



Province of the  
**EASTERN CAPE**  
PROVINCIAL TREASURY

# MUNICIPAL FINANCIAL GOVERNANCE PRESENTATION

(TO THE BUDGET GUIDELINES WORKSHOP)  
7 JULY 2015

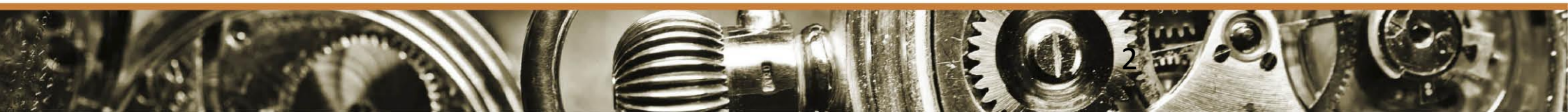


**VISION:** We envision a prosperous province supported by sound financial and resource management.

7 JULY 2015

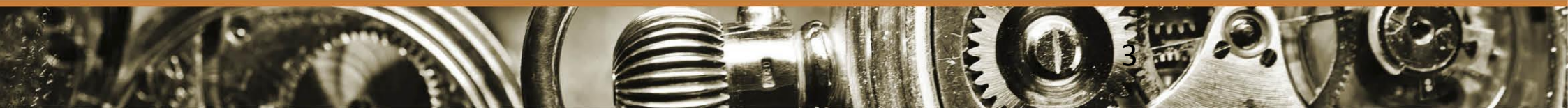
# Outline

- Background and Purpose
- Determination and Redetermination of municipal boundaries
- Municipal Infrastructure Grant Performance 2014/15
- Municipal Infrastructure Grant Allocations 2015/16
- Municipal Debt : Provincial departments
- Intergovernmental cooperation to improve service delivery



## Purpose and Background

- Municipalities in province are servicing a total number of 6.5 million people (Census 2011) in the province.
- On average 75% of households are indigent and about 16% of province population not employed.
- Pressures of urbanisation, movement of the poor to the metros and cities, and growing numbers of the unemployed has put strain on the municipalities' finances, especially metros and cities, to provide access to basic services.
- Despite the need for accelerated infrastructure delivery, municipalities continue to underspend on infrastructure conditional grants resulting in funding being returned to the National Revenue Fund.
- Purpose is to share information on the issues listed from the second bullet reflected on the outline



## Determination and Redetermination of municipal boundaries

The Minister of Cooperative Governance and Traditional Affairs has requested the Municipal Demarcation Board to determine and o re-determine the boundaries of certain municipalities with a view to optimise their financial viability

Affected municipalities in the province are as reflected in the table herebelow:

Affected Municipality	Other Affected Municipalities	Request by The Minister
Ikwezi	Baviaans Camdeboo	Amalgamate Ikwezi, Baviaans and Camdeboo to optimise financial viability of the new municipality
Great Kei	Buffalo City Metro Amathole District Municipality	Disestablish Great Kei and amalgamate with Buffalo City Metro to optimise financial viability of the new municipality
Gariep	Maletswai	Amalgamate Gariep with Maletswai to optimise financial viability of the new municipality

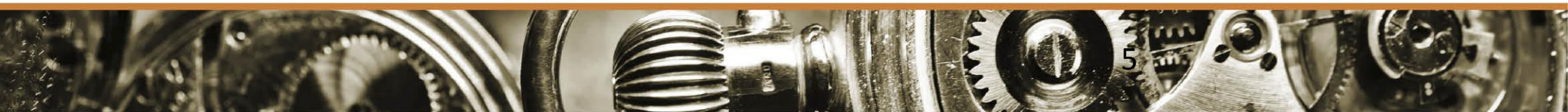
# Determination and Redetermination of municipal boundaries

Affected municipalities in the province are as reflected in the table herebelow:

Nxuba	Nkonkobe	Amalgamate Nxuba with Nkonkobe to optimise financial viability of the new municipality
Inkwanca	Tsolwana Lukhanji	Amalgamate Inkwanca Tsolwana and Lukhanji to optimise financial viability of the new municipality

## Progress to date

- The disestablishment of Great Kei and amalgamation with Buffalo City Metro has been considered and not approved,.
- The process to investigate and public participatio process with the other affected municipalities is still underway.
- For the reason that investigations and public participations are still to be finalised, no allocation has been made for incidental costs.
- If the process is finanlised in time for the allocations to be made during this financial year, and there are incidental costs, provision for funds will be made in the Adjustments Budget



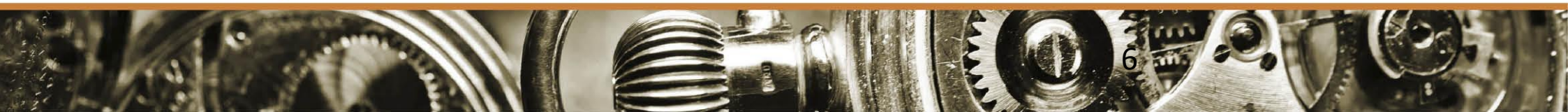
## Municipal Infrastructure Grant Performance 2014/15( Summary)

Districts	Total Available	Spent as at May	Percentage spent
Total: Sarah Baartman Municipalities	187 757	131 974	70%
Total: Amatole Municipalities	675 805	583 251	86%
Total: Chris Hani Municipalities	512 912	416 485	81%
Total: Joe Gqabi Municipalities	266 797	205 524	77%
Total: O.R. Tambo Municipalities	913 033	776 209	85%
Total: Alfred Nzo Municipalities	522 985	498 437	95%
	<b>3 079 289</b>	<b>2 611 880</b>	<b>85%</b>

The original allocation for Eastern Cape province of R2 916 billion was adjusted upwards to R3 079 billion. Expenditure is R2,612 billion at the end of May 2015, which is 84.82%.

Municipalities as at May appeared to underspend their MIG allocations by 5 % or R210,801m

At month 11 expenditure was expected to be R 2,822,682 m or 92% of the allocations.



# Municipal Infrastructure Grant Performance 2014/15( Summary)

Sitting on the extremes of the underspending are :

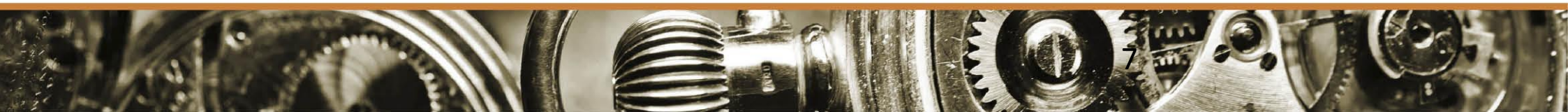
Sunday's River Valley	58%
Sarah Baartman*	0%
Amahlathi	52%
Great Kei	39%
Inxuba Yethemba	37%
Tsolwana	28%
Senqu	58%
Maletswai	49%

## Explanations for the underspending range from

- Inadequate prior planning
- Slow procurement processes and
- Inability to implement capital projects

**This instructs relevant support providers to assist municipalities to :**

- Prepare procurement plan beforehand
- Hasten procurement processes and
- Provide technical support on capital projects implementation



## Municipal Infrastructure Grant Allocations 2015/16 (Summary)

Metro/District	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)	% Share
Total: Sarah Baartman Municipalities	164 889	170 061	177 817	6%
Total: Amathole Municipalities	668 941	696 083	736 767	22%
Total: Chris Hani Municipalities	478 105	496 795	524 812	16%
Total: Joe Gqabi Municipalities	252 893	262 728	277 469	8%
Total: O.R.Tambo Municipalities	887 844	924 862	980 352	30%
Total: Alfred Nzo Municipalities	532 295	554 186	587 000	18%
<b>Total Eastern Cape Municipalities</b>	<b>2 984 967</b>	<b>3 104 715</b>	<b>3 284 217</b>	<b>100%</b>

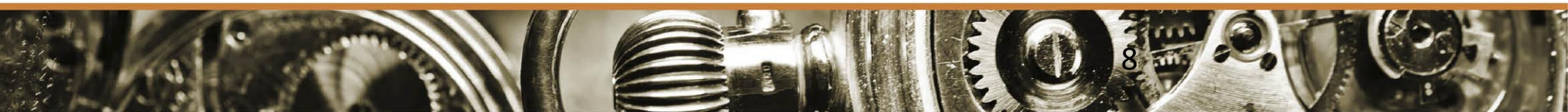
The bulk of the grant is allocated to O.R.Tambo, Amathole, AlfredNzo and Chris Hani municipalities

O.R. Tambo	30%
Amathole	22%
Alfred Nzo	18% and
Chris Hani	16%

Joe Gqabi at 8% and Sarah Baartman at 6% receive the least of the grant

### Support providers need to assist municipalities to :

- Hasten procurement processes and
- Provide technical support on capital projects implementation



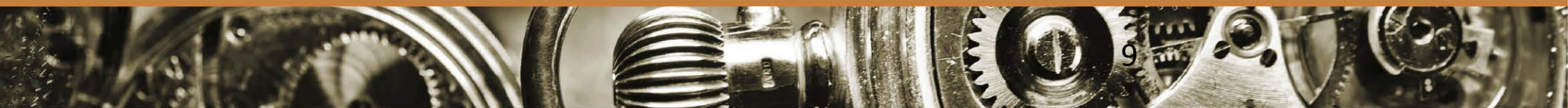
## Municipal Debt : Provincial departments

April 2015

Department	Amount
Public Works	111 979 533
Health	35 963 966
Education	43 986 699
Agriculture	21 470 308
Human Settlement	94 091
Transport	3 303 511
Social Development	2 772 191
Due by Other Depts.	124 624
	<b>219 694 923</b>

### Age Analysis

	Current	Interest	30 Days	60 Days	90 Days	120 Days	Due
Water	1 984 022	863 379	2 827 650	2 746 506	5 388 916	17 936 098	31 746 571
Electricity	3 873 281	1 685 521	5 520 243	5 361 831	10 520 441	35 015 512	61 976 830
Property Rates	5 664 921	2 465 183	8 073 709	7 842 021	15 386 819	51 212 429	90 645 081
Sanitation	1 067 730	464 640	1 521 741	1 478 073	2 900 124	9 652 573	17 084 882
Refuse Removal	609 353	265 170	868 456	843 535	1 655 098	5 508 715	9 750 326
Other	530 650	230 921	756 289	734 586	1 441 330	4 797 224	8 491 001
	<b>13 729 957</b>	<b>5 974 815</b>	<b>19 568 089</b>	<b>19 006 552</b>	<b>37 292 729</b>	<b>124 122 551</b>	<b>219 694 692</b>



# Municipal Debt : Provincial departments

Bulk of debt with Works and Education and is due to:

- Unsurveyed properties
- Section 21 schools<sup>10</sup>

Health due to department not receiving invoices and disputes

Agriculture due to department not receiving invoices and disputes

Transport due to department not receiving invoices and disputes

Social Development due to department not receiving invoices and disputes

Other (National) due to failure to coordinate billing process

PT to projectise to resolve the issues

## Intergovernmental cooperation to improve service delivery

Coordination of planning and support to municipalities is still a challenge

There is no sufficient interaction between:

- districts and local municipalities for production of district wide plans
- districts and the province ( departments) for production of overall provincial plan

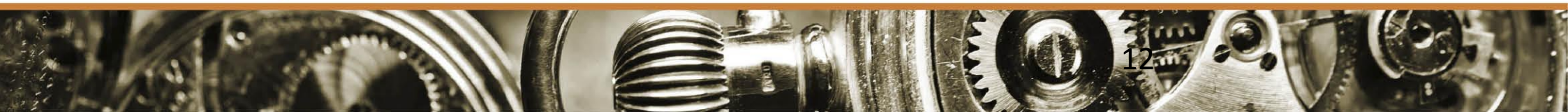
When it comes to support to municipalities there is no sufficient interaction between the support providers

- Provincial departments
- Other interested stakeholders outside government

Needed to be done

- District municipalities to lead district wide planning
- Provincial departments be part of that planning process
- Coordination of support provision to municipalities

# THANK YOU



## Municipal Infrastructure Grant Performance 2014/15 (Details)

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
A	BUF	Buffalo City	-	-	-
A	NMA	Nelson Mandela	-	-	-
<b>Sarah Baartman Municipalities</b>					
Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC101	Camdeboo	18 125	13 709	76%
B	EC102	Blue Crane Route	15 891	15 891	100%
B	EC103	Ikwezi	11 002	9 275	84%
B	EC104	Makana	4 290	4 902	114%
B	EC105	Ndlambe	30 799	23 330	76%
B	EC106	Sundays River Valley	34 147	19 768	58%
B	EC107	Baviaans	9 898	8 347	84%
B	EC108	Kouga	29 832	25 450	85%
B	EC109	Kou-kamma	14 765	11 302	77%
C	DC10	Sarah Baartman District Municipality	19 008	-	0%
<b>Total: Cacadu Municipalities</b>			<b>187 757</b>	<b>131 974</b>	<b>70%</b>

# Municipal Infrastructure Grant Performance 2014/15

## Amathole Municipalities

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC121	Mbhashe	46 565	26 892	58%
B	EC122	Mnquma	70 013	57 558	82%
B	EC123	Great Kei	32 815	12 774	39%
B	EC124	Amahlathi	36 235	18 896	52%
B	EC126	Ngqushwa	22 755	20 801	91%
B	EC127	Nkonkobe	32 207	19 827	62%
B	EC128	Nxuba	9 451	5 956	63%
C	DC12	Amathole District Municipality	425 764	420 547	99%
<b>Total: Amathole Municipalities</b>			<b>675 805</b>	<b>583 251</b>	<b>86%</b>

## Chris Hani Municipalities

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC131	Inxuba Yethemba	15 214	5 612	37%
B	EC132	Tsolwana	11 359	3 187	28%
B	EC133	Inkwanca	3 000	3 217	107%
B	EC134	Lukhanji	42 591	31 461	74%
B	EC135	Intsika Yethu	38 856	31 438	81%
B	EC136	Emalahleni	30 970	26 431	85%
B	EC137	Engcobo	35 804	33 778	94%
B	EC138	Sakhisizwe	17 464	10 404	60%
C	DC13	Chris Hani District Municipality	317 654	270 957	85%
<b>Total: Chris Hani Municipalities</b>			<b>512 912</b>	<b>416 485</b>	<b>81%</b>

# Municipal Infrastructure Grant Performance 2014/15

## Joe Gqabi Municipalities

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC141	Elundini	36 485	29 860	82%
B	EC142	Senqu	35 838	20 805	58%
B	EC143	Maletswai	12 029	5 953	49%
B	EC144	Gariep	10 976	11 484	105%
C	DC14	Joe Gqabi District Municipality	171 469	137 422	80%
<b>Total: Joe Gqabi Municipalities</b>			<b>266 797</b>	<b>205 524</b>	<b>77%</b>

## O.R. Tambo Municipalities

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC153	Ngquza Hill	65 594	48 911	75%
B	EC154	Port St Johns	36 998	31 078	84%
B	EC155	Nyandeni	61 324	54 257	88%
B	EC156	Mhlontlo	64 675	56 457	87%
B	EC157	King Sabata Dalindyebo	80 071	73 717	92%
C	DC15	O.R. Tambo District Municipality	604 371	511 788	85%
<b>Total: O.R. Tambo Municipalities</b>			<b>913 033</b>	<b>776 209</b>	<b>85%</b>

# Municipal Infrastructure Grant Performance 2014/15

## Alfred Nzo Municipalities

Category	Codes	Municipality	Total Available	Spent as at May	Percentage spent
B	EC441	Matatiele	45 759	34 092	75%
B	EC442	Umzimvubu	43 294	35 185	81%
B	EC443	Mbizana	44 992	35 687	79%
B	EC444	Ntabankulu	21 577	15 256	71%
C	DC44	Alfred Nzo District Municipality	367 363	378 217	103%
<b>Total: Alfred Nzo Municipalities</b>			<b>522 985</b>	<b>498 437</b>	<b>95%</b>
<b>Total Eastern Cape Municipalities</b>			<b>3 079 289</b>	<b>2 611 880</b>	<b>85%</b>

## Municipal Infrastructure Grant Allocations 2015/16(Details)

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
BUF	Buffalo City			
NMA	Nelson Mandela Bay			
<b>Total Metros</b>				
Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC101	Camdeboo	13 341	13 701	14 240
EC102	Blue Crane Route	13 982	14 369	14 950
EC103	Ikwezi	7 832	7 954	8 138
EC104	Makana	23 695	24 501	25 711
EC105	Ndlambe	26 487	27 414	28 804
EC106	Sundays River Valley	24 863	25 720	27 005
EC107	Baviaans	8 870	9 037	9 287
EC108	Kouga	30 800	31 913	33 582
EC109	Kou-Kamma	15 019	15 452	16 100
DC10	Sarah Baartman District Municipality			
<b>Total: Sarah Baartman Municipalities</b>		<b>164 889</b>	<b>170 061</b>	<b>177 817</b>

## Municipal Infrastructure Grant Allocations 2015/16

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC121	Mbhashe	56 333	58 548	61 869
EC122	Mnquma	62 167	64 634	68 332
EC123	Great Kei	13 065	13 413	13 935
EC124	Amahlathi	32 317	33 496	35 263
EC126	Ngqushwa	23 484	24 282	25 477
EC127	Nkonkobe	33 426	34 653	36 492
EC128	Nxuba	9 560	9 757	10 052
DC12	Amathole District Municipality	438 589	457 300	485 347
<b>Total: Amathole Municipalities</b>		<b>668 941</b>	<b>696 083</b>	<b>736 767</b>

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC131	Inxuba Yethemba	15 700	16 162	16 854
EC132	Tsolwana	12 693	13 025	13 523
EC133	Inkwanca	9 316	9 502	9 781
EC134	Lukanji	38 971	40 437	42 635
EC135	Intsika Yethu	40 362	41 888	44 176
EC136	Emalahleni	32 226	33 400	35 162
EC137	Engcobo	37 304	38 698	40 788
EC138	Sakhisizwe	17 989	18 550	19 390
DC13	Chris Hani District Municipality	273 544	285 133	302 503
<b>Total: Chris Hani Municipalities</b>		<b>478 105</b>	<b>496 795</b>	<b>524 812</b>

## Municipal Infrastructure Grant Allocations 2015/16

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC141	Elundini	37 992	39 416	41 550
EC142	Senqu	37 262	38 654	40 741
EC143	Maletswai	12 180	12 490	12 955
EC144	Gariep	11 189	11 456	11 856
DC14	Joe Gqabi District Municipality	154 270	160 712	170 367
<b>Total: Joe Gqabi Municipalities</b>		<b>252 893</b>	<b>262 728</b>	<b>277 469</b>

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC153	Ngquza Hill	52 704	54 762	57 848
EC154	Port St Johns	33 278	34 498	36 327
EC155	Nyandeni	58 809	61 132	64 612
EC156	Mhlontlo	42 193	43 798	46 204
EC157	King Sabata Dalindyebo	83 665	87 059	92 148
DC15	O.R.Tambo District Municipality	617 195	643 613	683 213
<b>Total: O.R.Tambo Municipalities</b>		<b>887 844</b>	<b>924 862</b>	<b>980 352</b>

## Municipal Infrastructure Grant Allocations 2015/16

Category	Municipality	2015/16 (R'000)	2016/17 (R'000)	2017/18 (R'000)
EC441	Matatiele	47 644	49 484	52 242
EC442	Umzimvubu	44 864	46 584	49 163
EC443	Mbizana	46 783	48 586	51 289
EC444	Ntabankulu	26 395	27 318	28 702
DC44	Alfred Nzo District Municipality	366 609	382 214	405 604
<b>Total: Alfred Nzo Municipalities</b>		<b>532 295</b>	<b>554 186</b>	<b>587 000</b>
<b>Total: Eastern Cape Municipalities</b>		<b>2 984 967</b>	<b>3 104 715</b>	<b>3 284 217</b>

