



PRESS RELEASE

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Local Government adopted Capital and Operating Expenditure budgets for the 2010/11 Medium Term Revenue and Expenditure Framework (MTREF)

Introduction:

1. The National Treasury has today published on its website (www.treasury.gov.za/mfma) the 2010/11 MTREF budget information for all 283 municipalities. This is an annual occurrence.
2. The information reflects aggregated municipal budget totals for the 2010/11 financial year and over the medium term period. It is summarized in a variety of ways including per category of municipality and per province. Compared to last year's publication, the following information has been introduced to further enrich the analysis of municipal budgets: a summary of financial dimensions, and details of schedules A1 to A10, as per the Municipal Budget and Reporting Regulations format. The information published therefore includes:
 - Aggregated/Consolidated municipal 2010 MTREF information
 - A set of related graphs
 - Summary of expenditure per function
 - Summary of large expenditure items
 - ***A. Medium-term budget (three year budget perspective of the summarised operational and capital appropriations)***
 - ***B. Municipal Budget and Reporting Regulations format (Summary of financial dimensions)***
 - ***C. Municipal Budget and Reporting Regulations format (Detail of schedules A2 to A10):***
 - Schedule A2 (Standard Classification)
 - Schedule A4 (Statement of Financial Performance)
 - Schedule 5 (Capital Budget)
 - Schedule 6 (Statement of Financial Position)
 - Schedule A7 (Cash Flow Budget/Position)

- Schedule A9 (Asset Management)
 - Schedule A10 (Free Basic Services)
 - Combined Schedules A1 to A10
 - ***D. Changes to Baseline***
 - ***E. Summary of Growth Rates***
 - ***F. Budgeted Ratios***
 - ***G. Additional Information***
 - ***H. Outcome of Municipal Budget Benchmarking***
 - ***I. Audited results for 2008/09***
3. The information will assist policy makers, researchers, sector specialists, elected representatives, academics and those responsible for implementation. It will also be used by National Treasury as the basis for the In-year Management, Monitoring and Reporting System for Local Government (IYM) in terms of Section 71 of the Municipal Finance management Act (MFMA). The MFMA envisages that regularly published budget information will enable and empower communities to hold their Municipal Councils accountable.

Summary:

4. Section 24(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA) requires that Accounting Officers submit to National Treasury and the relevant provincial treasury their municipality's annual budgets, once these have been approved by their respective Councils. The National Treasury has published these budgets on its website on an annual basis since the 2005/06 financial year. Any queries on figures reflected in the statement should therefore be referred to the relevant Municipal Manager, or the relevant Chief Financial Officer.
5. The Municipal Budget and Reporting Regulations were promulgated on 17 April 2009. All municipalities were required to conform to the new budget formats by completing and submitting their 2010/11 MTREF Budgets in the prescribed formats (A1 Schedules). Of the 283 municipalities, **only 11 municipalities** did not conform. This is a massive achievement and has exceeded expectations. However, challenges remain in municipalities regarding the quality of information.
6. National Treasury extends appreciation to all municipalities who sought to comply with the new Budget and Reporting Regulations for the 2010 Budget. This greatly enhances the transparency of municipal budgets.
7. See the attached annexure A for a high level analysis of the 2010/11 MTREF for municipalities.

DETAILED ANALYSIS OF THE 2010/11 MTREF:

- The analysis below is restricted to the aggregated expenditure by category of municipality, an overview of the budgets of the six metropolitan councils, the secondary cities (next top 21 municipalities in terms of budget size) and a summary of municipal budgets per province. The detail in the supporting tables will provide more information by type of expenditure item and other operational information. Additional information on individual municipalities is contained in the supporting schedules published on the National Treasury website.

Aggregated Operating and Capital Budget per Municipal Category

- Table 1a represents the aggregated budgeted revenue by category of municipality over the 2010 MTREF period. Category A refers to metros, category B to local municipalities and category C to district municipalities. In aggregate, budgeted revenue for 2010/11 is approximately R243.4 billion which is projected to increase to R258.5 billion in 2011/12 and R285.7 billion in 2012/13. Total budgeted revenue for 2010/11 has increased by 14.7 per cent compared to original estimates for 2009/10. This change is the result of a 22.1 per cent decline in capital revenue and a 26 per cent increase in operating revenue.

1a. Aggregated Operating and Capital revenue per category, 2010/11 - 2012/13

R thousand	2010/11			2011/12			2012/13		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	19 574 886	121 036 229	140 611 116	21 143 007	138 718 052	159 861 059	21 567 651	156 718 463	178 286 114
Category B	14 308 196	69 436 619	83 744 815	11 922 617	67 979 309	79 901 926	11 671 720	74 695 386	86 367 106
Category C	5 009 589	14 062 054	19 071 642	4 924 432	13 832 109	18 756 540	5 955 499	15 123 596	21 079 095
Total	38 892 671	204 534 902	243 427 572	37 990 055	220 529 470	258 519 525	39 194 871	246 537 445	285 732 315
% of total expenditure									
Category A	50.3%	59.2%	57.8%	55.7%	62.9%	61.8%	55.0%	63.6%	62.4%
Category B	36.8%	33.9%	34.4%	31.4%	30.8%	30.9%	29.8%	30.3%	30.2%
Category C	12.9%	6.9%	7.8%	13.0%	6.3%	7.3%	15.2%	6.1%	7.4%

Source: National Treasury Local Government Database

- Table 1b represents the aggregated budgeted expenditure by category of municipality over the 2010 MTREF period. Total municipal expenditure in 2010/11 is projected to be R232.6 billion, increasing to R244.4 billion in 2011/12 and R269.7 billion in 2012/13. Total budgeted expenditure for 2010/11 has increased by 14.6 per cent compared to the original budget estimates for 2009/10. This comprises a 17.5 per cent decrease in capital expenditure and a 25.1 per cent increase in operating expenditure.

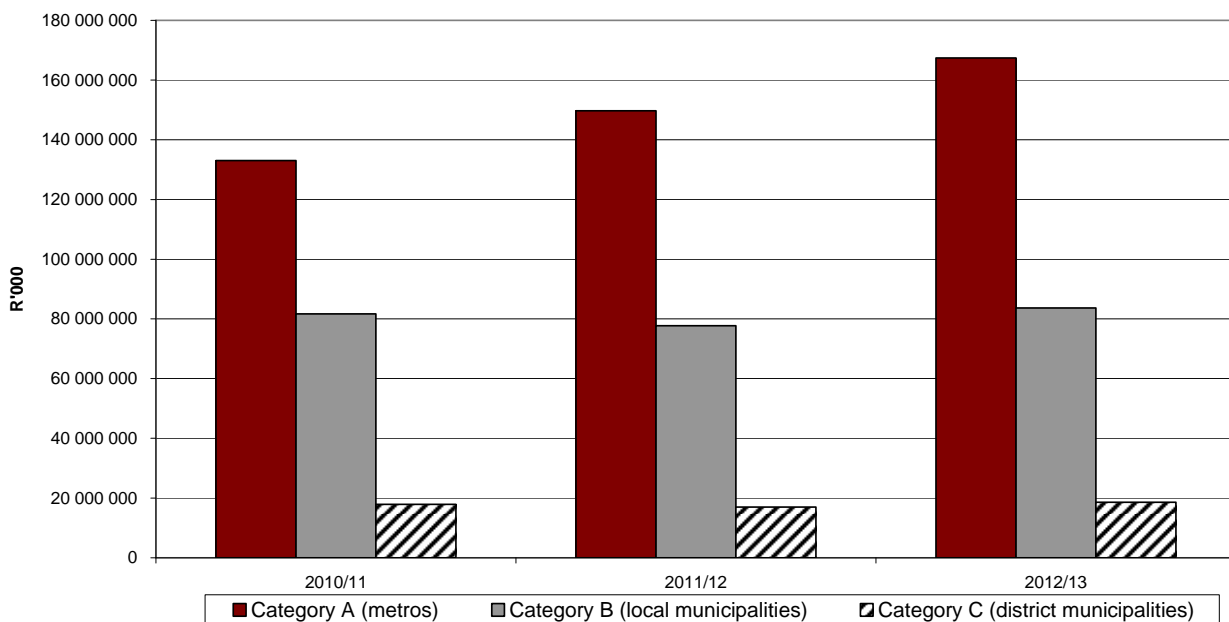
1b. Aggregated Operating and Capital expenditure per category, 2010/11 - 2012/13

R thousand	2010/11			2011/12			2012/13		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	19 574 886	113 471 307	133 046 193	21 413 007	128 314 559	149 727 565	21 567 651	145 822 628	167 390 280
Category B	15 800 858	65 907 124	81 707 983	12 252 685	65 448 537	77 701 222	12 340 356	71 361 825	83 702 181
Category C	5 814 445	12 062 795	17 877 240	5 650 736	11 320 430	16 971 166	6 645 153	11 947 433	18 592 586
Total	41 190 190	191 441 226	232 631 416	39 316 427	205 083 526	244 399 953	40 553 160	229 131 886	269 685 046
% of total expenditure									
Category A	47.5%	59.3%	57.2%	54.5%	62.6%	61.3%	53.2%	63.6%	62.1%
Category B	38.4%	34.4%	35.1%	31.2%	31.9%	31.8%	30.4%	31.1%	31.0%
Category C	14.1%	6.3%	7.7%	14.4%	5.5%	6.9%	16.4%	5.2%	6.9%

Source: National Treasury Local Government Database

- As a share of the total local government expenditure budget for the 2010/11 financial year, the expenditure budget of the six Metros represents 57.2 per cent, whereas local municipalities represent 35.1 per cent. District municipalities represent only 7.7 per cent of total expenditure. These trends remain largely constant over the MTREF period.
- Of the overall budget of municipalities, aggregated capital expenditure represents 17.7 per cent in 2010/11, 16.1 per cent in 2011/12 and 15 per cent in 2012/13.

Figure 1: Aggregated budgeted expenditure per category, 2010/11 - 2012/13



Aggregated Operating and Capital Budget for Metros

- The aggregated budgeted expenditure for all metros over the 2010 MTREF period is contained in Table 2a. Total expenditure appropriations amount to R133.0 billion in 2010/11, R149.7 billion in 2011/12 and R167.4 billion in 2012/13, reflecting a total increase of 12.5 and 11.8 per cent in the two outer years of the MTREF. Spending by metros on capital increases over the MTREF by 10.1 per cent, while operating

expenditure will on average increase by 13.4 per cent per annum. The capital budget of the metros constitutes 47.5 per cent of the total municipal capital budget for 2010/11 and capital expenditure by metros accounts for 53.2 per cent of total municipal capital expenditure in 2012/13. This highlights the overall importance of the metros in the government's drive to promote job creation and economic growth.

7. The table also expresses the total spend of each metro as a percentage of total expenditure by all metros. This comparison reflects the size of each metro's expenditure relative to others, and this generally remains stable over the MTREF. The comparison of metros relative share of capital expenditure to their relative share of operating expenditure indicates that the eThekweni and Nelson Mandela Bay metros have very ambitious capital programmes, while Ekurhuleni and City of Johannesburg have relatively low levels of capital spending. The impact of eThekweni and Nelson Mandela Bay's capital programme on their cash position and overall financial sustainability will need to be monitored closely.

2a. Aggregated Operating and Capital expenditure for metros, 2010/11 - 2012/13

R thousand	2010/11			2011/12			2012/13		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Nelson Mandela Bay	2 183 123	5 640 300	7 823 422	2 733 990	6 166 235	8 900 225	2 629 180	6 901 528	9 530 708
Ekurhuleni Metro	2 160 091	20 206 393	22 366 484	2 118 151	23 334 820	25 452 970	2 161 604	27 112 804	29 274 408
City Of Johannesburg	3 058 761	25 295 241	28 354 003	3 970 270	28 259 140	32 229 410	4 408 022	31 745 057	36 153 079
City Of Tshwane	3 194 975	14 831 720	18 026 695	2 928 006	16 650 227	19 578 233	3 393 885	18 782 075	22 175 960
eThekweni	5 370 572	20 521 588	25 892 160	5 421 701	23 276 724	28 698 425	4 856 240	26 708 721	31 564 961
Cape Town	3 607 364	26 976 064	30 583 429	4 240 889	30 627 413	34 868 302	4 118 720	34 572 444	38 691 164
Total	19 574 886	113 471 307	133 046 193	21 413 007	128 314 559	149 727 565	21 567 651	145 822 628	167 390 280
% of total expenditure									
Nelson Mandela Bay	11.2%	5.0%	5.9%	12.8%	4.8%	5.9%	12.2%	4.7%	5.7%
Ekurhuleni Metro	11.0%	17.8%	16.8%	9.9%	18.2%	17.0%	10.0%	18.6%	17.5%
City Of Johannesburg	15.6%	22.3%	21.3%	18.5%	22.0%	21.5%	20.4%	21.8%	21.6%
City Of Tshwane	16.3%	13.1%	13.5%	13.7%	13.0%	13.1%	15.7%	12.9%	13.2%
eThekweni	27.4%	18.1%	19.5%	25.3%	18.1%	19.2%	22.5%	18.3%	18.9%
Cape Town	18.4%	23.8%	23.0%	19.8%	23.9%	23.3%	19.1%	23.7%	23.1%
Per capita spending									
Nelson Mandela Bay	2 077	5 367	7 444	2 601	5 867	8 469	2 502	6 567	9 069
Ekurhuleni Metro	793	7 417	8 210	778	8 566	9 343	793	9 952	10 746
City Of Johannesburg	787	6 506	7 292	1 021	7 268	8 289	1 134	8 165	9 298
City Of Tshwane	1 362	6 322	7 684	1 248	7 098	8 346	1 447	8 006	9 453
eThekweni	1 549	5 917	7 466	1 563	6 712	8 275	1 400	7 701	9 102
Cape Town	1 032	7 714	8 745	1 213	8 758	9 971	1 178	9 886	11 064

Source:

National Treasury Local Government Database

StatsSA Community Survey, 2007

8. Operating expenditure by metros accounts for more than half (59.3 per cent in 2010/11) of total municipal operating expenditure over the 2010 MTREF.
9. The revenue to be generated by metros through the sale of core municipal services is reflected in Table 2b. The major drivers of revenue in 2010/11 are electricity (R39.4 billion), water (R11.1 billion), sanitation (R4.7 billion) and refuse removal (R2.6 billion). Over the MTREF, large increases are expected for electricity, illustrated by the 23.4 per cent growth in 2011/12 and 24.4 per cent in 2012/13. This is primarily due to the increase in the bulk price of electricity being passed through to customers.

Table 2b: Aggregated budgeted operating revenue for metros for functions, 2010/11 - 2012/13

R thousand	Electricity			Water			Waste Water Management			Waste Management		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Nelson Mandela Bay	2 206 868	2 607 324	3 096 943	411 202	462 622	501 906	264 727	291 355	320 483	120 951	133 853	145 643
Ekurhuleni Metro	7 756 404	9 928 198	12 708 093	2 517 725	2 769 497	3 046 447	655 084	753 347	866 349	643 243	739 730	850 689
City Of Johannesburg	9 088 538	11 073 875	13 759 596	2 806 104	3 015 634	3 247 788	1 870 736	2 010 423	2 173 192	220 866	228 678	241 712
City Of Tshwane	6 010 000	7 061 750	8 297 556	1 618 400	1 820 700	2 048 287	392 543	433 760	479 305	429 884	505 114	593 509
eThekwini	7 322 521	9 257 946	11 643 609	2 092 322	2 239 633	2 398 487	590 963	657 910	713 736	359 984	380 597	403 433
Cape Town	7 055 749	8 733 087	11 010 183	1 693 446	1 897 700	2 104 019	944 918	1 057 632	1 163 326	776 498	901 624	1 014 969
Total revenue	39 440 080	48 662 180	60 515 980	11 139 198	12 205 787	13 346 934	4 718 971	5 204 426	5 716 390	2 551 427	2 889 595	3 249 954

Source: National Treasury Local Government Database

10. Tables 2c shows projected expenditure by metros on bulk purchases for electricity and water provision over the MTREF. Metros have budgeted R25.5 billion to pay for electricity bulk purchases in 2010/11, a figure which is projected to grow by 27.4 per cent and 27.6 per cent in the respective outer years of the MTREF. It is estimated that expenditure on bulk purchases of electricity will exceed R41.6 billion by 2012/13. When comparing the revenue generated from the sale of electricity to the expenditure incurred on bulk electricity purchases, it appears that metros generate a substantial profit from the sale of electricity. However, bulk purchases only constitute on average 67 per cent of the cost to the metros of managing the electricity function. Other operational costs include expenditure on personnel, materials, refurbishment, repairs and maintenance and distribution losses. The net profit on the sale of electricity is important for metros but has been under significant pressure due to the very rapid increase in the bulk price of electricity.
11. Expenditure on bulk water amounts to R5.4 billion in 2010/11 and increases by 10.7 per cent to R5.9 billion in 2011/12 and 10.9 per cent in 2012/13 to R6.6 billion.

Table 2c: Bulk purchase expenditure for metros for functions, 2010/11 - 2012/13

R thousand	Electricity			Water		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
Nelson Mandela Bay	1 517 282	1 865 706	2 297 044	188 132	206 888	217 737
Ekurhuleni Metro	4 841 864	6 197 586	7 932 911	1 766 895	2 048 476	2 375 604
City Of Johannesburg	6 420 441	7 890 013	9 788 059	1 250 905	1 326 565	1 391 468
City Of Tshwane	3 679 200	4 641 821	5 848 724	805 033	919 203	1 049 722
eThekwini	4 654 354	6 189 454	8 197 879	1 079 754	1 146 699	1 217 795
Cape Town	4 433 126	5 762 653	7 491 038	305 866	323 681	372 613
Total expenditure	25 546 268	32 547 233	41 555 655	5 396 586	5 971 512	6 624 940

Source: National Treasury Local Government Database

Aggregated Operating and Capital Budget for secondary cities (top 21 municipalities)

12. Table 3 is the aggregated budgeted expenditure for the secondary cities (top 21 municipalities) over the MTREF period. The total expenditure budget amounts to R38.2 billion in 2010/11, R36.8 billion in 2011/12, and R40.7 billion in 2012/13. Spending on capital by secondary cities over the MTREF is expected to decline, partly due to poor multi-year budgeting practices and insufficient provision for the eradication of backlogs. Operating expenditure is expected to increase by a marginal 1 per cent in

2011/12 and by 12 per cent in 2012/13. Once again these variances in the increases over the MTREF can be partly attributed to poor multi-year budgeting.

13. Municipalities with the lowest proportion of capital budget to total budget are Emfuleni, Matjhabeng, Buffalo City, Msunduzi and Mangaung – all with percentages below 12 per cent. For 2010/11 the average percentage capital budget to total budget for secondary cities was 16.4 per cent compared with 14.7 per cent for metros. Note that metros tend to deliver a wider range of services with higher levels of operational expenditure such as health and safety.

3. Aggregated Operating and Capital expenditure for secondary cities, 2010/11 - 2012/13

R thousand	2010/11			2011/12			2012/13		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Top 21 Municipalities	6 246 750	31 907 693	38 154 443	4 643 332	32 184 929	36 828 261	4 687 239	36 058 619	40 745 858
Buffalo City	480 112	4 028 283	4 508 395	1 022 382	4 521 988	5 544 370	1 223 864	5 036 938	6 260 802
Mangaung	373 256	2 988 324	3 361 580	720 840	3 394 433	4 115 273	530 925	3 840 608	4 371 532
Matjhabeng	159 604	1 419 343	1 578 947	208 602	1 556 441	1 765 043	241 869	1 690 055	1 931 924
Emfuleni	337 148	3 218 045	3 555 193	(415 783)	3 608 582	3 192 799	(527 409)	4 149 614	3 622 205
Mogale City	214 330	1 257 832	1 472 162	213 445	1 458 293	1 671 738	314 709	1 644 583	1 959 292
Msunduzi	295 937	2 388 296	2 684 234	305 211	2 679 591	2 984 802	337 744	2 968 495	3 306 239
Newcastle	229 804	1 005 337	1 235 141	43 075	1 118 067	1 161 142	43 075	1 237 874	1 280 949
uMhlathuze	234 827	1 614 489	1 849 316	217 910	1 866 026	2 083 935	394 856	2 177 263	2 572 119
Polokwane	839 490	1 224 515	2 064 005	341 684	1 340 408	1 682 092	376 774	1 476 812	1 853 586
Govan Mbeki	130 230	945 875	1 076 105	116 419	-	116 419	130 148	-	130 148
Emalahleni (Mp)	-	1 226 797	1 226 797	-	-	-	-	-	-
Steve Tshwete	288 428	821 707	1 110 135	250 362	877 035	1 127 398	234 288	982 506	1 216 794
Mbombela	700 290	1 103 300	1 803 591	-	-	-	-	-	-
Sol Plaatje	304 673	1 018 430	1 323 103	134 709	1 138 036	1 272 745	94 480	1 266 643	1 361 123
Madibeng	172 031	811 557	983 588	182 353	968 419	1 150 772	193 294	1 023 752	1 217 046
Rustenburg	387 566	1 943 353	2 330 919	207 494	2 224 734	2 432 228	114 410	2 549 831	2 664 241
Tlokwe	97 255	669 779	767 034	83 955	737 633	821 587	21 544	816 635	838 179
City Of Matlosana	324 146	1 415 859	1 740 005	241 057	1 505 742	1 746 799	179 557	1 583 150	1 762 707
Drakenstein	286 877	1 109 348	1 396 225	313 107	1 280 158	1 593 265	315 383	1 466 608	1 781 990
Stellenbosch	215 564	688 699	904 263	175 937	779 970	955 907	153 576	886 225	1 039 801
George	175 181	1 008 525	1 183 706	280 574	1 129 373	1 409 947	314 153	1 261 027	1 575 181

Source: National Treasury Local Government Database

14. Over the medium term both the capital and operating budgets of the secondary cities exhibit some stability, with a slight growth in the operating budgets in 2011/12 and 2012/13, while the capital budgets decrease and then appear to stabilise over the medium-term.

Aggregated Operating and Capital Budgets per Province

15. Table 4 shows the aggregated budgeted expenditure for all municipalities per province over the 2010 MTREF. Total municipal capital expenditure in 2010/11 is estimated at R41.2 billion, declining to R40.5 billion in 2012/13. A provincial analysis shows that KwaZulu-Natal (with 61 municipalities, including 1 metro and 3 secondary cities) has the highest capital budget set aside for 2010/11, at R10.1 billion or 24.6 per cent of the total municipal capital budget. This is followed by Gauteng (14 municipalities, including 3 metros), at an estimated R9.3 billion or 22.5 per cent and the Western Cape (30 municipalities, including 1 metro and 3 secondary cities) at R6.1 billion or 14.7 per cent. The Eastern Cape, which is predominantly rural with 1 metro, is ranked fourth in terms of capital expenditure and is estimated to spend R5.2 billion in 2010/11. A concern is that many capital budgets may be overstated and inadequately funded.

4. Aggregated Operating and Capital expenditure for provinces, 2010/11 - 2012/13

R thousand	2010/11			2011/12			2012/13		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	5 186 365	16 368 718	21 555 083	5 808 156	16 939 109	22 747 265	6 070 344	18 531 701	24 602 044
Free State	1 982 295	9 571 894	11 554 189	2 268 201	10 207 505	12 475 707	1 872 926	11 185 857	13 058 783
Gauteng	9 287 658	68 785 825	78 073 482	9 178 712	77 168 498	86 347 211	10 219 863	87 526 337	97 746 200
KwaZulu-Natal	10 123 966	33 799 974	43 923 940	8 906 958	37 164 710	46 071 668	8 934 336	41 931 620	50 865 956
Limpopo	3 886 920	7 244 443	11 131 363	3 665 021	7 629 436	11 294 457	4 411 782	8 184 144	12 595 926
Mpumalanga	1 664 080	7 767 890	9 431 970	815 286	4 165 754	4 981 039	834 996	4 594 369	5 429 364
North West	2 208 258	8 070 551	10 278 809	1 696 022	8 983 876	10 679 898	1 649 130	9 730 299	11 379 429
Northern Cape	792 581	3 132 016	3 924 597	612 862	2 915 044	3 527 906	416 518	3 155 838	3 572 356
Western Cape	6 058 067	36 699 916	42 757 983	6 365 208	39 909 595	46 274 802	6 143 264	44 291 722	50 434 987
Total	41 190 190	191 441 226	232 631 416	39 316 427	205 083 526	244 399 953	40 553 160	229 131 886	269 685 046
Per capita spending									
Eastern Cape	795	2 508	3 302	890	2 595	3 485	930	2 839	3 769
Free State	715	3 452	4 167	818	3 681	4 499	675	4 034	4 709
Gauteng	889	6 581	7 470	878	7 383	8 262	978	8 374	9 352
KwaZulu-Natal	987	3 295	4 281	868	3 623	4 491	871	4 087	4 958
Limpopo	742	1 383	2 125	700	1 456	2 156	842	1 562	2 405
Mpumalanga	457	2 132	2 589	224	1 143	1 367	229	1 261	1 490
North West	2 087	7 628	9 715	1 603	8 491	10 094	1 559	9 196	10 755
Northern Cape	242	957	1 199	187	891	1 078	127	965	1 092
Western Cape	1 148	6 953	8 100	1 206	7 561	8 767	1 164	8 391	9 555
Total	849	3 947	4 796	811	4 228	5 039	836	4 724	5 560

Source:

National Treasury Local Government Database

StatsSA Community Survey, 2007

16. The average national per capita spending in terms of operating and capital expenditure is estimated to be R4 796 in 2010/11. Only three provinces will exceed this national average in 2010/11, namely Western Cape at R8 100 per capita, Gauteng at R7 470 per capita and the North West at R9 715 per capita. The high per capita spend in the Gauteng and Western Cape provinces are likely because both of these provinces are home to a significant proportion of the country's economic activity. This tends to increase spending on traded items like electricity and water, which then skews the per capita analysis. Per capita expenditure numbers will also tend to be higher in those provinces where service delivery backlogs are lowest.
17. The lowest level of per capita spending is in North West, where spending is estimated to be R1 199 per capita in 2010/11. In 2009/10 per capita spending in the North West was R3 277. This is a significant deterioration and is a cause for concern especially given the province's relatively low levels of development.

Figure 2: Total operating and capital expenditure per province, 2010/11 - 2012/13

