

Publication of the state of selected municipal budgets for second quarter, ended 31 December 2006

Introduction

The attached schedules present summaries of budgeted revenue for the year by category and expenditure for the six months ended 31 December 2006 for 43 municipalities covering metropolitan, local and district municipalities. Similar information on other municipalities will be published by the respective Provincial Treasuries. The information is largely aggregated and is published in terms of sections 71 and 72 of the Municipal Finance Management Act.

Municipalities have reported average spending of 25 per cent of their combined capital budgets with a range of between 5 per cent at Ba-Phalaborwa municipality and 69 per cent at Lukhanji municipality. Operating expenditure for the same period amounted to 43 per cent on average, ranging between a low of 22 and a high of 59 per cent.

Expenditure patterns: Metropolitan Municipalities

Capital expenditure

The six metropolitan municipalities account for R69.3 billion of budgeted municipal expenditure for the 2006/07 financial year. This includes R12.7 billion allocated for capital and R56.6 billion for operating expenditure. Up to the end of the second quarter metros had spent R3.5 billion or 27.5 per cent of their capital budgets and R25.5 billion (or 45 per cent) of their operating budgets.

Capital expenditure ranges from a high of 36.3 per cent in eThekweni to a low of 14.6 per cent in Nelson Mandela Bay Metropolitan Municipality. The focus areas on capital and infrastructure spending for metros are as follows; Tshwane has spent over 50 per cent of its annual housing budget, eThekweni has spent 54 per cent of its annual roads budget, and spending on electricity in all metros averages around 38 per cent, with the exception of Cape Town, showing somewhat low spending at 19 per cent, for the six months ending December 2006.

There has also been an extensive focus on roads, pavements and storm water spending with eThekweni and City of Joburg spending 53.3 and 48.2 per cent, respectively. Spending on water and sanitation is highest in eThekweni at 33.9 per cent while Ekurhuleni had spent 7.7 per cent at the end of the second quarter.

Operating Expenditure

The total operating budget of the six metropolitan municipalities for the first six months of the 2006/07 financial year amounts to R56.6 billion. On average the metros have expended 45 per cent of the allocated budget, with Johannesburg metro reported spending at 48 per cent followed by Tshwane at 47 per cent and the Nelson Mandela Bay metro with 40 per cent.

The other areas of spending by metros follow similar patterns. Spending on repairs and maintenance on average is at 41 per cent with next largest component on employee related costs at an average of 48 per cent. Tshwane and Johannesburg have both spent 54 per cent of the allocated budget for repairs and maintenance with Ekurhuleni metro at 26 per cent.

Expenditure patterns: Local and district municipalities

Capital expenditure

For the largest 28 local municipalities, capital budgets amount to R5 billion with spending around R1 billion or 20 per cent over the 6 months period ending December 2006. Large variations exist between the different local municipalities, ranging from 5 per cent to 64 per cent. For example, high capital spending of 69 per cent reported for housing in Lukhanji and Knysna, while the municipality of Govan Mbeki show over 89 per cent spent in the provision of water. Mafikeng municipality show spending of over 88 per cent on electricity. However, in contrast, Ba-Phalaborwa municipality show spending at 5 per cent.

For the selected District Municipalities the capital spending also varies, ranging from 12 to 53 per cent, with iLembe district at 53 per cent and West Coast district at 12 per cent.

Operating expenditure

Generally, the average operating expenditure of the 28 local municipalities is similar to the average of the metros at 41 per cent for the six months ending December 2006. The levels of expenditure for these municipalities range from a low of 22 per cent to high of 59 per cent, in the case of Randfontein and Ba-Phalaborwa, respectively. Sol Plaatje municipality shows slow spending at 34 per cent on employee related costs while Ba-Phalaborwa has expended 72 per cent in this respect. Emalahleni and Matjabeng are the lowest spenders on repairs and maintenance with spending levels at 4.5 and 8.8 per cent, respectively.

On average, bulk purchases and employee costs are amongst the highest spending areas across the local municipalities at 50 per cent. Average spending on repairs and maintenance is 23 per cent for the first six months of the year.

The nine selected district municipalities have budgeted over R1.6 billion for operations. The average expended in the first six months is 35 per cent. The largest area of spending is on repairs and maintenance with West Coast and uThungulu reported spending 92 and 90 per cent, respectively. However, in contrast Amathole district has reported spending 5.4 per cent of the repairs and maintenance budget and 13 per cent of the employee related costs, for the six months ending December 2006. iLembe district has spent 82 per cent on employee related costs while Frances Baard district has expended about 34 per cent.

Conclusion

Although expenditure patterns in municipalities vary somewhat, the general trends point to some improvement in capacity to spend capital allocations.

Further information should be requested from the municipalities directly.