State of Municipalities in the Province Revenue Financial Viability and Funded Budget

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Presentation Outline

- Legislative Background
- Funded Budget Status
- Municipal Revenue Value Chain
- Operating Revenue: Grant Dependency
- Collection Rate
- Net Debtors Day
- Cash/Cost Coverage Ratio

Legislative Background

- MFMA sec 18 Funding of expenditure - (1) An annual budget may only be funded from
  a) realistically anticipated revenue to be collected
  b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
  c) borrowed funds, but only for the capital budget referred to in section 17(2)
- MFMA sec 18 (2) Revenue projections in the budget must be realistic, taking into account
  a) projected revenue for the current year based on collection levels to date; and
  b) actual revenue collected in previous financial years
- MFMA sec 64 states that the accounting officer of a municipality is responsible for the management of the revenue of the municipality and must ensure that there are systems and procedures in place to ensure that revenue due to the municipality is billed and collected, including debtors' management

Funded Budget Status

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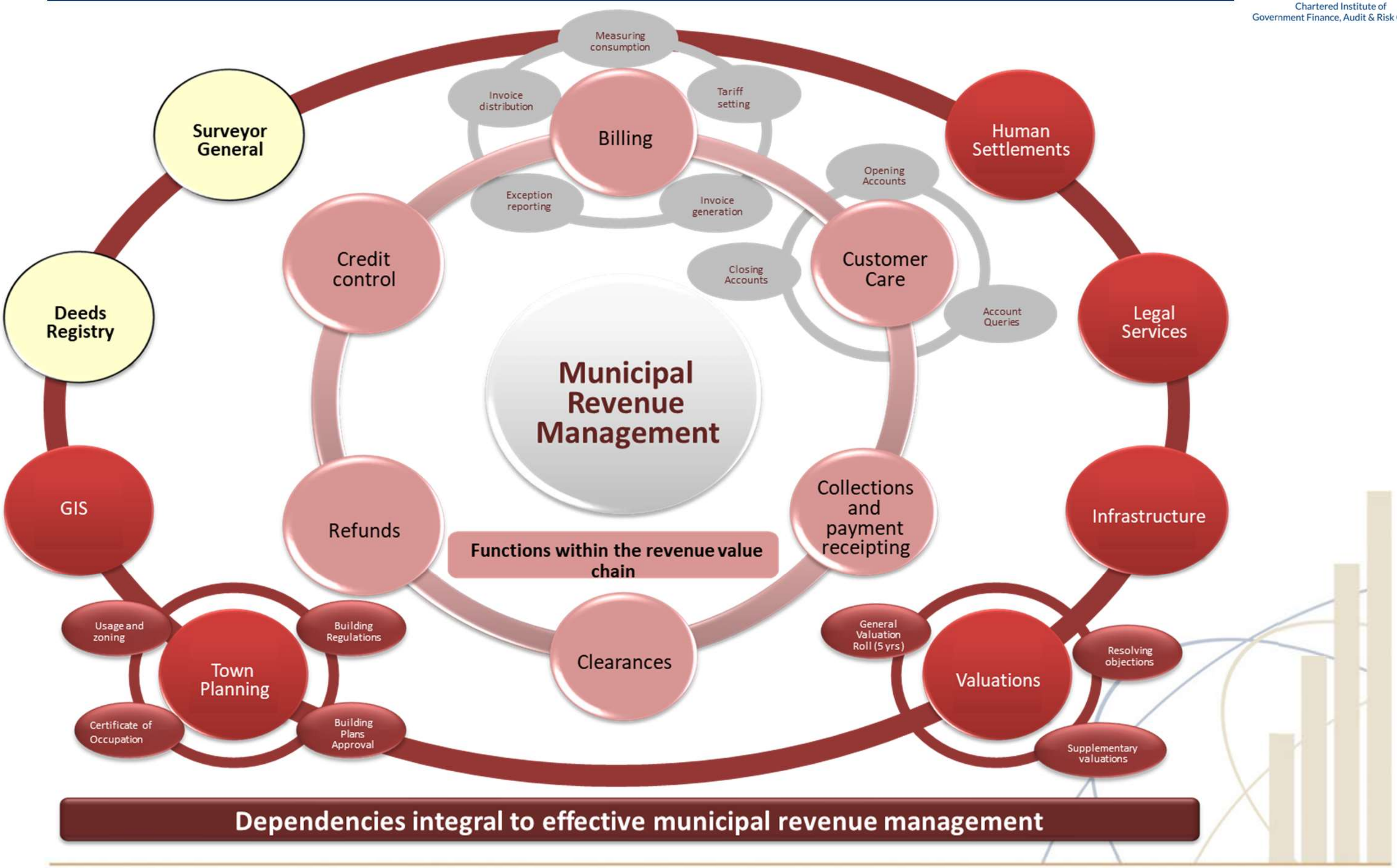
Name of Municipality	2021/22			2022/23			2023/24			2024/25			2025/26		2026/27
	Tabled Budget	Adopted Budget	Adjusted Budget	Tabled Budget	Adopted Budget	Adjusted Budget	Tabled Budget	Adopted Budget	Adjusted Budget	Tabled Budget	Adopted Budget	Adjusted Budget	Tabled Budget	Adopted Budget	Tabled Budget
Polokwane	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	
Blouberg	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Lepelle-Nkumpi	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Molemole	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Capricorn	Funded	Funded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Ba-Phalaborwa	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Greater Giyani	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Greater Letaba	Unfunded	Funded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Greater Tzaneen	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Maruleng	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Mopani	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Elias Motsoaledi	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Ephraim Mogale	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Makhuduthamaga	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Tubatse Fetakgomo	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Sekhukhune	Funded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Collins Chabane	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Funded	Funded	Funded
Makhado	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Unfunded	Unfunded	Funded	Funded	Funded
Musina	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Thulamela	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Vhembe	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Bela Bela	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Funded	Funded	Funded	Funded	Funded
Lephalale	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Funded	Funded	Funded	Funded	Funded	Funded	Funded	Funded
Modimolle-Mookgopong	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Mogalakwena	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Funded	Unfunded
Thabazimbi	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded
Waterberg	Funded	Funded	Funded	Funded	Funded	Funded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded	Unfunded

Funded	16	18	17	18	18	18	15	17	17	16	17	16	18	19	17
Unfunded	11	9	10	9	9	9	12	10	10	11	10	11	9	8	9

Funded Budget Status (cont…)

- Large unsettled historical debt with no payment arrangements
- Unrealistic revenue targets not informed by year-to-date actuals
- Ballooning expenditure commitments without parallel growth in revenue
- Budgeting for unfunded capital projects (no cash backed reserves)
- Over-reliance on the system vendor with regard to use of the financial system
- Unmanaged travel costs, overtime, contracted services (legal, security, water tinkering)

Municipal Revenue Value Chain



Operating Revenue: Grants Dependency

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Municipality	Audited Outcome	Original Budget	Adjusted Budget
Ba-Phalaborwa	37%	30%	30%
Greater Giyani	66%	71%	71%
Greater Letaba	77%	78%	74%
Greater Tzaneen	31%	28%	27%
Maruleng	44%	40%	44%
Mopani	77%	72%	71%
Collins Chabane	81%	79%	68%
Makhado	42%	34%	34%
Musina	43%	33%	30%
Thulamela	68%	64%	60%
Vhembe District	70%	64%	63%
Elias Motsoaledi	51%	50%	48%
Epriam Mogale	50%	50%	52%
Makhuduthamaga	85%	82%	80%
Fetakgomo Tubatse	62%	56%	65%
Sekhukhune District	84%	85%	86%
Molemole	70%	70%	64%
Blouberg	64%	60%	59%
Lepalle-Nkumpi	64%	42%	41%
Capricon District	80%	88%	88%
Bela-Bela	22%	23%	21%
Lephalale	31%	29%	29%
Modimolle-Mookgophong	19%	17%	17%
Mogalakwena	42%	37%	37%
Thabazimbi	25%	26%	22%
Waterberg DM	97%	96%	98%
Polokwane	28%	32%	32%

Less than 30%	**4**	**6**	**7**
Between 31% - 50%	**8**	**8**	**6**
Above 51%	**15**	**13**	**14**
Operating Grants	14 265 504 776,00	14 816 308 590,00	15 074 718 827,00
Total Revenue	28 337 056 149,00	30 719 892 685,00	31 481 483 757,00
Summary	50%	**48%**	**48%**

Operating Revenue: Grants Dependency (cont..)

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- Development of the implementable revenue management & enhancement strategies
- Ensure that all consumptions are metered, including in rural areas where possible
- Municipalities should consider expanding their electricity distribution to the rural areas, especially in new areas
- Formalisation of rural areas by engaging with the Department of Rural Development and Land Reform for land donation.
- Ensure all billable revenue is correctly billed and collected timeously.

Collection Rate

Municipalities	Restated 2023/24	Audited 2024/25	31-Mar-26
Blouberg	80%	49%	36%
Lepelle-Nkumpi	0%	39%	35%
Molemole	60%	54%	23%
Polokwane	95%	80%	102%
Capricorn	41%	49%	15%
Ba-Phalaborwa	72%	107%	38%
Greater Giyani	87%	59%	31%
Greater Letaba	54%	31%	62%
Maruleng	77%	76%	78%
Greater Tzaneen	59%	80%	75%
Mopani	-783%	290%	2%
Elias Motsoaledi	39%	41%	90%
Epriam Mogale	96%	80%	89%
Makhuduthamaga	61%	46%	16%
Fetakgomo Tubatse	24%	155%	59%
Sekhukhune District	-368%	35%	34%
Makhado	77%	92%	106%
Musina	48%	98%	102%
Collins Chabane	-111%	30%	20%
Thulamela	48%	53%	33%
Vhembe District	34%	6%	13%
Bela Bela	163%	96%	91%
Lephalale	60%	84%	44%
Mogalakwena	101%	56%	71%
Modimolle-Mookgopong	56%	58%	68%
Thabazimbi	41%	52%	66%
Waterberg District	99%	101%	0%

95% and above	5	6	3
Between 70% and 94%	4	6	5
Below 70%	18	15	19

Collection Rate Challenges

- Lack of credit control and debt collection policy enforcement
- Unaffordable tariff setting for certain consumers
- Recurring estimates used by the municipalities on the monthly billings
- The credibility of billing on a monthly basis is questionable in some instances.
- High level of outstanding consumer accounts

Net Debtors Days

Municipalities	Net Debtors Days (Norm 30 days)	
	Restated 2023/24	Audited 2024/25
Blouberg	202	220
Lepelle-Nkumpi	215	209
Molemole	104	46
Polokwane	544	548
Capricorn	163	154
Ba-Phalaborwa	295	87
Greater Giyani	261	256
Greater Letaba	99	201
Maruleng	93	86
Greater Tzaneen	483	448
Mopani	3451	2355
Elias Motsoaledi	267	284
Epriam Mogale	229	228
Makhuduthamaga	154	242
Fetakgomo Tubatse	278	20
Sekhukhune District	199	119
Makhado	135	126
Musina	90	71
Collins Chabane	215	268
Thulamela	118	123
Vhembe District	63	23
Bela Bela	168	166
Lephalale	257	208
Mogalakwena	945	183
Modimolle-Mookgopong	227	71
Thabazimbi	77	92
Waterberg District	2	0

Within the norm	1	3
Between 31-90 days	2	5
More than 91 days	24	19

Cash/Cost Coverage Ratio

Cash/Cost Coverage Ratio (Norm 1 - 3 months)			
Municipalities	**Restated 2023/24**	**Audited 2024/25**	**31-Mar-26**
Blouberg	11,1	6,6	8,1
Lepelle-Nkumpi	71,8	69,3	62,0
Molemole	13,7	11,6	17,0
Polokwane	0,8	1,7	5,2
Capricorn	20,8	22,3	27,3
Ba-Phalaborwa	2,5	1,3	3,1
Greater Giyani	14,9	15,1	19,8
Greater Letaba	0,6	0,7	6,3
Maruleng	11,1	11,4	7,5
Greater Tzaneen	2,0	2,0	5,6
Mopani	2,2	2,0	6,2
Elias Motsoaledi	0,5	2,0	5,3
Epriam Mogale	14,5	21,8	24,1
Makhuduthamaga	0,2	0,1	3,0
Fetakgomo Tubatse	1,6	0,3	7,8
Sekhukhune District	9,2	6,2	6,9
Makhado	0,2	0,2	0,7
Musina	0,0	0,1	0,7
Collins Chabane	2,3	1,4	1,4
Thulamela	21,9	21,2	29,0
Vhembe District	3,5	0,7	9,2
Bela Bela	0,7	1,0	5,1
Lephalale	1,9	2,7	3,6
Mogalakwena	0,1	0,0	1,1
Modimolle-Mookgopong	0,2	0,0	0,7
Thabazimbi	-0,5	0,9	4,6
Waterberg District	0,4	0,0	3,7
Within the norm	**6**	**8**	**3**
Above the norm	**10**	**9**	**21**
Less than the norm	**11**	**10**	**3**

Thank You!

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