

The Best and the Worst Performing Municipalities

Ratings Afrika has published its latest Municipal Financial Sustainability Index, revealing the best and worst municipalities in South Africa.

The ratings agency's report assesses the financial positions of the country's 100 largest municipalities, and rates them according to their respective financial performances in the latest financial year.

It comes days after Parliament showed that just 10 defaulting municipalities owed Eskom almost R10 billion, led by Maluti A Phofung in the Free State, owing R2.8 billion.

The report evaluates the operating performance, liability management, budget practices and liquidity position of each

municipality and then scores them out of 100.

Worryingly, the latest index has delivered a "shocking" revelation in 2018, noting that a large portion of South Africa's biggest municipalities are in serious financial trouble – to the extent that they would need a R22.4 billion government bailout to become financially stable again.

"The problems start mainly with inadequate budget planning and lack of financial discipline that cause these municipalities' expenses to exceed their income, resulting in

operating losses," Ratings Afrika said.

"These losses, coupled with low revenue collection ratios cause their current liabilities to exceed their current assets."

Only 22 municipalities out of 100 reported operating surpluses, with the remaining 78 reporting deficits. The combined profits of those with a surplus amount to only R1 billion – whereas the combined losses amount to R15.3 billion, the group said.

The profits, losses, and state of liquidity across the municipalities are laid out in the table below:

Province	Operating profit Rm	Operating loss Rm	Liquidity surplus Rm	Liquidity deficit Rm
Eastern Cape	21	1 092	341	830
Free State	-	3 094	-	7 747
Gauteng	-	1 952	89	2 585
KwaZulu-Natal	113	1 757	1 492	244
Limpopo	4	1 644	551	619
Mpumalanga	96	2 998	653	6 215
Northern Cape	153	299	359	345
North West	-	2 262	435	3 640
Western Cape	644	227	3 094	136
Total	1 032	15 325	7 014	22 362

Table 1

Across the eight major metros, only Cape Town and Tshwane had an operating profit (of R3.36 billion and R730 million, respectively), while the rest had a combined operating loss of R5.14 billion.

Best and worst performers

Provincially, the Western Cape has maintained its leading position for the second year in a row, after taking the top spot from KwaZulu Natal in 2016/17.

KZN was the only other province to score above 50. The Free State was the worst performer – a position it has held since 2013/14.

The national average score is 41/100, the lowest it has been in the past five years.

Province	2013	2014	2015	2016	2017
Eastern Cape	41	37	42	39	36
Free State	27	26	25	23	19
Gauteng	40	36	32	33	30
KwaZulu-Natal	58	58	62	56	54
Limpopo	44	52	44	41	42
Mpumalanga	30	27	30	28	28
Northern Cape	45	47	53	47	40
North West	33	29	26	29	23
Western Cape	47	52	58	59	62
National average	42	43	44	43	41

Table 3

According to Ratings Afrika, even the best-performing municipalities have experienced a weakening

trend, with only three scoring above 80, compared to nine in 2012. Mossel Bay and Swartland (Malmesbury)

were the joint top scorers at 84. The table below outlines the top performing municipalities in each province:

Province	Municipality	Score
Eastern Cape	Senqu (Lady Grey)	79
Free State	Metsimaholo (Sasolburg)	33
Gauteng	Midvaal (Meyerton)	68
KwaZulu-Natal	Greater Kokstad	76
Limpopo	Fetakgomo Tubatse (Burgersfort)	61
Mpumalanga	Steve Tshwete (Middelburg)	77
Northern Cape	Sol Plaatje (Kimberley)	78
North West	JB Marks (Potchefstroom)	57
Western Cape	Mossel Bay and Swartland	84

Given that the financial sustainability of the key local municipalities in South Africa is weak, our expectation is that the quality of service delivery is likely to deteriorate over the short to medium term," Ratings Afrika said.

"The municipal sector is currently in a bad financial state. Correction will require decisive political leadership that looks after the interests of residents rather than its own...the current leadership in control of the majority of municipalities has

demonstrated over the last five years and more to not being capable of sound governance.

"This is the main cause of deteriorating financial sustainability of the municipal sector in South Africa," it said.

with thanks to businessstech.co.za and ratings Afrika

The table below outlines the worst performing municipalities in each province:

Province	Municipality	Score
Eastern Cape	Inxuba Yethemba (Cradock)	14
Free State	Matjhabeng (Welkom)	9
Gauteng	Emfuleni (Vereeniging)	17
KwaZulu-Natal	Newcastle	21
Limpopo	Modimolle (Nylstroom)	9
Mpumalanga	Lekwa (Standerton)	9
Northern Cape	Gamagara (Kathu)	24
North West	Madibeng (Brits)	6
Western Cape	Kannaland (Ladysmith)	25

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