



national treasury

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PRESS RELEASE

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Local Government Capital and Operating Expenditure of approved budgets for the 2008 Medium Term Revenue and Expenditure Framework (MTREF)

Introduction:

1. To compliment the *2008 Local Government Budgets and Expenditure Review* tabled in Parliament on 26 August 2008, the Minister of Finance has approved the release of the final 2008/09 budget information for all 283 municipalities on the National Treasury's website. The publication of this information on National Treasury's website is now an annual event.
2. The information released together with this press statement reflects aggregated municipal budget totals for the 2008/09 financial year and over the medium term period for all municipalities. The information is summarized in a variety of ways including per category of municipality as well as per province. The information being released includes the following:
 - Press Release – this document;
 - Aggregated / consolidated MTREF information;
 - A set of graphs;
 - Municipal Operating Budgets for 2008/09 – Annexure A;
 - Municipal Capital Budgets for 2008/09 – Annexure B;
 - Municipal Operating Budgets for 2009/10 – Annexure C;
 - Municipal Capital Budgets for 2009/10 – Annexure D;
 - Municipal Operating Budgets for 2010/11 – Annexure E;
 - Municipal Capital Budgets for 2010/11 – Annexure F;
 - Growth in municipal budgets compared to current year's full year forecast – Annexure G; and
 - Changes to baseline – Annexure H.
3. This 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

All information is available on the National Treasury's website at www.treasury.gov.za.

Reporting System for Local Government (IYM) in terms of Section 71 of the 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 the Accounting Officer of a municipality submit the municipality's approved annual budgets to National Treasury and the relevant provincial treasury once approved by their respective Councils. The National Treasury has been placing these budgets on the National Treasury's website on an annual basis since the 2005/06 financial year.
5. It should be noted that the 2008 Local Government Budget and Expenditure Review has been produced based on the 2007 Municipal Budget Cycle (MTREF) and was released in August 2008. The numbers being published with this press release cover the 2008 Municipal Budget Cycle (MTREF) as approved by the Councils.
6. The information is based on the adopted budgets of all 283 municipalities and was subjected to intensive verification and checking process by National, Provincial Treasuries' and municipal staff to improve on its quality. In certain instance, adjustments have been made to eliminate the duplication of transfers between district and local municipalities and transfers from operating to capital budgets.
7. It should also be noted that these numbers are as adopted by the Councils prior to the National Electricity Regulator's (NERSA) increase in electricity costs. A second analysis of the budgets will be conducted once the adjustment budgets municipalities finalised by 30 September 2008 incorporating the electricity increases are adopted by the respective municipal councils. It was further observed that a few municipalities had already incorporated increased electricity tariffs into their main adopted budgets in anticipation of the NERSA's tariff increase. This may distort figures to a certain degree.
8. To further mitigate the problems associated with producing a set of numbers that are comparable across all municipalities, the National Treasury has developed "Municipal Budget and Reporting Regulations", the budget format part has already been issued in preparation for the 2009 Budget on 27 June 2008. The Regulations, once approved by the Minister of Finance, will soon be made available for formal consultation. The standardisation of budget formats across all municipalities will improve the quality and consistency of budget information submitted by municipalities in future.

DETAILED ANALYSIS OF THE 2008/09 MTREF:

9. The analysis contained in this press release will be 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) and a summary of municipal budgets per province. The detail in supporting tables will provide more information by type of expenditure item and operational information.

Aggregated Operating and Capital Budget per Municipal Category

10. Table 1 shows budgeted aggregated expenditure by category of municipality over the MTREF period. In aggregate, the 2008/09 budget is R176,2 billion, increasing to R180,6 billion in 2009/10, and to R186.2 billion in 2010/11. The 2008/09 budget is an increase of 12 per cent over the 2007/08 original budget (a 16 per cent increase in the capital budget and 10.7 per cent for the operating budget).

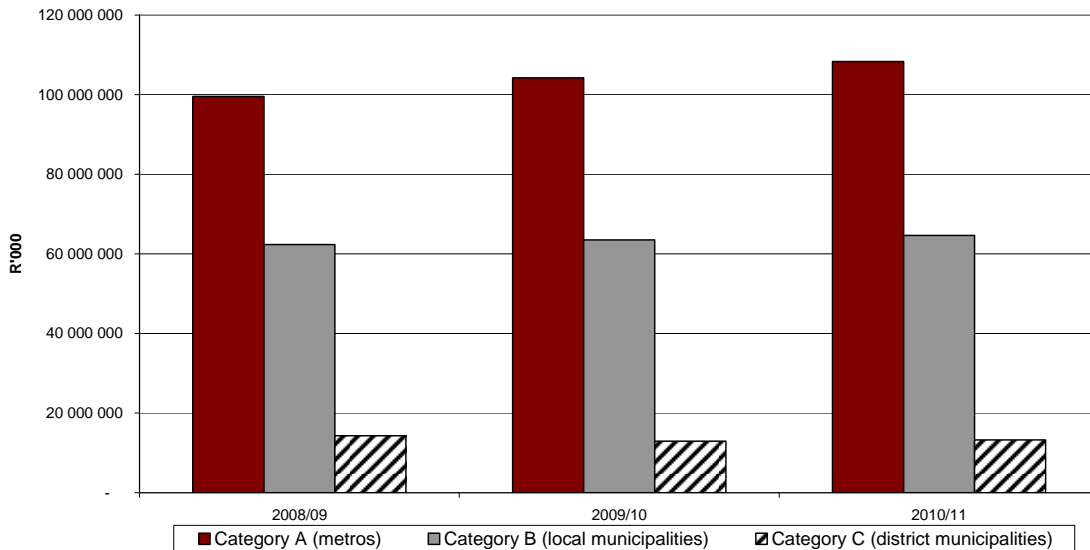
Table 1: Aggregated Operating and Capital expenditure per category, 2008/09 - 2010/11

R thousand	2008/09			2009/10			2010/11		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	22 470 620	77 113 661	99 584 281	20 447 023	83 790 735	104 237 758	18 184 110	90 168 414	108 352 524
Category B	17 057 775	45 251 405	62 309 180	15 659 400	47 842 053	63 501 453	12 975 232	51 628 908	64 604 140
Category C	6 565 037	7 758 113	14 323 150	5 084 637	7 829 938	12 914 575	4 859 545	8 387 985	13 247 530
Total	46 093 432	130 123 179	176 216 611	41 191 060	139 462 726	180 653 786	36 018 887	150 185 307	186 204 194
% of total expenditure									
Category A	48.8%	59.3%	56.5%	49.6%	60.1%	57.7%	50.5%	60.0%	58.2%
Category B	37.0%	34.8%	35.4%	38.0%	34.3%	35.2%	36.0%	34.4%	34.7%
Category C	14.2%	6.0%	8.1%	12.3%	5.6%	7.1%	13.5%	5.6%	7.1%

Source: National Treasury Local Government Database

11. The budget of the six Metros as a share of the total local government budget in the 2008/09 financial year constitutes 56.5 per cent, whereas local municipalities represent 35.4 per cent. District municipalities represent only 8.1 per cent. The configuration of the shares remains constant over the MTREF period.

Figure 1: Aggregated budgeted expenditure per category, 2008/09 - 2010/11



12. Capital expenditure in aggregate represents 26.2 per cent in 2008/09, 22.8 per cent in 2009/10 and 19.3 per cent in 2010/11 of the overall budget of municipalities.

Aggregated Operating and Capital Budget for Metros

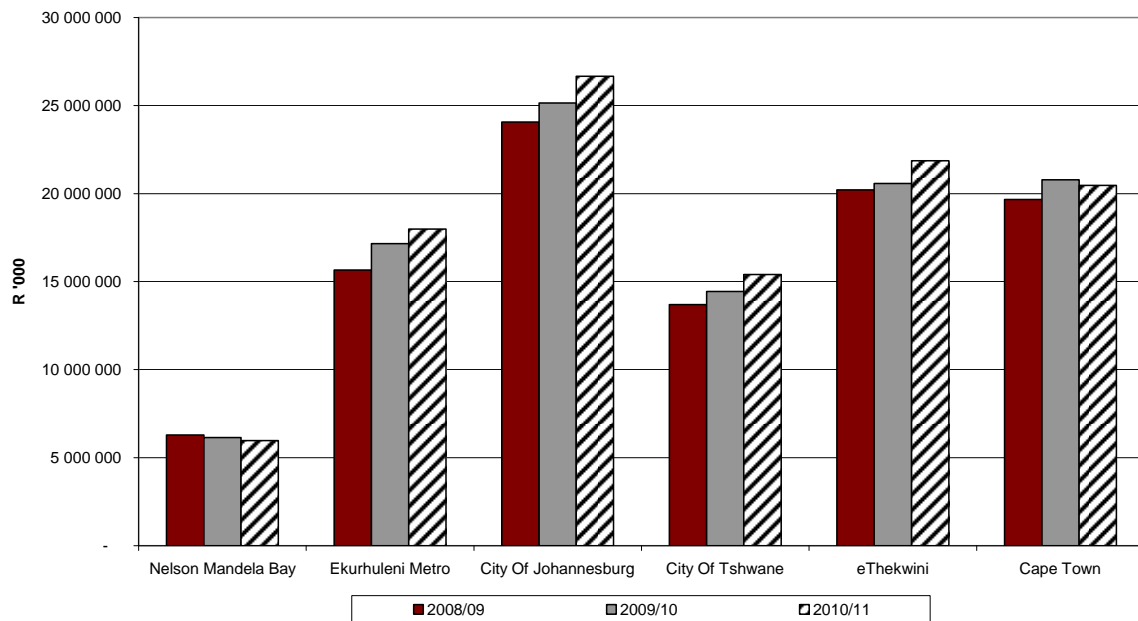
13. Table 2 shows the budgeted aggregated expenditure for all Metros over the MTREF period. Their total expenditure budget for 2008/09 amounts to R99.6 billion, increasing to R104.2 billion in 2009/10, and further increasing to R108.3 billion in 2010/11. The Metros capital budget represents 48.8 per cent of the total municipal capital budget for 2008/09. The size of the capital budgets over the MTREF for some Metros have been influenced by 2010 projects. The 2009/10 budgeted decrease is mainly attributed to the finalization of 2010 projects and a resultant reduction in grant funding and loans.
14. The operating expenditure for services by the Metros over the MTREF grows slightly and the focus appears to be on electricity, followed by water and minimal expenditure on sewerage and sanitation. The main contributor to the budgeted revenue from services by the Metros appears to be electricity which grows significantly over the MTREF. A breakdown of the various contributors to capital and operating budgets per municipality is shown in detail in Appendix A to F of this publication.

Table 2: Aggregated Operating and Capital expenditure for metros, 2008/09 - 2010/11

R thousand	2008/09			2009/10			2010/11		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Nelson Mandela Bay EC000	1 951 351	4 336 055	6 287 406	1 859 782	4 279 423	6 139 205	1 215 797	4 749 378	5 965 175
Ekurhuleni Metro GT000	2 248 236	13 403 919	15 652 155	2 354 968	14 796 793	17 151 761	1 949 528	16 036 048	17 985 576
City Of Johannesburg GT001	5 270 489	18 789 345	24 059 834	4 454 309	20 693 508	25 147 817	4 257 523	22 404 955	26 662 478
City Of Tshwane GT002	3 161 765	10 537 904	13 699 669	3 017 313	11 420 961	14 438 274	3 288 848	12 117 337	15 406 185
eThekwini KZ000	5 929 687	14 288 394	20 218 081	4 833 494	15 742 058	20 575 552	4 567 307	17 295 974	21 863 281
Cape Town WC000	3 909 092	15 758 044	19 667 136	3 927 157	16 857 992	20 785 149	2 905 107	17 564 722	20 469 829
Total	22 470 620	77 113 661	99 584 281	20 447 023	83 790 735	104 237 758	18 184 110	90 168 414	108 352 524
% of total expenditure									
Nelson Mandela Bay	8.7%	5.6%	6.3%	9.1%	5.1%	5.9%	6.7%	5.3%	5.5%
Ekurhuleni Metro	10.0%	17.4%	15.7%	11.5%	17.7%	16.5%	10.7%	17.8%	16.6%
City Of Johannesburg	23.5%	24.4%	24.2%	21.8%	24.7%	24.1%	23.4%	24.8%	24.6%
City Of Tshwane	14.1%	13.7%	13.8%	14.8%	13.6%	13.9%	18.1%	13.4%	14.2%
eThekwini	26.4%	18.5%	20.3%	23.6%	18.8%	19.7%	25.1%	19.2%	20.2%
Cape Town	17.4%	20.4%	19.7%	19.2%	20.1%	19.9%	16.0%	19.5%	18.9%
Per capita spending									
Nelson Mandela Bay	1 940	4 311	6 251	1 849	4 255	6 104	1 209	4 722	5 931
Ekurhuleni Metro	907	5 408	6 315	950	5 970	6 920	787	6 470	7 256
City Of Johannesburg	1 634	5 826	7 460	1 381	6 416	7 797	1 320	6 947	8 267
City Of Tshwane	1 595	5 316	6 911	1 522	5 762	7 284	1 659	6 113	7 772
eThekwini	1 919	4 624	6 543	1 564	5 094	6 658	1 478	5 597	7 075
Cape Town	1 352	5 448	6 800	1 358	5 829	7 187	1 004	6 073	7 077

Source: StatsSA Census 2005 and National Treasury Local Government Database

**Figure 2: Aggregated budgeted expenditure for metros,
2008/09 - 2010/11**



15. The above table also shows the relative size of the individual Metro's budgets expressed as a percentage of the total Metro's budget. This comparison shows how the size of the Metro budgets are changing relative to each other. Notable is the consistent growth in the relative size of Ekurhuleni, while Nelson Mandela Bay is declining in relative size.

Aggregated Operating and Capital Budget for secondary cities

16. Table 3 shows the budgeted aggregated expenditure for the secondary cities (next top 21 municipalities) over the MTREF period. Their total expenditure budget for 2008/09 amounts to R29 billion, increasing to R29.7 billion in 2009/10, and further increasing to R30.7 billion in 2010/11. Multi-year budgeting is still a challenge to some of these local municipalities, with Newcastle not providing capital budgets for the ensuing two years due to capacity and other problems at the municipality, similar to the previous budget cycle.

Table 3: Aggregated Operating and Capital expenditure for secondary cities, 2008/09 - 2010/11

R thousand	2008/09			2009/10			2010/11		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Top 21 Municipalities	7 629 886	21 455 322	29 085 208	6 878 224	22 915 286	29 793 510	5 810 913	24 910 419	30 721 332
Buffalo City EC125	902 088	2 138 758	3 040 846	485 295	2 212 150	2 697 445	389 030	2 467 939	2 856 969
Mangaung FS172	727 434	2 014 659	2 742 093	1 408 138	2 216 431	3 624 569	954 419	2 404 970	3 359 389
Emfuleni GT421	293 090	2 042 971	2 336 061	284 336	2 282 268	2 566 604	312 770	2 493 713	2 806 483
Msunduzi KZN225	236 817	1 897 364	2 134 181	324 473	2 067 053	2 391 526	316 822	2 222 748	2 539 570
Polokwane LIM354	1 244 109	781 020	2 025 129	1 030 870	828 272	1 859 142	824 278	881 915	1 706 193
Mbombela MP322	950 887	767 495	1 718 382	432 671	837 062	1 269 733	319 767	888 863	1 208 630
Rustenburg NW373	389 152	1 290 176	1 679 328	355 152	1 270 062	1 625 214	415 190	1 378 227	1 793 417
uMhlathuze KZN282	559 468	1 064 916	1 624 384	567 783	1 182 473	1 750 256	411 558	1 290 046	1 701 604
Emalahleni (Mp) MP312	298 097	927 647	1 225 744	205 601	932 279	1 137 880	218 737	1 004 767	1 223 504
City Of Matlosana NW403	167 149	1 045 340	1 212 489	167 584	1 039 764	1 207 348	155 505	1 129 600	1 285 105
Matjhabeng FS184	139 683	981 234	1 120 917	161 045	1 022 365	1 183 410	176 000	1 107 866	1 283 866
Mogale City GT481	114 570	912 517	1 027 087	52 786	998 868	1 051 654	58 472	1 143 657	1 202 129
George WC044	330 202	694 972	1 025 174	355 158	756 607	1 111 765	329 742	839 312	1 169 054
Drakenstein WC023	233 240	668 958	902 198	210 873	742 608	953 481	218 020	815 491	1 033 511
Newcastle KZN252	80 245	779 021	859 266		828 308	828 308		884 901	884 901
Govan Mbeki MP307	109 001	743 657	852 658	89 533	778 544	868 077	93 647	814 336	907 983
Sol Plaatje NC091	125 707	665 076	790 783	80 190	726 487	806 677	53 076	786 388	839 464
Steve Tshwete MP313	277 385	485 444	762 829	192 715	511 594	704 309	143 784	548 895	692 679
Madibeng NW372	162 870	592 536	755 406	244 300	640 989	885 289	202 600	693 424	896 024
Stellenbosch WC024	156 197	526 751	682 948	154 363	574 577	728 940	143 090	613 147	756 237
Potchefstroom NW402	132 495	434 810	567 305	75 358	466 525	541 883	74 406	500 214	574 620

Source: National Treasury Local Government Database

17. Mbombela, Rustenburg and Polokwane are all host cities of the 2010 World Cup. Polokwane has budgeted 61.4 per cent of its total budget in 2008/09 for capital expenditure. Mbombela has budgeted 55.3 per cent for capital in 2008/09. By contrast Rustenburg has budgeted only 23.2 per cent of its total budget in 2008/09 for capital. Indeed there are a number of cities that are not 2010 host cities that have allocated more to capital than Rustenburg.
18. Municipalities with the lowest proportion of capital budget to total budget are Newcastle, Msunduzi, Mogale City, Matjhabeng, and Govan Mbeki – all with percentages below 13 per cent. It should be noted that for 2008/09 the average percentage capital budget to total budget for secondary cities was 26.2 per cent compared to the Metros at 22.6 per cent and national at 26.1 per cent. Note that Metros tend to deliver a wider range of services with higher levels of operational expenditure e.g. health and police. Over the medium term both the capital and operating budgets of the secondary cities show some stability with slight growths in the operating budgets in the 2009/10 year and 2010/11 years, while the capital budgets decrease.

Aggregated Operating and Capital Budgets per Province

19. Table 4 shows the budgeted aggregated expenditure for all municipalities, analysed by province over the MTREF period. Gauteng with only 14 municipalities including 3 metropolitan municipalities, has the highest capital budget at 25.1 per cent of the total capital budget. KwaZulu-Natal with 61 municipalities including 1 metro and 3

secondary cities has 22.4 per cent and the Western Cape with 30 municipalities including 1 metro, has 13.1 per cent of the total capital budget. It should be noted that the Eastern Cape which has one of the highest number of municipalities which are mainly rural and only 1 metro, also has the fourth highest capital budget which shows that there should be significant infrastructure development in this area.

Table 4: Aggregated Operating and Capital expenditure for provinces, 2008/09 - 2010/11

	2008/09			2009/10			2010/11		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
R thousand									
Eastern Cape	5 486 823	11 018 657	16 505 480	4 767 039	11 155 211	15 922 250	3 693 208	12 318 071	16 011 279
Free State	1 776 190	6 251 481	8 027 671	2 553 070	6 690 775	9 243 845	1 933 071	7 148 744	9 081 815
Gauteng	11 555 822	47 643 782	59 199 604	10 825 945	52 264 946	63 090 891	10 463 234	56 397 670	66 860 904
KwaZulu-Natal	10 324 988	23 654 907	33 979 895	8 281 305	25 820 146	34 101 451	7 552 824	28 071 617	35 624 441
Limpopo	4 641 998	4 855 121	9 497 119	3 717 624	5 154 867	8 872 491	3 464 740	5 446 020	8 910 760
Mpumalanga	2 934 902	5 494 516	8 429 418	1 990 505	5 734 542	7 725 047	1 450 797	6 159 076	7 609 873
Northern Cape	679 306	2 388 146	3 067 452	644 589	2 221 740	2 866 329	477 448	2 380 841	2 858 289
North West	2 636 635	5 922 541	8 559 176	2 140 992	5 934 809	8 075 801	2 064 309	6 425 543	8 489 852
Western Cape	6 056 768	22 894 028	28 950 796	6 269 991	24 485 690	30 755 681	4 919 256	25 837 725	30 756 981
Total	46 093 432	130 123 179	176 216 611	41 191 060	139 462 726	180 653 786	36 018 887	150 185 307	186 204 194
Per capita spending									
Eastern Cape	874	1 755	2 629	759	1777	2536	588	1 962	2 550
Free State	656	2 310	2 966	943	2472	3415	714	2 641	3 355
Gauteng	1 260	5 194	6 454	1180	5698	6878	1 141	6 148	7 289
KwaZulu-Natal	1 077	2 468	3 545	864	2694	3558	788	2 929	3 717
Limpopo	1 000	1 046	2 047	801	1111	1912	747	1 174	1 920
Mpumalanga	872	1 632	2 504	591	1704	2295	431	1 830	2 261
Northern Cape	685	2 408	3 092	650	2240	2890	481	2 400	2 882
North West	826	1 854	2 680	670	1858	2529	646	2 012	2 658
Western Cape	1 339	5 060	6 399	1386	5412	6798	1 087	5 711	6 798
Total	1 037	2 927	3 964	926	3137	4063	810	3 378	4 188

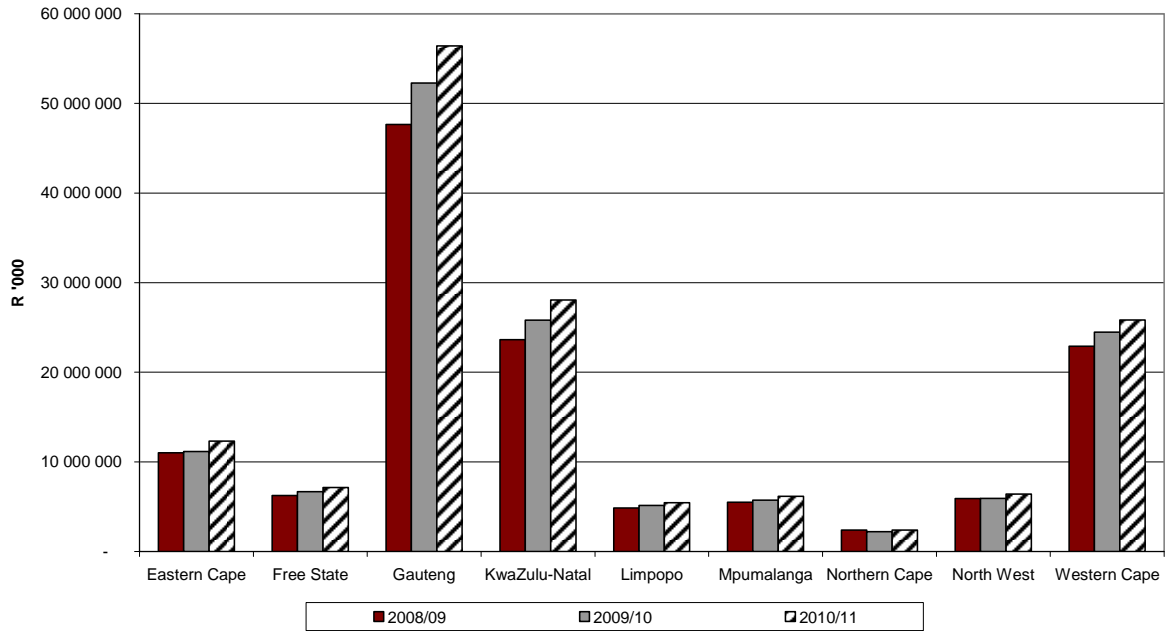
Source:

National Treasury Local Government Database

StatsSA Census 2001, restated in 2005 for demarcation

20. It is notable that only two provinces' have per capita spending above the national average of R3 964 in 2008/09, namely Western Cape at R6 399 per capita and Gauteng at R6 454 per capita. Both these provinces are significantly above the national average – probably due to the fact that both are home to a significant proportion of the country's economic activity – which tends to increase spending on traded items like electricity and water.
21. The lowest level of per capita spending is in Limpopo, at just R2 047 per capita in 2008/09.

Figure 3: Total operating and capital expenditure per province, 2008/09 - 2010/11



22. Free State shows the lowest level of per capita spending on capital in 2008/09, though its relative position changes significantly in 2009/10 – when Mpumalanga shows the lowest level of per capita spending on capital.

Aggregated Budgeted Repairs and Maintenance

23. Table 5 shows the aggregated budgeted expenditure for repairs and maintenance by category of municipalities, and for the six metros.
24. The share of the funds allocated for repairs and maintenance as a percentage of the total adopted budget, ranges between 5.8 per cent to 6.5 per cent over the 2008 MTREF period and appears to be very conservative. Of particular concern is the amount allocated by the City of Johannesburg.

Table 5: Budgeted repairs and maintenance per category of municipality, 2008/09 - 2010/11

Rand thousand	Total adopted budget 2008/09	Repairs & maintenance	% of adopted budget	Total adopted budget 2009/10	Repairs & maintenance	% of adopted budget	Total adopted budget 2010/11	Repairs & maintenance	% of adopted budget
Category A (Metro)	99 584 281	6 547 026	6.6%	104 237 758	6 961 937	6.7%	108 352 524	7 498 910	6.9%
Category B (Local)	62 309 180	3 060 155	4.9%	63 501 453	3 476 250	5.5%	64 604 140	3 872 075	6.0%
Category C (District)	14 323 150	680 137	4.7%	12 914 575	714 856	5.5%	13 247 530	768 658	5.8%
Total	176 216 611	10 287 318	5.8%	180 653 786	11 153 043	6.2%	186 204 194	12 139 643	6.5%
<i>Metros</i>									
Nelson Mandela Bay	6 287 406	366 290	5.8%	6 139 205	396 656	6.5%	5 965 175	435 831	7.3%
Ekurhuleni Metro	15 652 155	1 525 742	9.7%	17 151 761	1 648 916	9.6%	17 985 576	1 805 890	10.0%
City Of Johannesburg	24 059 834	332 711	1.4%	25 147 817	353 111	1.4%	26 662 478	374 982	1.4%
City Of Tshwane	13 699 669	1 413 138	10.3%	14 438 274	1 511 763	10.5%	15 406 185	1 622 778	10.5%
eThekweni	20 218 081	1 622 331	8.0%	20 575 552	1 655 675	8.0%	21 863 281	1 745 115	8.0%
Cape Town	19 667 136	1 286 814	6.5%	20 785 149	1 395 816	6.7%	20 469 829	1 514 314	7.4%
Total	99 584 281	6 547 026	6.6%	104 237 758	6 961 937	6.7%	108 352 524	7 498 910	6.9%

Source: National Treasury Local Government Database

25. In addition, compared to last year's publication the National Treasury has further introduced two additional set of information to enrich this publication. The first is referred to as the Growth in municipal budgets compared to current year's full year forecast – Annexure G; and the second is Changes to baseline – Annexure H.

Conclusion:

26. The above summary provides an aggregate view of municipal budgets for the 2008/09 financial year and over the medium term period.
27. Further information on individual municipalities is contained in the supporting schedules that form part of this publication and are published on the National Treasury website.

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