%	35.9%	-	51 502	-	64.1%
C	John Taolo Gaetsewe	DC45	4 100	2 150	412	10.1%	19.2%	-	1 738	-	80.8%
B	Richtersveld	NC061	28 280	8 601	7 649	27.0%	88.9%	-	952	-	11.1%
B	Nama Khoi	NC062	14 160	18 155	16 721	118.1%	92.1%	-	1 434	-	7.9%
B	Kamiesberg	NC064	9 606	7 206	7 628	79.4%	105.9%	(422)	-	(5.9%)	-
B	Hantam	NC065	33 937	30 008	33 763	99.5%	112.5%	(3 755)	-	(12.5%)	-
B	Karoo Hoogland	NC066	9 344	9 344	9 194	98.4%	98.4%	-	150	-	1.5%
B	Khai-Ma	NC067	16 367	13 885	6 134	37.5%	44.2%	-	7 752	-	55.8%
C	Namakwa	DC6	93	774	284	305.8%	36.7%	-	490	-	63.3%
B	Ubuntu	NC071	9 514	9 514	4 408	46.3%	46.3%	-	5 106	-	53.7%
B	Umsobomvu	NC072	29 641	31 748	21 988	74.2%	69.3%	-	9 760	-	30.7%
B	Emthanjeni	NC073	20 739	18 339	14 641	70.6%	79.8%	-	3 699	-	20.2%
B	Kareeberg	NC074	23 669	23 669	7 735	32.7%	32.7%	-	15 934	-	67.3%
B	Renosterberg	NC075	9 137	9 137	4 833	52.9%	52.9%	-	4 304	-	47.1%
B	Thembelihle	NC076	14 323	14 323	7 293	50.9%	50.9%	-	7 030	-	49.1%
B	Siyathemba	NC077	25 579	25 579	-	-	-	25 579	-	100.0%	-
B	Siyancuma	NC078	20 631	20 631	21 509	104.3%	104.3%	(878)	-	(4.3%)	-
C	Pixley Ka Seme (Nc)	DC7	0	0	1	98200.0%	98200.0%	(1)	-	(98100.0%)	-
B	IKal Garib	NC082	23 395	23 395	30 512	130.4%	130.4%	(7 117)	-	(30.4%)	-
B	IKheis	NC084	15 950	15 950	8 944	56.1%	56.1%	-	7 006	-	43.9%
B	Tsantsabane	NC085	18 218	16 780	22 985	126.2%	137.0%	(6 205)	-	(37.0%)	-
B	Kgalelopele	NC086	12 073	21 173	4 062	33.6%	19.2%	-	17 111	-	80.8%
B	David Kruiper	NC087	77 675	89 881	39 484	50.8%	43.9%	-	50 397	-	56.1%
C	Z F Mgcawu	DC8	775	1 666	1 582	204.1%	95.0%	-	84	-	5.0%
B	Sol Plaatje	NC091	125 204	149 865	119 298	95.3%	79.6%	-	30 567	-	20.4%
B	Dikgatlong	NC092	75 669	75 669	27 026	35.7%	35.7%	-	48 643	-	64.3%
B	Magareng	NC093	38 937	38 937	6 791	17.4%	17.4%	-	32 146	-	82.6%
B	Phokwane	NC094	35 779	35 779	25 993	72.6%	72.6%	-	9 786	-	27.4%
C	Francois Baard	DC9	19 036	12 848	7 082	37.2%	55.1%	-	5 766	-	44.9%
Total Northern Cape			1 255 436	1 086 955	759 038	60.5%	69.8%	(18 973)	346 890	(1.7%)	31.9%
WESTERN CAPE											
A	Cape Town	CPT	6 774 256	6 771 355	5 965 668	88.1%	88.1%	-	805 687	-	11.9%
B	Matzikama	WC011	27 077	31 708	25 387	93.8%	80.1%	-	6 322	-	19.9%
B	Cederberg	WC012	50 561	70 035	27 067	53.5%	38.6%	-	42 967	-	61.4%
B	Bergrivier	WC013	32 478	29 144	26 157	80.5%	89.7%	-	2 987	-	10.3%
B	Saldanha Bay	WC014	209 248	232 281	184 745	88.3%	79.5%	-	47 536	-	20.5%
B	Swartland	WC015	74 690	81 428	71 536	95.8%	87.9%	-	9 893	-	12.1%
C	West Coast	DC1	11 305	11 305	10 975	97.1%	97.1%	-	329	-	2.9%
B	Witzenberg	WC022	84 221	62 389	62 217	73.9%	99.7%	-	172	-	0.3%
B	Drakenstein	WC023	592 474	728 066	538 009	90.8%	73.9%	-	190 057	-	26.1%
B	Stellenbosch	WC024	463 792	482 580	315 197	68.0%	65.3%	-	167 383	-	34.7%
B	Breede Valley	WC025	88 478	139 166	97 080	109.7%	69.8%	-	42 086	-	30.2%
B	Langeberg	WC026	53 236	58 390	46 632	87.6%	79.9%	-	11 758	-	20.1%
C	Cape Winelands DM	DC2	18 494	11 784	10 679	57.7%	90.6%	-	1 104	-	9.4%
B	Theewaterskloof	WC031	58 031	71 646	60 145	103.6%	83.9%	-	11 502	-	16.1%
B	Overstrand	WC032	88 356	86 266	83 297	94.3%	96.6%	-	2 969	-	3.4%
B	Cape Agulhas	WC033	24 632	25 452	23 553	95.6%	92.5%	-	1 899	-	7.5%
B	Swellendam	WC034	20 315	21 405	14 929	73.5%	69.7%	-	6 476	-	30.3%
C	Overberg	DC3	1 096	9 460	6 644	606.2%	70.2%	-	2 817	-	28.8%
B	Kannaland	WC041	54 590	54 590	194	0.4%	0.4%	-	54 396	-	99.6%
B	Hessequa	WC042	168 542	156 922	105 347	66.4%	67.1%	-	51 576	-	32.9%
B	Mossel Bay	WC043	148 066	152 376	131 376	88.7%	86.2%	-	21 000	-	13.8%
B	George	WC044	221 795	317 023	203 699	91.8%	64.3%	-	113 323	-	35.7%
B	Oudtshoorn	WC045	47 359	42 341	34 974	73.8%	82.6%	-	7 367	-	17.4%
B	Bloubaai	WC047	116 064	139 823	113 066	97.4%	80.9%	-	26 756	-	19.1%
B	Knysna	WC048	175 573	145 497	106 088	60.4%	72.9%	-	39 409	-	27.1%
C	Eden	DC4	5 415	6 713	6 272	115.8%	93.4%	-	441	-	6.6%
B	Laingsburg	WC051	14 703	11 724	9 676	65.8%	82.5%	-	2 048	-	17.5%
B	Prince Albert	WC052	8 701	31 578	14 782	169.9%	46.8%	-	16 796	-	53.2%
B	Beaufort West	WC053	34 168	60 199	45 236	132.4%	75.1%	-	14 963	-	24.9%
C	Central Karoo	DC5	230	1 562	1 143	497.1%	73.2%	-	419	-	26.8%
Total Western Cape			9 657 949	10 044 209	8 341 770	86.4%	83.1%	-	1 702 439	-	16.9%
Total National			69 523 733	68 849 006	54 410 678	78.3%	79.0%	(1 389 980)	15 828 308	(2.0%)	23.0%

Over- and underspending of municipalities as at 30 June 2017

R thousands	Code	Main appropriation	Adjusted Budget	Year to date: 30 June 2017	Total Expenditure as % of main appropriation	Total Expenditure as % of adjusted budget	(Over)	Under	(Over) as % of adjusted budget	Under as % of adjusted budget	
WESTERN CAPE											
A	Cape Town	CPT	34 796 423	35 725 213	31 128 003	89.5%	87.1%	-	4 597 211	-	12.9%
B	Matzikama	WC011	272 372	282 491	234 221	86.0%	82.9%	-	48 270	-	17.1%
B	Cederberg	WC012	230 106	272 469	234 977	102.1%	86.2%	-	37 492	-	13.8%
B	Bergivier	WC013	305 577	317 683	270 471	88.5%	85.1%	-	47 211	-	14.9%
B	Saldanha Bay	WC014	941 226	972 420	831 349	88.3%	85.5%	-	141 071	-	14.5%
B	Swartland	WC015	641 239	624 518	530 981	82.8%	85.0%	-	93 537	-	15.0%
C	West Coast	DC1	344 050	347 360	266 064	83.1%	82.4%	-	61 296	-	17.6%
B	Witzenberg	WC022	554 700	531 218	455 018	82.0%	85.7%	-	76 200	-	14.3%
B	Drakenstein	WC023	2 047 906	2 072 441	1 872 880	91.5%	90.4%	-	199 561	-	9.6%
B	Stellenbosch	WC024	1 380 139	1 450 845	1 148 815	83.2%	79.2%	-	302 030	-	20.8%
B	Breede Valley	WC025	913 800	939 545	861 492	94.3%	91.7%	-	78 053	-	8.3%
B	Langeberg	WC026	644 316	667 354	558 450	86.7%	83.7%	-	108 904	-	16.3%
C	Cape Winelands DM	DC2	389 480	399 696	363 947	90.9%	86.6%	-	45 749	-	11.4%
B	Theewaterskloof	WC031	468 448	473 757	379 079	80.9%	80.0%	-	94 678	-	20.0%
B	Overstrand	WC032	1 072 965	1 072 964	1 045 895	97.5%	97.5%	-	27 069	-	2.5%
B	Cape Agulhas	WC033	297 385	287 917	254 755	85.7%	88.5%	-	33 162	-	11.5%
B	Swellendam	WC034	227 116	234 174	173 371	76.3%	74.0%	-	60 804	-	26.0%
C	Overberg	DC3	168 459	163 203	164 453	103.8%	100.8%	(1 250)	-	(0.8%)	-
B	Kannaland	WC041	147 198	139 232	86 470	58.7%	62.1%	-	52 762	-	37.9%
B	Hessequa	WC042	422 779	423 655	325 016	76.9%	76.7%	-	98 639	-	23.3%
B	Mossel Bay	WC043	874 172	890 772	740 233	84.7%	83.1%	-	150 538	-	16.9%
B	George	WC044	1 627 126	1 641 524	1 423 149	87.5%	86.7%	-	218 376	-	13.3%
B	Oudshoorn	WC045	590 675	573 397	524 237	88.8%	91.4%	-	49 160	-	8.6%
B	Bitou	WC047	522 388	538 402	484 408	92.7%	90.0%	-	53 994	-	10.0%
B	Krystna	WC048	739 370	730 349	605 542	81.9%	82.9%	-	124 808	-	17.1%
C	Eden	DC4	309 475	347 021	313 227	101.2%	90.3%	-	33 794	-	9.7%
B	Laingsburg	WC051	95 598	97 123	78 376	82.0%	80.7%	-	18 747	-	19.3%
B	Prince Albert	WC052	64 580	54 297	71 255	110.3%	131.2%	(16 958)	-	(31.2%)	-
B	Beaufort West	WC053	277 760	277 707	235 524	84.8%	84.8%	-	42 183	-	15.2%
C	Central Karoo	DC5	76 830	77 305	84 365	109.8%	109.1%	(7 060)	-	(9.1%)	-
Total Western Cape			51 433 699	52 626 055	45 756 024	89.0%	86.9%	(25 267)	6 895 298	(0.0%)	13.1%
Total National			326 096 087	331 091 016	294 202 425	90.2%	88.9%	(1 482 741)	36 371 331	(0.4%)	11.6%