
MEDIA STATEMENT

LOCAL GOVERNMENT ADOPTED OPERATING AND CAPITAL BUDGETS FOR 2019/20 MTREF

The National Treasury has today published the operating and capital budgets of municipalities as adopted by their respective councils on its website. These budgets give an overview of expected revenue and expenditure trends in local government over the next three years, referred to as the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF). The revenue and expenditure numbers are aggregated from the annual budgets that municipal managers are legally required to submit to the National Treasury and the relevant provincial treasury.

The published information is presented in a variety of ways, including aggregated municipal budget totals for the 2019/20 financial year and over the medium term period. In addition, the information is presented per category of municipality and per province. Highlights include:

- In aggregate, budgeted revenue for 2019/20 is R449.2 billion, which is expected to increase to R469.6 billion in 2020/21 and R505.2 billion in 2021/22.
- Total municipal expenditure in 2019/20 is estimated to be R496.7 billion, increasing to R523 billion in 2020/21 and R553.7 billion in 2021/22. Total expenditure for 2019/20 is 12.5 per cent higher than the 2018/19 MTREF.
- In the 2019/20 financial year, a net deficit of R16.9 billion is expected, a position that remains in deficit of R25.1 billion in 2020/21 and of R19.7 million in 2021/22.
- Municipal operating expenditure on the trading services consisting of water, energy sources, waste water management and waste management is budgeted to increase from R183.7 billion in 2018/19 to R202.9 billion in 2019/20. In 2019/20 this equates to half of the total operating expenditure of municipalities.
- Bulk purchases of electricity and water total R115.5 billion of the aggregated operating expenditure of R403.3 billion or 28.6 per cent. Bulk purchases are expected to grow to R136.5 billion by 2021/22 representing 29.7 per cent of total operating expenditure; bulk purchase of electricity from Eskom is a significant contributing factor to this growth.
- Reporting on operational repairs and maintenance figures has been institutionalised as part of Section 71 in-year reporting. R26.3 billion will be allocated in 2019/20 to

repairs and maintenance of assets from operating expenditure. This will increase to R28.3 billion in 2020/21 and R30 billion in 2021/22.

- Capital expenditure has increased by 30.8 per cent compared to the 2018/19 MTREF. There appears to be reporting inconsistencies in the figures the municipalities submitted attributing to this high percentage. Of the overall budget of municipalities, capital expenditure in aggregate represents 18.8 per cent in 2019/20, 17.8 per cent in 2020/21 and 17.1 per cent in 2021/22.
- Total capital expenditure for 2019/20 is R93.4 billion and comprises R37.6 billion for trading services (electricity, water, waste water management and waste management). Expenditure on the four trading services will increase to R40.6 billion and to R42.1 billion in the outer years of the MTREF.
- The 2019/20 capital budget reflects a R50.6 billion investment in new infrastructure which is 54.1 per cent of the total capital budget. Investment in the renewal and upgrading of existing assets will be approximately R42.8 billion or 45.9 per cent of the capital budget.

The National Treasury publishes local government MTREF information on an annual basis. Regularly published budget information enables communities to hold their municipal councils to account. The information is also used by National Treasury as the basis for the In-year Management, Monitoring and Reporting System for Local Government (IYM). The Section 71 reports published by the National Treasury give an account of actual revenue collection and spending by municipalities per quarter against their budgeted figures. All this information feeds into the Municipal Money open local government data portal and can be accessed as follows: www.municipalmoney.gov.za. In addition, the Municipal Money raw data can be accessed directly from <http://municipaldata.treasury.gov.za>.

To improve the quality of reporting, the Municipal Budget and Reporting Regulations promulgated in 2009 prescribed new budget reporting formats for municipalities. In terms of the 2009 regulations, municipalities must submit their 2018/19 MTREF budgets in the prescribed A1 Schedules as per the regulations.

Annexure A sets out the full list of information that can be found on the website, and a high level summary of information in terms of category of municipality and per province.

Annexure B contains an aggregated summary of municipal operating and capital budgets for the 2019/20 Medium Term Revenue Expenditure Framework (MTREF); and

Annexure C contains a set of key graphs articulating the numbers in graphical format.

Go to www.treasury.gov.za/mfma for more information.

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NOTE TO EDITORS:

- Section 24(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) requires the Accounting Officer of a municipality to submit the municipality's adopted annual budget to National Treasury and the relevant provincial treasury once approved by the Council.
- The publication of annual municipal budgets is a continuation of efforts by the National Treasury to disseminate as much local government financial information as possible in the public domain. The information and financial data that is the subject of this publication contain national aggregated municipal budget amounts for the 2019/20, 2020/21 and 2021/22 financial years for all municipalities and are summarized in a variety of ways including analyses per municipal category and per province.
- This information is deemed to be critical for policy makers, researchers and sector specialists. It is anticipated that the dissemination of this information will assist in improving municipal accountability and will also serve as the basis for strengthening the In-year Management, Monitoring and Reporting System for Local Government (IYM) (Section 71 of the MFMA).
- In terms of the process, Municipal Managers and Chief Financial Officers are required to submit their adopted budgets and supporting schedules as well as budget related *m*SCOA data strings to the National Treasury by the latest 8 November 2019. Any queries on the figures in these statements should therefore be referred to the relevant Municipal Manager or Chief Financial Officer.
- A municipal budget must be funded in terms of Section 18 of the MFMA before a municipal Council can adopt that budget for implementation. A funded budget is essentially a budget that is funded by a combination of cash derived either from realistically anticipated revenues to be collected in that year and cash backed surpluses of previous years. It is a common practice amongst most municipalities when preparing their annual budgets to overstate or inflate revenue projections, either to reflect a surplus or on the surface to show that excess expenditure requirements are adequately covered by revenues to be collected. Hence, the revenue estimates are seldom underpinned by realistic or realisable revenue assumptions resulting in municipalities not being able to collect this revenue and therefore finding themselves in cash flow difficulties. Should such situations arise, municipalities must adjust expenditure downwards to ensure that there is sufficient cash to meet these commitments.
- This 2019/20 MTREF publication covers 256 municipalities.

The full list of information published:

- Aggregated/Consolidated municipal 2019 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):*
 - Operating budget 2019/20;
 - Capital budget 2019/20;
 - Operating budget 2020/21;
 - Capital budget 2020/21;
 - Operating budget 2021/22; and
 - Capital budget 2021/22.
- *B. Municipal Budget and Reporting Regulations format (Summary of financial dimensions):*
 - Schedule A1: Consolidated for all municipalities;
 - Schedule A1: Per province;
 - Schedule A1: Metros; and
 - Schedule A1: Secondary Cities.
- *C. Municipal Budget and Reporting Regulations format (Detail of schedules A2 to A10):*
 - Schedule A2 (Standard Classification):
 - Schedule A2: Consolidated for all municipalities;
 - Schedule A2: Per province;
 - Schedule A2: Metros; and
 - Schedule A2: Secondary Cities.
 - Schedule A4 (Statement of Financial Performance):
 - Schedule A4: Consolidated for all municipalities;
 - Schedule A4: Per province;
 - Schedule A4: Metros, and
 - Schedule A4: Secondary Cities.
 - Schedule A5 (Capital Budget):
 - Schedule A5: Consolidated for all municipalities;
 - Schedule A5: Per province;
 - Schedule A5: Metros; and
 - Schedule A5: Secondary Cities.
 - Schedule 6 (Statement of Financial Position):
 - Schedule A6: Consolidated for all municipalities;
 - Schedule A6: Per province;
 - Schedule A6: Metros; and
 - Schedule A6: Secondary Cities.
 - Schedule A7 (Cash Flow Budget/Position):
 - Schedule A7: Consolidated for all municipalities;
 - Schedule A7: Per province;
 - Schedule A7: Metros; and
 - Schedule A7: Secondary Cities.

- Schedule A9 (Asset Management):
 - Schedule A9: Consolidated for all municipalities;
 - Schedule A9: Per province;
 - Schedule A9: Metros; and
 - Schedule A9: Secondary Cities.

- Schedule A10 (Free Basic Services):
 - Schedule A10: Consolidated for all municipalities;
 - Schedule A10: Per province;
 - Schedule A10: Metros; and
 - Schedule A10: Secondary Cities.

- Combined Schedules A1 to A10:
 - Metros;
 - Local municipalities; and
 - District municipalities.

- *D. Changes to Baseline:*
 - Sum of changes to baseline; and
 - Information per province.

- *E. Summary of Growth Rates:*
 - Sum of growth in municipal budgets, and
 - Information per province.

- *mSCOA framework assorted results.*

HIGH LEVEL ANALYSIS OF THE 2019/20 MTREF:

- The analysis below is restricted to the aggregated expenditure by category of municipality, an overview of the budgets of the eight metropolitan councils, the secondary cities (next top 19 municipalities in terms of budget size) and a summary of municipal budgets per province. The supporting tables published on the National Treasury's website provide more information by type of expenditure item and other operational information. Information on each municipality's 2019/20 budget and MTREF is also published on the National Treasury website.

Aggregated operating and capital budget**Table 1: Aggregated Operating and Capital budgets, 2018/19 - 2021/22**

Description	Original Budget	Adjusted Budget	2019/20 Medium Term Revenue & Expenditure Framework		
	2018/19	2018/19	2019/20	2020/21	2021/22
R thousands					
Total Revenue	386 127 077	393 800 470	449 176 199	469 598 461	505 240 185
Total Expenditure	447 701 174	464 597 987	496 694 523	523 013 554	553 746 496
Surplus / (deficit)	(61 574 096)	(70 797 517)	(47 518 324)	(53 415 093)	(48 506 311)
FINANCING:					
External loans / borrowing	16 837 795	13 648 258	17 620 931	18 880 525	18 195 546
Internally generated funds ²	6 133 936	14 683 106	13 008 879	9 438 022	10 648 701
Total financing	22 971 731	28 331 364	30 629 810	28 318 547	28 844 248
Net surplus / (deficit)	(38 602 365)	(42 466 153)	(16 888 514)	(25 096 546)	(19 662 063)

¹Excludes Taxation

² External loans and internally generated funds are the municipality's own contribution to capital revenue.

Source: National Treasury Local Government Database

- Total revenue is estimated to be R449.2 billion, R469.6 billion and R505.2 billion while total expenditure estimates are R496.7 billion, R523 billion and R553.7 billion for each of the respective financial years of the 2019/20 Medium-term Revenue and Expenditure Framework (MTREF).
- External loans (borrowing) and internally generated funds have been excluded from total revenue in the table above. Although a funding source for the capital budget, the inclusion of borrowing would artificially inflate total revenue as would internally generated funds. Municipalities generate internal funding in two ways; either by historic cash backed reserves (generated in previous financial years through revenue) or current year surpluses (generated through current revenue – operating surpluses).
- Over the MTREF period municipalities intend to raise external loans (borrowing) of R54.7 billion to fund infrastructure development while contributing R33.1 billion (R50.3 billion for the 2018 MTREF) through internally generated funding to infrastructure development.
- It appears as if municipalities will not generate enough revenue to cover their operational expenses in all 3 of the 2019 MTREF years. The operational deficit is R16.9 billion and is expected to increase to R25.1 billion in 2020/21 and to R19.7 billion in 2021/22.

Table 2: Consolidated budget summary for all municipalities for the 2019 MTREF

Description	Current year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Adopted budget	Adjusted budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands					
Financial Performance					
Property rates	60 894 542	63 389 303	71 212 757	75 502 836	80 178 121
Service charges	170 740 167	174 033 536	210 176 145	219 464 054	238 319 296
Investment revenue	4 001 478	4 388 672	4 415 551	4 616 381	4 897 945
Transfers recognised - operational	70 825 474	71 370 258	81 099 459	84 588 624	91 796 081
Other own revenue	39 926 213	39 533 590	42 775 743	45 018 465	47 816 680
Total Revenue (excluding capital transfers and contributions)	346 387 874	352 715 359	409 679 656	429 190 361	463 008 123
Employee costs	108 030 300	108 313 059	120 480 548	129 107 232	138 757 900
Remuneration of councillors	4 195 404	4 289 381	4 506 203	4 738 062	5 023 580
Depreciation & asset impairment	30 741 958	29 848 872	32 502 794	34 439 622	36 385 303
Finance charges	8 852 835	8 906 626	10 399 250	11 265 322	12 919 231
Materials and bulk purchases	111 390 292	113 443 766	128 014 083	139 684 453	150 496 760
Transfers and grants	3 576 748	4 107 051	3 939 475	4 333 693	4 296 129
Other expenditure	92 124 858	99 408 051	103 458 831	106 171 879	110 913 488
Total Expenditure¹	358 912 396	368 316 805	403 301 184	429 740 264	458 792 389
Surplus/(Deficit)	(12 524 522)	(15 601 446)	6 378 472	(549 902)	4 215 734
Transfers recognised - capital	34 582 521	38 823 048	39 292 662	40 832 521	43 515 650
Contributions recognised - capital & contributed assets	1 113 584	1 282 918	1 386 779	1 397 524	1 337 925
Surplus/(Deficit) after capital transfers & contributions	23 171 584	24 504 519	47 057 913	41 680 142	49 069 309
Share of surplus/ (deficit) of associate	6 895	7 195	1 616	1 703	1 795
Surplus/(Deficit) for the year	23 178 479	24 511 715	47 059 529	41 681 845	49 071 104
Capital expenditure & funds sources					
Capital expenditure	88 788 778	96 281 182	93 393 340	93 273 290	94 954 106
Transfers recognised - capital	39 739 204	41 085 111	39 496 543	40 408 099	42 232 062
Public contributions & donations	-	-	-	-	-
Borrowing	16 837 795	13 648 258	17 620 931	18 880 525	18 195 546
Internally generated funds	6 133 936	14 683 106	13 008 879	9 438 022	10 648 701
Total sources of capital funds	62 710 935	69 416 475	70 126 353	68 726 646	71 076 309

¹Excludes taxation

Source: National Treasury Local Government database

6. It needs to be noted that municipalities are on the 'accrual' basis of accounting and as a result the operating statement of financial performance represents the intended billings and other revenue receipts and not actual collections (cash in the bank). The degree to which billings and other revenue translate into actual cash is highly dependent on the management of the municipal revenue value chain and credit control processes.

Aggregated operating and capital budget per municipal category

Table 3: Aggregated Operating and Capital Revenue per category, 2018/19 - 2021/22

R thousand	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	38 928 050	234 406 883	273 394 932	31 105 775	252 588 811	283 694 586	31 621 914	264 656 213	296 280 127	32 836 646	286 990 889	319 827 535
Category B	25 060 595	139 513 575	164 564 170	25 388 043	133 903 124	159 291 167	22 771 825	142 033 859	164 805 684	22 838 381	151 936 398	174 774 779
Category C	9 432 437	29 121 530	38 553 968	13 832 535	23 187 721	36 820 257	14 332 907	22 498 290	36 831 197	15 401 282	24 080 836	39 482 118
Total	73 411 081	403 101 988	476 513 069	70 126 353	409 679 656	479 806 009	68 726 646	429 190 361	497 917 008	71 076 309	463 008 123	534 084 432
Less												
External loans / borrowing	16 008 161	-	16 008 161	17 620 931	-	17 620 931	18 880 525	-	18 880 525	18 195 546	-	18 195 546
Internally generated funds	9 660 803	-	9 660 803	13 008 879	-	13 008 879	9 438 022	-	9 438 022	10 648 701	-	10 648 701
Re calculated revenue¹	47 742 318	403 101 988	450 844 305	39 496 543	409 679 656	449 176 199	40 408 099	429 190 361	469 598 461	42 232 062	463 008 123	505 240 185
% of total revenue²												
Category A	8.2%	49.2%	57.4%	6.5%	52.6%	59.1%	6.4%	53.2%	59.5%	6.1%	53.7%	59.9%
Category B	5.3%	29.3%	34.5%	5.3%	27.9%	33.2%	4.6%	28.5%	33.1%	4.3%	28.4%	32.7%
Category C	2.0%	6.1%	8.1%	2.8%	4.8%	7.7%	2.9%	4.5%	7.4%	2.9%	4.5%	7.4%

¹Revenue excludes capital transfers

²Percentage calculations in per category tables are based on total revenue and expenditure (including external loans and internally generated funds).

Source: National Treasury Local Government Database

7. Table 3 above shows the aggregated budgeted revenue by category of municipality over the 2019/20 MTREF period. In aggregate, the total budgeted revenue for 2019/20 has decreased by 0.4 per cent from R450.8 billion in 2018/19 to R449.2 billion in 2019/20. Operating revenue increased by 13 per cent while capital growth is 6.9 per cent in the outer years of the 2019/20 MTREF. The increase in operating revenue appears to be over optimistic given the current economic climate and the actual collection rate realized by municipalities as reflected in their audit outcomes. Capital revenue is low and is not balancing with the capital expenditure. This appears to be a reporting challenge in the *m*SCOA classification framework due to incorrect use by the municipalities of the prescribed segments.
8. In the outer years of the 2019/20 MTREF period, aggregated revenue growth is 4.5 per cent and 7.6 per cent respectively. Capital revenue shows an increase of 2.3 per cent and 4.5 per cent in 2020/21 and 2021/22.
9. Total gross revenue raised by Category A (metros) municipalities accounts for 57.4 per cent of the total aggregated revenue in 2018/19. This increases to 59.9 per cent by 2021/22 indicating that the eight metros account for almost two-thirds of total aggregated revenue raised by local government. This supports the notion that metros have a larger fiscal capacity (ability to raise revenue) when compared to other categories of municipalities.
10. The percentage share of total aggregated revenue for Category B and C municipalities starts to decline slightly over the 2019/20 MTREF period. Total revenue raised by Category B (local) municipalities is on average approximately 33 per cent of total aggregated revenue while Category C (districts) municipalities contribute approximately 7.4 per cent.
11. District municipalities are primarily funded from the National Fiscus and are highly grant dependent with only some districts being allocated the powers and functions to provide water services. Hence, the growth in the revenue of district municipalities will be modest.
12. Table 4 shows the total budgeted expenditure by category of municipality over the 2019/20 MTREF period. In aggregate, budgeted total municipal expenditure has grown by 12.5 per cent from R441.6 billion in 2018/19 to R496.7 billion in the 2019/20 financial year with growth in operating expenditure contributing 9.5 per cent and growth in capital expenditure is 27.2 per cent.

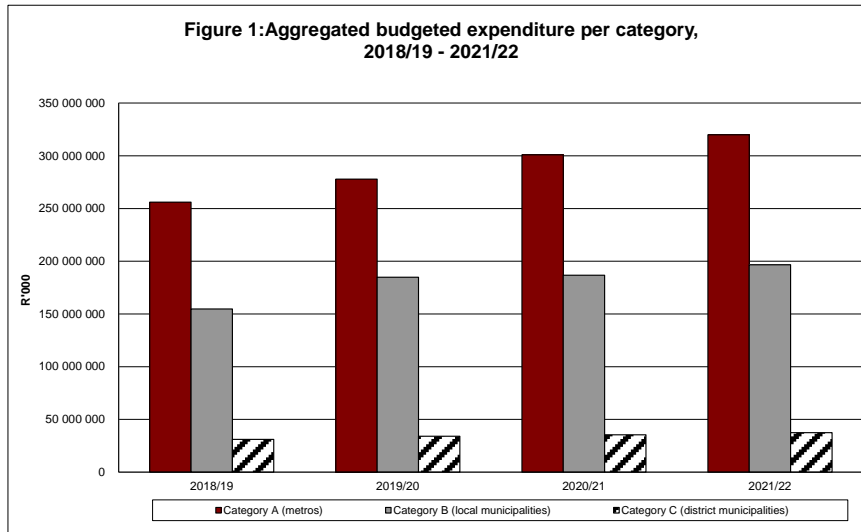
Table 4: Aggregated Operating and Capital expenditure per category, 2018/19 - 2021/22

R thousand	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	38 928 050	217 102 808	256 030 858	40 541 419	237 336 815	277 878 234	44 673 539	256 303 368	300 976 907	45 095 380	274 786 451	319 881 831
Category B	25 050 595	129 747 422	154 798 017	41 839 121	143 033 234	184 872 355	36 988 292	149 827 483	186 815 774	37 325 951	159 317 705	196 643 656
Category C	9 432 437	21 655 958	31 088 395	11 012 799	22 967 332	33 980 131	11 611 459	23 755 547	35 367 006	12 532 775	24 866 480	37 399 256
Total	73 411 081	368 506 188	441 917 270	93 393 340	403 337 380	496 730 719	93 273 290	429 886 397	523 159 688	94 954 106	458 970 636	553 924 742
Less												
Taxation	-	307 833	307 833	-	36 196	36 196	-	146 134	146 134	-	178 246	178 246
Total expenditure	73 411 081	368 198 356	441 609 437	93 393 340	403 301 184	496 694 523	93 273 290	429 740 264	523 013 554	94 954 106	458 792 389	553 746 496
% of total expenditure¹												
Category A	8.8%	49.1%	57.9%	8.2%	47.8%	55.9%	8.5%	49.0%	57.5%	8.1%	49.6%	57.7%
Category B	5.7%	29.4%	35.0%	8.4%	28.8%	37.2%	7.1%	28.6%	35.7%	6.7%	28.8%	35.5%
Category C	2.1%	4.9%	7.0%	2.2%	4.6%	6.8%	2.2%	4.5%	6.8%	2.3%	4.5%	6.8%

¹Percentage calculations in per category tables are based on total revenue and expenditure (including external loans and internally generated funds).

Source: National Treasury Local Government Database

13. Capital budgets increase by 27.2 per cent in 2019/20 but shows slower increases over the MTREF, with the capital spending of the metros rising from R38.9 billion in 2018/19 to R45.1 billion by 2021/22. Category B municipalities shows a similar big increase from 2018/19 to 2019/20 but decreases over the outer years of the 2019/20 MTREF. District municipalities shows a steady increase over the 2019/20 MTREF.



14. The total expenditure budget of the eight metros as a share of the total local government budget for the 2019/20 financial year constitutes 55.9 per cent, whereas local municipalities represent 37.2 per cent. District municipalities represent only 6.8 per cent of total expenditure. These trends remain largely constant over the MTREF period with metros contributing an estimated 57.7 per cent to the total expenditure by 2021/22.
15. The contribution of capital expenditure to the total expenditure remains in the interval 16 to 19 per cent with 16.6 per cent in 2018/19, 18.8 per cent in 2019/20, 17.8 per cent in 2020/21 to 17.1 per cent in 2021/22. This performance is well within the National Treasury norm of between 10 and 20 per cent and suggests that in general municipalities are improving on their ability to plan for a longer term.
16. Operating expenditure in aggregate represents 83.4 per cent in 2018/19, decreases to 81.2 per cent in 2019/20, 82.2 per cent in 2020/21 and 82.9 per cent in 2021/22 of the overall budget of municipalities. The minor increases in operating expenditure for the outer years of the MTREF do not appear to make sufficient provision for the anticipated increases in remuneration and the purchase of bulk electricity. These expenditure categories represent a large proportion of municipal operating expenditure.

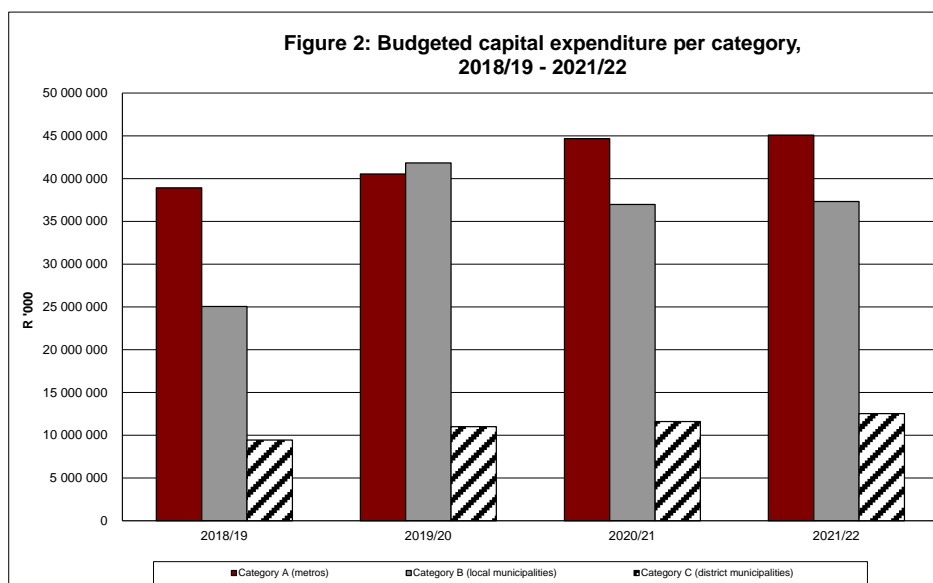
Detailed capital expenditure and funding

Table 5: Budgeted capital expenditure and funding, 2018/19 - 2021/22

Rthousands	Original Budget	Adjusted Budget	2019/20 Medium Term Revenue & Expenditure Framework		
	2018/19	2018/19	2019/20	2020/21	2021/22
Capital Expenditure - Standard Classification					
<i>Governance and Administration</i>	7 371 242	8 586 023	21 516 894	19 339 960	19 326 603
Executive & Council	2 355 166	2 528 531	774 807	738 459	738 843
Budget & Treasury Office	3 969 475	4 924 220	20 737 030	18 599 791	18 586 092
Corporate Services	1 046 602	1 133 272	5 056	1 709	1 668
<i>Community and Public Safety</i>	11 139 777	10 485 956	12 735 672	11 780 408	11 420 943
Community & Social Services	2 112 200	1 908 988	2 447 194	1 825 440	1 853 451
Sport And Recreation	1 372 966	1 392 014	2 114 264	1 765 848	2 118 712
Public Safety	1 011 654	1 063 424	1 141 178	846 662	787 321
Housing	6 306 304	5 769 459	6 762 801	7 096 325	6 386 075
Health	336 653	352 091	270 235	246 133	315 384
<i>Economic and Environmental Services</i>	19 772 563	19 265 952	23 230 611	24 438 318	24 472 219
Planning and Development	3 034 444	3 336 534	5 305 769	5 660 501	5 415 588
Road Transport	16 645 629	15 758 538	17 726 736	18 412 244	18 706 757
Environmental Protection	92 289	170 880	198 106	365 572	349 874
<i>Trading Services</i>	31 740 033	32 446 612	35 691 891	37 457 419	39 442 899
Electricity	8 044 251	7 203 743	7 697 638	7 662 336	8 533 934
Water	16 327 504	18 109 812	18 744 450	19 429 474	20 762 128
Waste Water Management	6 083 081	6 065 033	7 112 562	8 122 740	7 999 015
Waste Management	1 305 198	1 068 025	2 137 240	2 242 868	2 147 822
Other	599 480	596 800	218 273	257 187	291 443
Total Capital Expenditure	70 623 096	71 381 344	93 393 340	93 273 290	94 954 106
<i>Of which</i>					
Total New Assets	50 738 074	59 426 086	50 570 424	50 883 845	52 483 467
Total Renewal of Existing Assets	24 631 686	21 558 524	18 757 865	17 078 346	18 429 107
Total Upgrading of Existing Assets	13 519 019	15 296 732	24 065 050	25 311 100	24 041 532
Total Capital Expenditure	88 788 778	96 281 182	93 393 340	93 273 290	94 954 106
<i>Percentage of total capital expenditure</i>					
New assets	57.1%	61.7%	54.1%	54.6%	55.3%
Renewal of existing assets	27.6%	22.4%	20.1%	18.3%	19.4%
Upgrading of Existing Assets	15.2%	15.9%	25.6%	27.1%	25.3%
Funded by:					
National Government	36 356 568	36 930 751	37 254 500	38 391 712	40 246 398
Provincial Government	2 380 168	2 973 131	1 593 584	1 580 451	1 593 695
District Municipality	3 69 612	379 673	32 790	45 254	24 467
Other transfers and grants	632 856	601 557	615 670	390 682	387 502
Transfers recognised - capital	39 739 204	41 085 111	39 496 543	40 408 099	42 232 062
Borrowing	16 837 795	13 648 258	17 620 931	18 880 525	18 195 546
Internally generated funds	6 133 936	14 683 106	13 008 879	9 438 022	10 648 701
Total Capital Funding	62 710 935	69 416 475	70 126 353	68 726 646	71 076 309
Repairs and Maintenance by Asset Class	26 246 875	23 341 685	26 299 497	28 306 350	30 007 960
<i>Roads Infrastructure</i>	4 455 257	4 883 034	4 516 662	4 816 088	5 124 664
<i>Storm water Infrastructure</i>	682 006	434 494	782 344	811 571	864 784
<i>Electrical Infrastructure</i>	5 051 070	4 327 163	4 913 615	5 139 565	5 440 463
<i>Water Supply Infrastructure</i>	3 474 400	3 153 963	3 942 534	4 143 242	4 499 850
<i>Sanitation Infrastructure</i>	2 794 253	2 306 037	2 964 388	3 058 208	3 105 669
<i>Solid Waste Infrastructure</i>	303 297	288 662	383 817	403 889	425 261
<i>Rail Infrastructure</i>	18 187	17 032	20 320	21 268	22 122
<i>Coastal Infrastructure</i>	21 391	19 371	45 016	45 972	48 715
<i>Information and Communication Infrastructure</i>	847 936	118 537	100 411	111 935	117 477
Infrastructure Total	17 647 798	15 548 293	17 669 107	18 551 736	19 649 005
Community Facilities	1 091 795	694 295	1 238 435	1 329 059	1 341 586
Sport and Recreation Facilities	195 490	222 403	303 558	281 346	294 485
Community Assets Total	1 287 285	916 697	1 541 992	1 610 405	1 636 072
Heritage Assets	15 379	10 254	9 273	9 843	10 451
Revenue Generating	20 354	29 963	72 571	76 534	78 556
Non-revenue Generating	66 563	57 170	79 716	84 160	88 855
Investment properties	86 917	87 133	152 287	160 694	167 411
Operational Buildings	2 666 697	2 335 056	1 942 884	2 642 195	2 893 356
Housing	95 331	118 938	73 269	73 648	79 363
Other Assets	2 762 028	2 453 994	2 016 152	2 715 843	2 972 719
Biological or Cultivated Assets	1 305	722	824	925	975
Servitudes	7	7	7	7	8
Licences and Rights	222 941	222 027	276 007	292 253	308 080
Intangible Assets	222 948	222 034	276 014	292 261	308 088
Computer Equipment	902 153	805 249	554 497	595 030	700 810
Furniture and Office Equipment	362 559	322 843	647 752	708 016	717 291
Machinery and Equipment	1 116 044	1 082 614	1 343 242	1 431 401	1 507 770
Transport Assets	1 842 460	1 891 853	2 088 355	2 230 196	2 337 368
Land	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	-	-	-	-	-

Source: National Treasury Local Government database

17. In 2018/19, R31.7 billion has been allocated to total trading services, which comprises electricity, water, waste water management and waste management. This was adjusted to R32.4 billion during the year with more focus on water services. For the 2019/20 MTREF the total allocations for services are R35.7 billion or 38.2 per cent, R37.5 billion or 40.2 per cent and R39.4 billion or 41.5 per cent of the aggregated capital budget in each of the respective financial years.
18. Monthly reporting on operational repairs and maintenance figures has been institutionalised as part of Section 71 in-year reporting framework. The R26.2 billion of operating expenditure allocated in 2018/19 to the repairs and maintenance of assets has been adjusted to R26.3 billion. This will increase to R26.3 billion, R28.3 billion and R30 billion over the 2019/209 MTREF.



Aggregated operating and capital budget per municipality per province

19. Table 6 and 7 show the aggregated budgeted revenue and expenditure by province over the 2019 MTREF period.
20. A provincial analysis reveals that Gauteng with 11 municipalities (including three metros and two secondary cities) has the highest capital budget for 2019/20 estimated at R20.1 billion or 28.7 per cent of the total municipal capital budget. This is followed by KwaZulu-Natal with 54 municipalities (including one metro and three secondary cities) at an estimated R16.6 billion or 23.6 per cent and the Eastern Cape with 30 municipalities (including two metros) at R8.5 billion or 12.2 per cent. This trend remains unchanged over the duration of the MTREF.
21. The Western Cape, with one metros and three secondary cities, is ranked fourth in terms of the size of their capital budget with capital appropriations of R6.5 billion in 2019/20. This is significantly less than the R11.9 billion budgeted for in 2018/19.
22. In table 7 the national aggregate per capita spending average is estimated to be R8 925 in 2019/20, an increase from R7 940 in 2018/19. Only three provinces will exceed this national average in 2019/20, namely Free State at R9 285, Gauteng at R12 811 and Western Cape at R12 212 per capita. The trend line suggests increases over the MTREF reaching R9 953 per capita by 2021/22.
23. The high per capita spending in the Gauteng and Western Cape provinces are probably due to the fact that 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 distorts the per capita analysis. In addition, the per capita expenditure numbers will be higher in those provinces where service delivery backlogs are the lowest and there are a higher proportion of affluent households.

24. Free State was just below the national per capita spending average in 2018/19 and has moved to just above with an increased operational expenditure budget in 2019/20.
25. It should also be noted that this calculation is based on the Community Survey, 2016 released by Statistics South Africa.

Table 6: Aggregated Operating and Capital revenue per province, 2018/19 - 2021/22

R thousand	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	9 097 631	31 313 869	40 411 500	8 546 288	37 300 801	45 847 089	8 011 916	29 697 299	37 709 214	8 290 563	31 731 143	40 021 706
Free State	3 339 386	17 162 171	20 501 557	4 150 170	16 094 334	20 244 504	4 146 304	17 044 101	21 190 405	4 238 093	18 190 304	22 428 398
Gauteng	20 239 619	134 713 091	154 952 710	20 139 002	144 036 000	164 175 002	20 657 381	156 764 679	177 422 061	20 678 981	169 565 216	190 244 198
Kw aZulu-Natal	14 164 647	62 172 519	76 337 167	16 552 295	60 813 921	77 366 216	15 968 447	66 361 936	82 330 383	17 198 121	71 770 121	88 968 243
Limpopo	6 605 561	17 671 618	24 277 179	5 638 410	15 625 554	21 263 963	5 596 095	14 846 060	20 442 154	5 443 505	16 750 565	22 194 069
Mpumalanga	3 333 575	17 870 294	21 203 869	3 742 553	15 619 693	19 362 246	3 501 960	16 650 651	20 152 610	3 617 102	17 685 143	21 302 245
North West	3 275 482	17 451 731	20 727 213	3 512 763	16 374 314	19 887 077	2 913 112	17 661 107	20 574 219	3 118 657	19 096 519	22 215 176
Northern Cape	1 433 466	6 848 703	8 282 169	1 294 948	6 473 384	7 768 332	1 139 684	6 924 968	8 064 651	1 079 291	7 369 751	8 449 041
Western Cape	11 921 714	58 308 144	70 229 858	6 549 924	58 048 993	64 598 917	6 791 748	62 407 040	69 198 788	7 411 996	67 333 711	74 745 707
Total	73 411 081	363 512 141	436 923 223	70 126 353	370 386 994	440 513 347	68 726 646	388 357 840	457 084 487	71 076 309	419 492 473	490 568 782
Less												
External loans / borrowing	16 008 161	-	16 008 161	17 620 931	-	17 620 931	18 880 525	-	18 880 525	18 195 546	-	18 195 546
Internally generated funds	9 660 603	-	9 660 603	13 008 879	-	13 008 879	9 438 022	-	9 438 022	10 648 701	-	10 648 701
Recalculated revenue	47 742 318	363 512 141	411 254 459	39 496 543	370 386 994	409 883 537	40 408 099	388 357 840	428 765 940	42 232 062	419 492 473	461 724 535

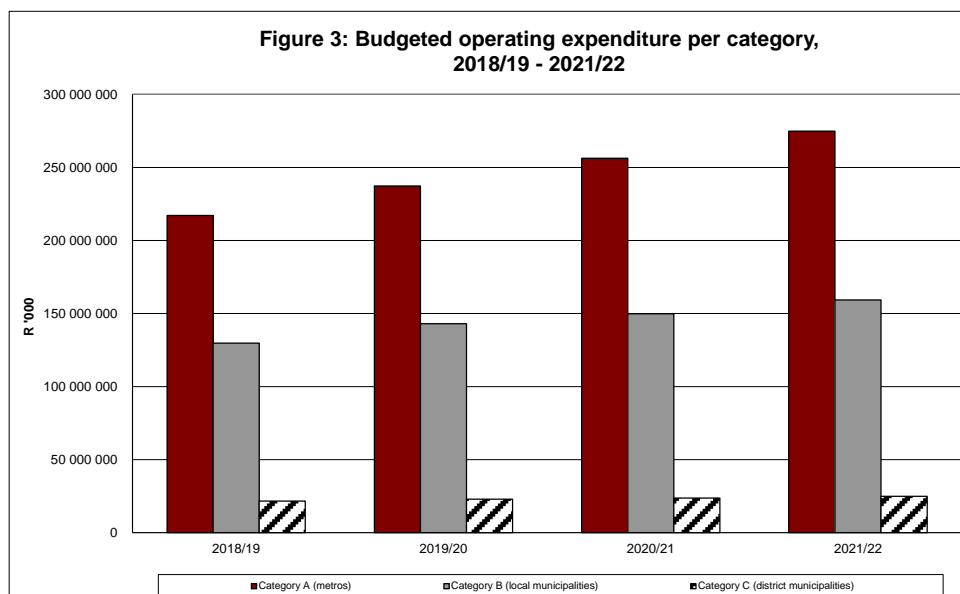
¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

Table 7: Aggregated Operating and Capital expenditure budgets per province, 2018/19 - 2021/22

R thousand	2018/19	2018/19			2019/20			2020/21			2021/22		
		Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	6 996 976	9 097 631	32 546 064	41 643 695	8 643 261	35 468 396	44 111 657	8 782 882	37 762 306	46 545 188	8 958 418	40 025 524	48 983 942
Free State	2 834 714	3 339 386	18 233 619	21 573 005	4 191 429	22 129 048	26 320 477	4 214 117	22 742 130	26 956 247	4 331 036	24 279 809	28 610 846
Gauteng	13 399 724	20 239 619	133 047 010	153 286 629	25 393 631	146 275 495	171 669 126	26 115 740	158 466 842	184 582 582	26 520 692	169 656 357	196 177 050
Kw aZulu-Natal	11 065 240	14 164 647	63 263 739	77 428 386	20 874 011	69 600 281	90 474 292	19 912 283	73 624 685	93 536 968	20 419 130	78 222 399	98 641 528
Limpopo	5 799 091	6 605 561	17 297 347	23 902 907	8 940 343	18 426 454	27 366 796	9 075 881	19 469 342	28 545 224	9 095 875	20 620 855	29 716 730
Mpumalanga	4 335 964	3 333 575	19 176 749	22 510 324	5 967 165	20 872 813	26 839 978	5 538 596	21 957 449	27 496 045	5 496 317	23 856 763	29 353 080
North West	3 748 435	3 275 482	18 980 696	22 256 178	4 289 599	19 896 327	24 185 926	3 589 019	20 775 794	24 364 813	3 816 165	21 814 866	25 631 030
Northern Cape	1 193 780	1 433 466	7 322 086	8 755 553	1 358 517	7 717 568	9 076 085	1 252 604	8 112 628	9 365 232	1 182 205	8 579 563	9 761 768
Western Cape	6 279 730	11 921 714	58 638 879	70 560 592	13 735 386	62 950 997	76 686 383	14 792 168	66 975 221	81 767 389	15 134 268	71 914 501	87 048 768
Total	55 653 654	73 411 081	368 506 188	441 917 270	93 393 340	403 337 380	496 730 719	93 273 290	429 886 397	523 159 688	94 954 106	458 970 636	553 924 742
Less													
Taxation	-	-	307 298	307 298	-	36 196	36 196	-	146 134	146 134	-	178 246	178 246
Total expenditure		73 411 081	368 198 891	441 609 972	93 393 340	403 301 184	496 694 523	93 273 290	429 740 264	523 013 554	94 954 106	458 792 389	553 746 496
Per capita spending													
Eastern Cape	1 300	4 651	5 952	1 235	5 069	6 304	1 255	5 397	6 652	1 280	5 720	7 001	
Free State	1 178	6 432	7 610	1 479	7 806	9 285	1 487	8 023	9 509	1 528	8 565	10 093	
Gauteng	1 510	9 929	11 440	1 895	10 916	12 811	1 949	11 826	13 775	1 979	12 661	14 640	
Kw aZulu-Natal	1 280	5 717	6 997	1 886	6 290	8 176	1 800	6 654	8 453	1 845	7 069	8 915	
Limpopo	1 139	2 983	4 122	1 542	3 177	4 719	1 565	3 357	4 922	1 569	3 556	5 124	
Mpumalanga	769	4 423	5 192	1 376	4 814	6 190	1 277	5 064	6 341	1 268	5 502	6 770	
North West	874	5 064	5 937	1 144	5 308	6 452	957	5 543	6 500	1 018	5 820	6 838	
Northern Cape	1 201	6 134	7 334	1 138	6 465	7 603	1 049	6 796	7 845	990	7 187	8 177	
Western Cape	1 898	9 338	11 236	2 187	10 024	12 212	2 356	10 665	13 021	2 410	11 452	13 862	
Total	1 319	6 621	7 940	1 678	7 247	8 925	1 676	7 724	9 400	1 706	8 247	9 953	

Source: National Treasury Local Government Database, StatsSA Community Survey 2016



Aggregated operating and capital budget for metros

26. The aggregated budgeted revenue for all metros over the 2019/20 MTREF period is contained in Table 8. Total revenue increased from R257.9 billion in 2018/19, to R267.3 billion in 2019/20, R278.9 billion in 2020/21 and to R301 billion in 2021/22, reflecting a total increase of 4.3 and 7.9 per cent in the two outer years of the MTREF which may not be realistic in the current economic climate.
27. The table also shows the revenue budget of each metro as a percentage of the aggregated budget. The revenue comparison reflects the size of each metro relative to others. This generally remains constant over the MTREF with the City of Johannesburg topping the list at 23.4 per cent for 2019/20 followed by City of Ekurhuleni at 16.3 per cent and Tshwane at 16 per cent. Three metros, namely Nelson Mandela Bay, Buffalo City and Mangaung are constituting a small percentage of the total revenue with 8, 3 and 2.7 per cent respectively.

Table 8: Aggregated Operating and Capital revenue budgets for metros, 2018/19 - 2021/22

	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
R thousand												
Buffalo City	1 753 142	6 517 222	8 270 364	1 737 413	6 168 459	7 905 872	1 936 160	6 694 012	8 630 172	2 054 859	7 203 587	9 258 445
Cape Town	8 456 748	39 735 877	48 192 626	2 162 944	38 997 073	41 160 017	3 126 279	42 033 351	45 159 630	3 690 248	45 553 203	49 243 451
City of Ekurhuleni	6 904 213	35 317 657	42 221 869	7 417 207	36 184 095	43 601 302	7 324 874	40 522 360	47 847 234	7 400 855	45 537 804	52 938 660
eThekweni	7 110 162	35 175 463	42 285 625	5 149 304	35 782 801	40 932 105	4 683 337	39 543 431	44 226 768	5 002 340	43 040 928	48 043 268
City Of Johannesburg	7 810 236	53 046 409	60 856 646	7 754 430	54 739 937	62 494 366	8 180 340	59 728 928	67 909 268	8 410 067	63 918 599	72 328 666
Mangaung	1 130 454	6 304 424	7 434 878	1 266 261	5 871 698	7 137 958	1 255 132	6 338 770	7 593 902	1 301 140	6 800 969	8 102 109
Nelson Mandela Bay	1 740 079	10 363 386	12 103 465	1 832 628	19 595 661	21 428 289	1 099 303	10 868 063	11 967 367	1 107 303	11 901 849	13 009 152
City Of Tshwane	4 023 015	32 530 207	36 553 222	3 785 588	38 851 058	42 636 646	4 016 490	41 561 732	45 578 222	3 869 834	44 176 791	48 046 625
Total	38 928 050	218 990 645	257 918 695	31 105 775	236 190 781	267 296 555	31 621 914	247 290 648	278 912 562	32 836 646	268 133 729	300 970 375
Less												7.9%
External loans / borrowing	13 157 960	-	13 157 960	15 480 939	-	15 480 939	16 971 635	-	16 971 635	16 891 164	-	16 891 164
Internally generated funds	7 120 480	-	7 120 480	(241 753)	-	(241 753)	(1 598 901)	-	(1 598 901)	(1 517 356)	-	(1 517 356)
Recalculated revenue	18 649 610	218 990 645	237 640 255	15 866 589	236 190 781	252 057 370	16 249 180	247 290 648	263 539 827	17 462 839	268 133 729	285 596 568
% of total revenue												
Buffalo City	0.7%	2.5%	3.2%	0.6%	2.3%	3.0%	0.7%	2.4%	3.1%	0.7%	2.4%	3.1%
Cape Town	3.3%	15.4%	18.7%	0.8%	14.6%	15.4%	1.1%	15.1%	16.2%	1.2%	15.1%	16.4%
City of Ekurhuleni	2.7%	13.7%	16.4%	2.8%	13.5%	16.3%	2.6%	14.5%	17.2%	2.5%	15.1%	17.6%
eThekweni	2.8%	13.6%	16.4%	1.9%	13.4%	15.3%	1.7%	14.2%	15.9%	1.7%	14.3%	16.0%
City Of Johannesburg	3.0%	20.6%	23.6%	2.9%	20.5%	23.4%	2.9%	21.4%	24.3%	2.8%	21.2%	24.0%
Mangaung	0.4%	2.4%	2.9%	0.5%	2.2%	2.7%	0.5%	2.3%	2.7%	0.4%	2.3%	2.7%
Nelson Mandela Bay	0.7%	4.0%	4.7%	0.7%	7.3%	8.0%	0.4%	3.9%	4.3%	0.4%	4.0%	4.3%
City Of Tshwane	1.6%	12.6%	14.2%	1.4%	14.5%	16.0%	1.4%	14.9%	16.3%	1.3%	14.7%	16.0%

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

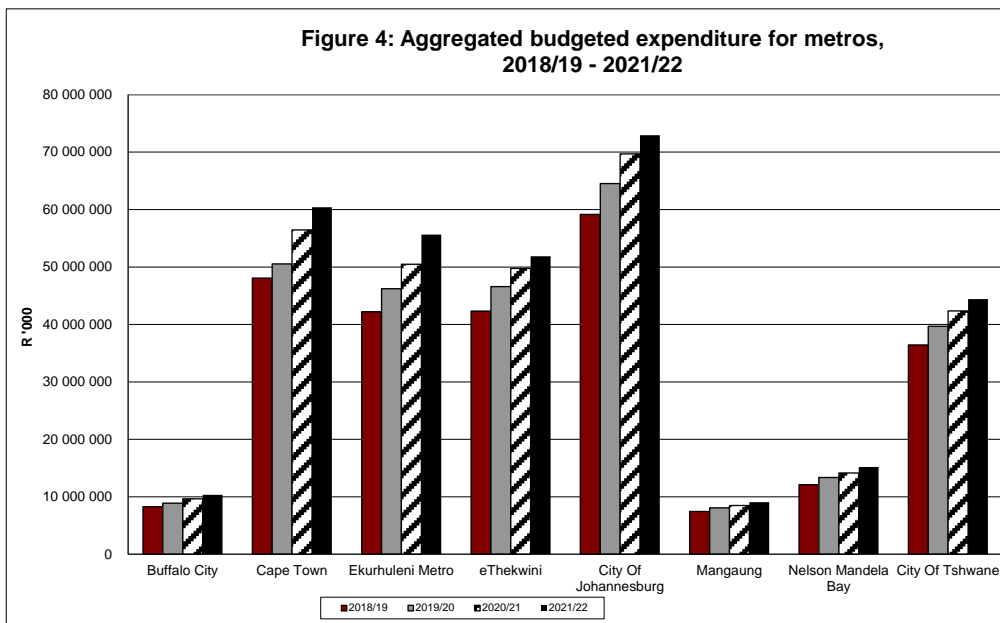
28. The capital budget of the metros constitutes 44.4 per cent of the total municipal capital budget for 2019/20 and increases to 46.2 per cent of total municipal capital expenditure by 2021/22. This is

about 8 percent less than the previous year but highlights the overall importance of the metros in driving economic growth and job creation as metros are widely considered growth engines of the economy.

Table 9: Aggregated Operating and Capital expenditure for metros, 2018/19 - 2021/22

	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
R thousand												
Buffalo City	1 753 142	6 513 298	8 266 440	1 737 413	7 142 098	8 879 511	1 936 160	7 695 852	9 632 012	2 054 859	8 285 587	10 340 445
Cape Town	8 456 748	39 604 509	48 061 257	8 430 911	42 099 244	50 530 155	11 567 916	44 878 981	56 446 897	11 910 485	48 500 402	60 410 887
City of Ekurhuleni	6 904 213	35 316 496	42 220 709	7 417 207	38 806 031	46 223 238	7 324 874	43 160 314	50 485 188	7 400 855	48 259 348	55 660 204
eThekwini	7 110 162	35 227 111	42 337 273	7 854 605	38 728 894	46 583 499	8 008 308	41 740 469	49 748 777	7 674 131	44 191 658	51 865 789
City Of Johannesburg	7 810 236	51 344 950	59 155 186	7 754 430	56 775 410	64 529 839	8 180 340	61 500 860	69 681 200	8 410 067	64 523 036	72 933 104
Mangaung	1 130 454	6 303 844	7 434 298	1 266 261	6 819 795	8 086 056	1 255 132	7 241 448	8 496 580	1 301 140	7 763 903	9 065 043
Nelson Mandela Bay	1 740 079	10 375 088	12 115 167	1 832 628	11 518 639	13 351 267	1 776 524	12 362 806	14 139 330	1 678 954	13 501 160	15 180 114
City Of Tshwane	4 023 015	32 417 512	36 440 527	4 247 964	35 446 704	39 694 668	4 624 285	37 722 640	42 346 925	4 664 889	39 761 357	44 426 246
Total	38 928 050	217 102 808	256 030 858	40 541 419	237 336 815	277 878 234	44 673 539	256 303 368	300 976 907	45 095 380	274 786 451	319 881 831
Less												
Taxation	-	396 803	396 803	-	307 833	307 833	-	268 400	268 400	-	315 931	315 931
Total revenue	38 928 050	216 706 005	255 634 055	40 541 419	237 028 982	277 570 401	44 673 539	256 034 968	300 708 507	45 095 380	274 470 520	319 565 900
% of total expenditure												
Buffalo City	0.7%	2.5%	3.2%	0.6%	2.6%	3.2%	0.6%	2.6%	3.2%	0.6%	2.6%	3.2%
Cape Town	3.3%	15.5%	18.8%	3.0%	15.2%	18.2%	3.8%	14.9%	18.8%	3.7%	15.2%	18.9%
City of Ekurhuleni	2.7%	13.8%	16.5%	2.7%	14.0%	16.6%	2.4%	14.3%	16.8%	2.3%	15.1%	17.4%
eThekwini	2.8%	13.8%	16.5%	2.8%	13.9%	16.8%	2.7%	13.9%	16.5%	2.4%	13.8%	16.2%
City Of Johannesburg	3.1%	20.1%	23.1%	2.8%	20.4%	23.2%	2.7%	20.4%	23.2%	2.6%	20.2%	22.8%
Mangaung	0.4%	2.5%	2.9%	0.5%	2.5%	2.9%	0.4%	2.4%	2.8%	0.4%	2.4%	2.8%
Nelson Mandela Bay	0.7%	4.1%	4.7%	0.7%	4.1%	4.8%	0.6%	4.1%	4.7%	0.5%	4.2%	4.7%
City Of Tshwane	1.6%	12.7%	14.2%	1.5%	12.8%	14.3%	1.5%	12.5%	14.1%	1.5%	12.4%	13.9%

Source: National Treasury Local Government Database



29. Operating expenditure by metros accounts for more than half (58.8 per cent on average) of total municipal operating expenditure over the 2019/20 MTREF.
30. Table 9 also shows that in 2019/20 Cape Town, City of Johannesburg and eThekwini have the largest capital budgets at 3, 2.8 and 2.8 per cent of the aggregated total budget for metros. They are closely followed by the City of Ekurhuleni at 2.7 per cent. When the City of Tshwane is benchmarked against the mentioned metros, its capital budget is a mere 1.5 per cent in 2019/20 and remains constant over the MTREF.
31. The amount to be generated by metros through the sale (billing) of core municipal services is reflected in Table 10. The revenue figures include capital transfers. The major drivers of revenue in 2019/20 are energy sources (R140.7 billion), water (R61.9 billion), waste water management (R23.6 billion) and waste management (R17.7 billion). Over the MTREF, moderate increases are

anticipated for energy sources, which is expected to grow by 1.6 per cent in 2020/21 and 8.3 per cent in 2021/22. These increases in revenue are primarily due to the increase in the bulk price of electricity being passed through to customers which has been factored into the planning assumptions of metros.

32. Over the MTREF this increased revenue does not directly supplement the funding of municipalities as it is offset against the increases associated with bulk purchases.

Table 10: Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2015/16	2016/17	2017/18	Current year 2018/19		2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome (BR)	Audited Outcome (BR)	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2019/20	Budget Year 2020/21	Budget Year 2021/22
R thousands								
Revenue - Functional								
<i>Trading services</i>	168 129 269	181 761 835	144 500 175	200 863 735	207 687 012	243 816 609	254 418 799	276 808 792
Energy sources	97 562 352	106 406 699	81 146 586	112 345 740	114 768 983	140 649 194	142 944 597	154 871 446
Water management	43 296 115	46 046 000	40 735 402	55 451 729	56 394 926	61 935 462	67 365 642	74 019 019
Waste water management	16 230 906	17 227 661	11 193 830	18 382 179	21 492 234	23 579 956	25 339 495	27 498 201
Waste management	11 039 895	12 081 475	11 424 357	14 684 086	15 030 869	17 651 996	18 769 064	20 420 126
Expenditure - Functional								
<i>Trading services</i>	149 324 782	163 317 011	133 468 017	180 371 724	183 653 034	202 852 577	218 722 337	234 338 379
Energy sources	88 328 286	98 349 722	75 883 697	103 347 151	105 810 566	118 643 263	128 695 301	138 369 138
Water management	36 940 826	40 636 600	38 575 282	46 764 127	47 016 222	50 871 557	54 793 954	58 521 199
Waste water management	12 545 516	11 755 323	8 368 962	16 059 948	16 181 894	17 393 726	18 387 711	19 639 861
Waste management	11 510 155	12 575 365	10 640 075	14 200 499	14 644 352	15 944 032	16 845 371	17 808 180
Surplus/(Deficit) for Trading Services	18 804 487	18 444 825	11 032 158	20 492 010	24 033 978	40 964 032	35 696 462	42 470 414

Source: National Treasury Local Government Database

33. Table 11 provides information on the projected expenditure by metros on bulk purchases for electricity and water over the MTREF. Metros have budgeted R60 billion for the purchase of bulk electricity in 2019/20, with an annual growth of 10.4 per cent and 8.4 per cent in the outer years of the MTREF. The National Energy Regulator of South Africa (NERSA) published their new multi-year price determination for the period from 2019/20 to 2021/22 on 7 March 2019. The NERSA document proposed a 13.07 per cent guideline increase for municipal electricity tariffs for 2019/20. This is based on a bulk tariff increase for municipalities of 15.63 per cent.
34. It is estimated that budgeted expenditure in relation to bulk purchases of electricity will be R71.8 billion by 2021/22.
35. When comparing the revenue generated from the sale of electricity to the expenditure incurred on bulk electricity purchases, it may appear as if metros generate a substantial profit from the sale of electricity. However, bulk purchases only constitute on average 67 per cent of the cost of managing and rendering the electricity function. Other operational costs include expenditure on personnel, materials, refurbishment, repairs and maintenance, distribution losses and overhead costs.
36. In illustrating the above point, the increases associated with the sale of electricity in the two outer years of the MTREF are similar to the budgeted increases associated with bulk purchases. There is a small margin of about 1 per cent between the estimate revenue and the bulk purchases, indicating that the collection rate must be almost 100 per cent to absorb the increase in bulk costs.
37. The net profit on the sale of electricity and water are important revenue sources for metros. This profit margin has been under significant pressure due to the rapid and significant increase in the bulk price of electricity and water resulting in affordability challenges. Municipalities are experiencing a two-fold impact of the high electricity and water tariff increases; lower sale levels owing to changes in consumption patterns and increased bad debt as a result of affordability pressures.
38. Expenditure on bulk water amounts to R17.1 billion in 2019/20 and increases by 11 per cent in 2020/21 to R18.9 billion and a further 8.7 per cent in 2021/22 to R20.6 billion.

Table 11: Bulk purchases expenditure for metros for functions, 2018/19 - 2021/22

R thousand	Electricity				Water			
	2018/19	2019/20	2020/21	2021/22	2018/19	2019/20	2020/21	2021/22
Buffalo City	1 451 899	1 686 925	1 823 566	1 918 391	246 611	251 536	271 282	295 290
Cape Town	8 341 400	9 475 500	10 564 235	11 704 116	1 145 732	617 101	909 598	871 284
City of Ekurhuleni	10 028 837	11 735 606	13 495 947	15 520 339	3 450 508	3 968 084	4 563 296	5 247 791
eThekweni	8 909 962	10 270 575	11 400 211	12 255 172	2 380 800	2 722 464	2 983 821	3 270 267
City Of Johannesburg	11 309 464	12 482 612	13 377 408	13 896 218	3 374 456	5 910 579	6 347 962	6 805 015
Mangaung	1 469 051	1 741 212	1 884 510	1 954 002	539 809	567 879	589 624	633 084
Nelson Mandela Bay	3 036 475	3 396 741	3 716 375	4 066 086	145 458	158 549	172 818	185 780
City Of Tshwane	8 140 956	9 204 980	9 950 583	10 468 013	2 586 913	2 876 192	3 106 287	3 292 664
Total expenditure	52 688 045	59 994 152	66 212 835	71 782 336	13 870 286	17 072 383	18 944 689	20 601 175

Source: National Treasury Local Government Database

39. Expenditure on bulk water amounts to R11.9 billion in 2017/18 and increases by 8.7 per cent in 2018/19 to R12.9 billion and a further 8.6 per cent in 2019/20 to R14 billion.

Aggregated operating and capital budget for secondary cities

40. Tables 12 and 13 depict the aggregated budgeted revenue and expenditure for the secondary cities (top 19 municipalities) over the 2019 MTREF period.
41. The total budgeted revenue for secondary cities amounts to R53.5 billion in 2019/20 (an increase from R52.4 billion in 2018/19) and increases to R61.3 billion by 2021/22. Growth in revenue in the outer years is 6.7 and 7.4 per cent respectively.
42. The total budgeted revenue is skewed by the wrong revenue reported by Newcastle. Investigation of the figures revealed that they have incorrectly captured their national grant allocations in the FUND segment of the mSCOA classification framework.
43. The total expenditure budget of secondary cities increased from R62.6 billion in 2018/19 to R67.9 billion in 2019/20, R70 billion in 2020/21 and R74.3 billion in 2021/22 representing a growth of 3.1 per cent and accelerates to 6.2 per cent in the two outer years of the MTREF. When comparing this to the growth in revenue it appears that the secondary cities are budgeting for deficits in all 3 of the MTREF years.
44. Although municipalities are attempting to buffer the impact of the economic downturn through identifying operational expenditure efficiencies, these increases seem low when considering the cost drivers applicable to local government such as remuneration, bulk and material purchases.
45. Spending on capital by secondary cities over the MTREF is decreasing from R8.9 billion in 2019/20 to R8.1 billion in 2020/21 but decreasing further to R7.9 billion in 2021/22. This could be an indication that insufficient provision has been made for the eradication of backlogs and that own funding of the capital program from operational surpluses is not available.

Table 12: Aggregated Operating and Capital revenue budgets for secondary cities, 2018/19 - 2021/22

R thousand	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total
Secondary cities	8 644 705	47 250 156	55 894 861	5 639 554	50 784 716	56 424 271	4 996 809	54 631 277	59 628 085	4 774 614	58 991 335	63 765 949
Matjhabeng	163 406	2 326 892	2 490 298	220 615	2 502 188	2 722 803	169 855	2 658 069	2 827 924	171 111	2 825 643	2 996 754
Emfuleni	287 613	5 239 696	5 527 308	471 566	5 559 584	6 031 150	471 096	6 001 465	6 472 561	295 588	6 470 973	6 766 560
Mogale City	386 739	2 508 741	2 895 481	191 489	2 911 546	3 103 034	179 471	3 043 690	3 223 161	193 379	3 194 111	3 387 490
Msunduzi	571 382	4 627 696	5 199 078	434 982	5 165 280	5 600 262	492 819	5 711 734	6 204 553	504 997	6 290 278	6 795 275
New castle	205 576	1 606 296	1 811 871	(2 101 890)	1 942 094	(159 795 519)	(2 110 933)	2 039 199	(71 733 807)	(2 112 433)	2 164 673	52 240
uMhlatuze	525 161	2 925 650	3 450 811	597 533	3 017 536	3 615 069	589 991	3 273 039	3 863 031	598 794	3 472 754	4 071 547
Polokwane	1 912 547	2 836 089	4 748 636	1 889 186	2 528 652	4 417 838	1 584 862	2 796 889	4 381 751	1 301 637	3 402 988	4 704 625
Govan Mbeki	133 448	1 684 296	1 817 744	100 363	1 912 123	2 012 486	105 990	2 011 553	2 117 543	115 575	2 116 154	2 231 729
Emalahleni (Mp)	241 812	2 874 076	3 115 888	274 427	2 981 469	3 255 896	199 415	3 116 511	3 315 926	215 053	3 289 153	3 504 206
Steve Tshwete	374 410	1 418 144	1 792 553	157 734	1 555 642	1 713 376	173 155	1 708 325	1 881 481	192 107	1 830 605	2 022 717
City of Mbombela	630 592	2 263 499	2 894 091	682 362	2 281 885	2 964 247	696 946	2 457 734	3 154 680	771 427	2 637 870	3 409 297
Sol Plaatje	333 242	1 773 312	2 106 553	184 285	2 046 327	2 230 612	180 497	2 175 041	2 355 538	209 266	2 300 004	2 509 270
Madibeng	285 258	1 504 742	1 790 000	281 797	1 547 258	1 829 055	317 703	1 646 429	1 964 132	342 794	1 770 103	2 112 897
Rustenburg	829 492	4 272 402	5 101 894	789 164	4 714 201	5 503 365	830 477	5 053 333	5 883 809	881 366	5 384 942	6 266 307
City Of Matlosana	220 390	2 551 750	2 772 140	164 115	2 575 107	2 739 221	8 432	2 777 196	2 785 628	8 887	3 103 661	3 112 548
J B Marks	132 447	1 392 125	1 524 571	21 148	1 538 287	1 559 435	6 957	1 777 358	1 784 315	6 087	1 954 812	1 960 899
Drakenstein	454 040	2 164 393	2 618 433	378 030	2 213 507	2 591 537	301 949	2 392 972	2 694 921	300 003	2 582 870	2 882 873
Stellenbosch	528 041	1 537 742	2 065 783	558 277	1 637 560	2 195 836	414 613	1 703 695	2 118 307	426 338	1 815 291	2 241 628
George	429 111	1 742 616	2 171 727	344 372	2 154 471	2 498 843	383 514	2 287 045	2 670 559	352 640	2 384 452	2 737 091
<i>Less</i>												
External loans / borrowing	2 141 645	-	2 141 645	1 096 683	-	1 096 683	1 149 069	-	1 149 069	697 397	-	697 397
Internally generated funds	1 347 749	-	1 347 749	1 811 026	-	1 811 026	1 400 608	-	1 400 608	1 771 557	-	1 771 557
Recalculated revenue	5 155 312	47 250 156	52 405 468	2 731 846	50 784 716	53 516 562	2 447 132	54 631 277	57 078 408	2 305 660	58 991 335	61 296 995

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

Table 13: Aggregated Operating and Capital expenditure budgets for secondary cities, 2018/19 - 2021/22

R thousand	2018/19			2019/20			2020/21			2021/22		
	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total
Top 19 Municipalities	8 644 705	53 977 908	62 622 613	8 916 349	58 934 603	67 850 952	8 055 115	61 901 589	69 956 704	7 887 275	66 406 050	74 293 325
Matjhabeng	163 406	2 415 436	2 578 842	220 615	3 246 217	3 466 832	169 855	2 811 803	2 981 658	171 111	2 975 540	3 146 651
Emfuleni	287 613	5 457 847	5 745 460	471 566	5 717 910	6 189 476	471 096	6 184 817	6 655 914	295 588	6 677 334	6 972 921
Mogale City	386 739	2 699 164	3 085 903	342 392	2 975 965	3 318 357	329 576	3 162 839	3 492 415	337 304	3 331 092	3 668 396
Msunduzi	571 382	4 928 912	5 500 294	555 371	5 328 507	5 883 878	597 324	5 739 555	6 336 879	610 272	6 250 412	6 860 683
New castle	205 576	2 234 510	2 440 085	200 382	2 432 636	2 633 019	6 683	2 561 983	2 568 666	(261 618)	2 701 731	2 701 470
uMhlatuze	525 161	3 016 497	3 541 657	597 533	3 234 247	3 831 780	589 991	3 426 023	4 016 015	598 794	3 625 932	4 224 726
Polokwane	1 912 547	3 348 689	5 261 236	1 889 186	3 549 931	5 439 117	1 584 862	3 826 760	5 411 622	1 301 637	4 135 106	5 436 743
Govan Mbeki	133 448	1 700 171	1 833 618	142 188	2 415 650	2 557 838	123 455	2 546 092	2 669 547	153 325	3 508 544	3 661 869
Emalahleni (Mp)	241 812	3 266 197	3 508 009	251 088	3 888 876	4 139 963	258 970	4 056 502	4 315 472	292 753	4 275 553	4 568 306
Steve Tshwete	374 410	1 556 717	1 931 127	462 137	1 721 632	2 183 769	390 697	1 865 731	2 256 428	409 027	2 010 985	2 420 012
City of Mbombela	630 592	3 210 279	3 840 872	682 362	3 249 926	3 932 288	696 946	3 379 187	4 076 133	771 427	3 526 037	4 297 464
Sol Plaatje	333 242	2 046 855	2 380 097	184 285	2 194 210	2 378 495	180 497	2 319 006	2 499 503	209 266	2 457 537	2 666 803
Madibeng	285 258	2 385 364	2 670 622	281 797	2 423 738	2 705 535	317 703	2 499 093	2 818 796	342 794	2 572 295	2 915 089
Rustenburg	829 492	4 772 532	5 602 025	1 147 366	5 041 218	6 188 584	1 203 007	5 379 366	6 582 373	1 273 797	5 626 892	6 900 689
City Of Matlosana	220 390	3 119 078	3 339 468	164 115	3 217 212	3 381 326	8 432	3 313 253	3 321 685	8 887	3 433 971	3 442 858
J B Marks	132 447	1 812 442	1 944 888	42 887	1 818 848	1 861 735	25 543	1 907 317	1 932 860	32 174	2 022 039	2 054 213
Drakenstein	454 040	2 334 693	2 788 733	378 030	2 399 626	2 777 656	301 949	2 611 221	2 913 170	300 003	2 760 479	3 060 482
Stellenbosch	528 041	1 716 330	2 244 371	558 277	1 808 247	2 366 523	414 613	1 925 262	2 339 874	426 338	2 048 352	2 474 690
George	429 111	1 956 195	2 385 306	344 772	2 270 007	2 614 779	383 914	2 385 782	2 769 696	353 040	2 466 220	2 819 259
<i>Less</i>												
Taxation	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	8 644 705	53 977 908	62 622 613	8 916 349	58 934 603	67 850 952	8 055 115	61 901 589	69 956 704	7 887 275	66 406 050	74 293 325

Source: National Treasury Local Government Database

46. Secondary cities that have allocated the least of their aggregated budget to their capital budgets are Matjhabeng, Emfuleni, Msunduzi, Newcastle, Emalahleni (MP), Govan Mbeki, Sol Plaatje, J B Marks and the City of Matlosana. All nine municipalities have allocated less than 10 per cent of their budgets to capital projects.

Growth in Aggregated Operating and Capital Budgets compared to the 2018/19 Budgets

47. Table 14 provides a comparison between the preliminary outcome for the 2018/19 financial year concluded on 30 June 2019 as published in the Section 71 Quarter 4 publication which was released on 3 September 2019, the adopted budget for the 2019/20 financial year and the average growth in municipal budgets over the 2019 MTREF period.

Table 14: Growth in municipal budgets compared to S71 Preliminary Outcome for 2018/19

R thousands	2018/19			2019/20	2020/21	2021/22	% Growth rates: Estimated actual (Nominal)	
	Adopted Budget	Revised Budget	Preliminary outcome	Medium term estimates			2018/19- 2019/20	2018/19- 2021/22
Operating Revenue¹								
Property rates	63 418 380	64 352 034	67 401 157	71 212 757	75 502 836	80 178 121	5.7%	6.0%
Service charges	180 455 803	179 438 497	172 089 935	210 176 145	219 464 054	238 319 296	22.1%	11.5%
Other own revenue	119 637 958	122 105 935	109 809 801	128 290 754	134 223 471	144 510 707	16.8%	9.6%
Total Revenue	363 512 141	365 896 467	349 300 892	409 679 656	429 190 361	463 008 123	17.3%	9.8%
Operating Expenditure								
Employee related costs	113 618 668	112 980 380	105 151 872	120 480 548	129 107 232	138 757 900	14.6%	9.7%
Debt impairment	31 565 323	31 344 317	24 427 025	24 310 434	25 212 279	26 250 035	(0.5%)	2.4%
Bulk purchases	115 796 260	115 642 149	111 546 653	115 489 260	126 420 910	136 504 440	3.5%	7.0%
Other expenditure	107 218 104	112 109 312	95 147 754	143 057 138	149 145 977	157 458 262	50.4%	18.3%
Total Expenditure²	368 198 356	372 076 159	336 273 305	403 337 380	429 886 397	458 970 636	19.9%	10.9%
Operating Surplus(Deficit)	(4 686 214)	(6 179 691)	13 027 588	6 342 276	(696 036)	4 037 487		
Capital Funding								
External loans	16 195 667	12 241 682	8 004 007	17 620 931	18 880 525	18 195 546	120.2%	31.5%
Internal contributions	16 154 174	18 234 931	13 094 664	13 008 879	9 438 022	10 648 701	(0.7%)	(6.7%)
Transfers and subsidies	40 319 286	42 138 124	33 321 813	39 496 543	40 408 099	42 232 062	18.5%	8.2%
Other	741 954	949 031	996 943	-	-	-	(100.0%)	(100.0%)
Total funding	73 411 081	73 563 768	55 417 427	70 126 353	68 726 646	71 076 309	26.5%	8.6%
Capital Expenditure								
Water	17 470 766	18 942 339	14 094 132	20 335 449	21 786 883	22 395 333	44.3%	16.7%
Electricity	7 892 435	7 397 525	6 393 835	7 614 129	7 628 635	8 581 102	19.1%	10.3%
Housing	6 576 591	7 224 723	5 176 299	5 874 903	6 045 703	6 042 141	13.5%	5.3%
Roads, pavements, bridges and storm water	16 500 419	15 665 494	12 021 373	20 781 093	21 303 156	22 227 293	72.9%	22.7%
Other	24 970 870	24 333 687	17 731 789	38 787 766	36 508 914	35 708 236	118.7%	26.3%
Total expenditure	73 411 081	73 563 768	55 417 427	93 393 340	93 273 290	94 954 106	68.5%	19.7%

¹Excluding capital transfers and contributions

²Excludes Taxation

Source: MSCOA submitted to National Treasury, Adopted Budget, Revised Budget and Adopted Budget Estimates, Preliminary Outcome = Actuals

48. As seen in the above table, operating expenditure increases in total by 19.9 per cent when the preliminary outcome for 2018/19 and the MTREF budget for 2019/20 are compared. Note that the operating revenue of increases by 17.3 per cent. Increasing operating expenditure that exceeds revenue is a concern and is considered unsustainable.
49. Compared to the preliminary outcomes of 2018/19, salaries, wages and allowances will increase of 14.6 per cent and bulk purchases by 3.5 per cent. Bulk purchases will increase by 15.63 per cent as indicated in the Eskom standard tariff submission for the 2019/20 financial year. Increases in bulk purchases are largely attributed to the increase in the price of bulk electricity. The high increases associated with remuneration related expenditure as a result of Bargaining Council resolutions will have to be addressed through cost efficiencies in areas such as overtime and travelling allowances.
50. Bad and doubtful debt is expected to decrease by 0.5 per cent which is significantly less than the 68.4 per cent in the 2018/19 MTREF. This is a testimony to better efficiency of the management of the entire revenue value chain and the affordability of service charges as well as the assumptions made around collection rates in the budget preparation.
51. There is an average increase of 10.9 per cent over the last two years of the MTREF in the total operating expenditure with the highest increase of 18.3 per cent noted in respect of Other expenditure. This may be a classification problem.
52. Provisions in respect of bulk purchases are also expected to increase by 7 per cent over the MTREF period owing primarily to the increases associated with bulk electricity purchases.
53. In respect of operating revenue items, the average increase is 9.8 per cent which is lower than the average operating expenditure and hence the municipalities are budgeting for small surpluses or deficits in the 3 years of the 2019 MTREF.

54. Capital budgets grow significantly by 26.5 per cent from 2018/19 to 2019/20. Given the persistent trends in underspending of capital budgets, capital projects will have to be properly and effectively managed to ensure implementation as planned. The increase of 120.2 per cent in external loans for the funding of the capital budget indicates the municipalities are overly optimistic about their borrowing capacity to fund their capital programs.
55. Grants and subsidies show an increase of 18.5 per cent when compared to the preliminary outcomes for 2018/19.
56. Over the MTREF period the average capital expenditure growth is increasing to an estimated 19.7 per cent. Capital expenditure seems over stated and far exceeds the capital funding. These are reporting challenges and incorrect treatment of the *m*SCOA classification framework.

Changes to Baseline

57. Table 15 highlights the extent to which municipalities have allocated additional resources in the 2019/20 MTREF and demonstrates at an aggregate level how municipalities have actually reprioritised items within their budgets. The table also compares the changes to the baseline against the 2019/20 forward estimates.

Table 15: Changes to baseline for 2019 MTREF

	2019/20			2020/21			2021/22	% change to baseline		% share of total change to baseline	
	2018/19 Medium term estimates	2019/20 Draft Medium term estimates	Changes to baseline	2018/19 Medium term estimates	2019/20 Draft Medium term estimates	Changes to baseline	2019/20 Draft Medium term estimates	2019/20	2020/21	2019/20	2020/21
R thousands											
Operating Revenue¹											
Property rates	67 866 299	71 212 757	3 346 458	72 595 973	75 502 836	2 906 863	80 178 121	4.9%	4.0%	17.8%	31.3%
Service charges	195 777 481	210 176 145	14 398 665	211 278 227	219 464 054	8 185 827	238 319 296	7.4%	3.9%	76.5%	88.2%
Other own revenue	127 216 973	128 290 754	1 073 780	136 035 053	134 223 471	(1 811 582)	144 510 707	0.8%	(1.3%)	5.7%	(19.5%)
Total Revenue	390 860 753	409 679 656	18 818 903	419 909 253	429 190 361	9 281 108	463 008 123	4.8%	2.2%	100.0%	100.0%
Operating Expenditure											
Employee related costs	116 981 658	120 480 548	3 498 891	125 290 615	129 107 232	3 816 617	138 757 900	3.0%	3.0%	37.4%	39.3%
Debt impairment	22 487 446	24 310 434	1 822 989	23 990 945	25 212 279	1 221 334	26 250 035	8.1%	5.1%	19.5%	12.6%
Bulk purchases	112 640 914	115 489 260	2 848 346	120 858 137	126 420 910	5 562 773	136 504 440	2.5%	4.6%	30.4%	57.3%
Other expenditure	141 868 886	143 057 138	1 188 252	150 044 189	149 145 977	(898 212)	157 458 262	0.8%	(0.6%)	12.7%	(9.3%)
Total Expenditure²	393 978 903	403 337 380	9 358 477	420 183 885	429 886 397	9 702 512	458 970 636	2.4%	2.3%	100.0%	100.0%
Operating Surplus/(Deficit)	(3 118 150)	6 342 276	9 460 426	(274 632)	(696 036)	(421 404)	4 037 487				
Capital Funding											
External loans	15 991 911	17 620 931	1 629 020	15 930 785	18 880 525	2 949 740	18 195 546	10.2%	18.5%	(39.3%)	(46.0%)
Internal contributions	18 312 810	13 008 879	(5 303 930)	17 346 381	9 438 022	(7 908 358)	10 648 701	(29.0%)	(45.6%)	128.1%	123.3%
Transfers and subsidies	39 963 474	39 496 543	(466 931)	41 865 752	40 408 099	(1 457 653)	42 232 062	(1.2%)	(3.5%)	11.3%	22.7%
Other	-	-	-	-	-	-	-	-	-	-	-
Total funding	74 268 194	70 126 353	(4 141 841)	75 142 917	68 726 646	(6 416 271)	71 076 309	(5.6%)	(8.5%)	100.0%	100.0%
Capital Expenditure											
Water	26 339 974	20 335 449	(6 004 525)	27 035 249	21 786 883	(5 248 366)	22 395 333	(22.8%)	(19.4%)	(31.4%)	(28.9%)
Electricity	8 117 312	7 614 129	(503 183)	8 614 015	7 628 635	(985 380)	8 581 102	(6.2%)	(11.4%)	(2.6%)	(5.4%)
Housing	80 206	5 874 903	5 794 697	97 845	6 045 703	5 947 858	6 042 141	7224.8%	6078.8%	30.3%	32.8%
Roads, pavements, bridges and storm water	16 557 780	20 781 093	4 223 313	17 385 669	21 303 156	3 917 487	22 227 293	25.5%	22.5%	22.1%	21.6%
Other	23 172 922	38 787 766	15 614 844	22 010 139	36 508 914	14 498 775	35 708 236	67.4%	65.9%	81.6%	80.0%
Total expenditure	74 268 194	93 393 340	19 125 145	75 142 917	93 273 290	18 130 373	94 954 106	25.8%	24.1%	100.0%	100.0%

¹Excluding capital transfers and contributions

²Includes Taxation

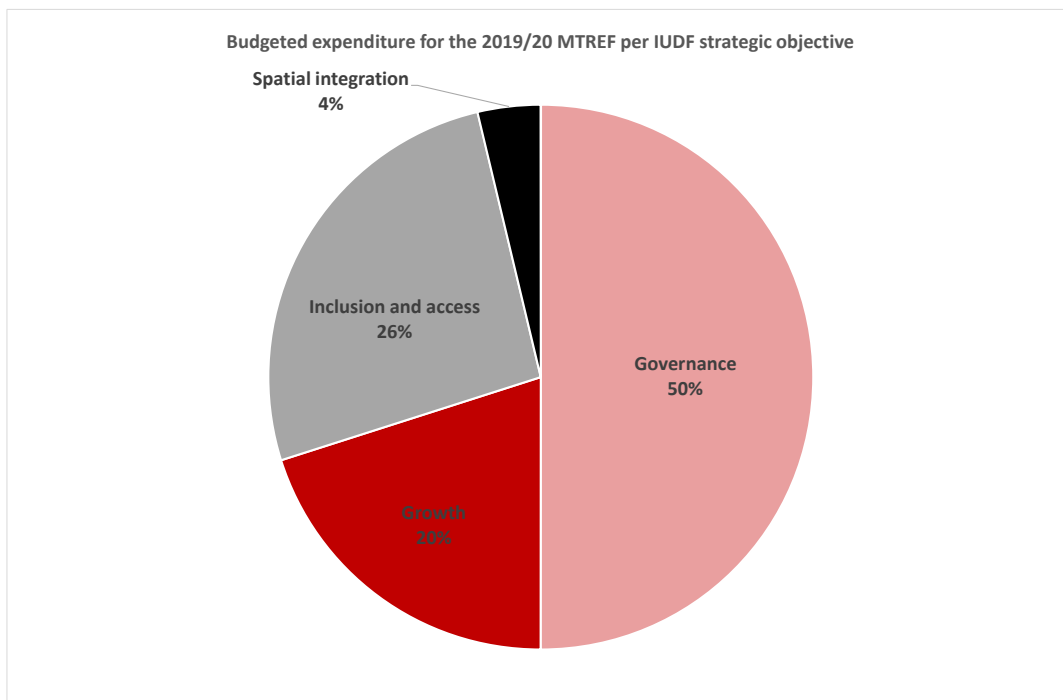
Source: *M*SCOA submitted to National Treasury, Adopted Budget, Revised Budget and Adopted Budget Estimates, Preliminary Outcome = Actuals

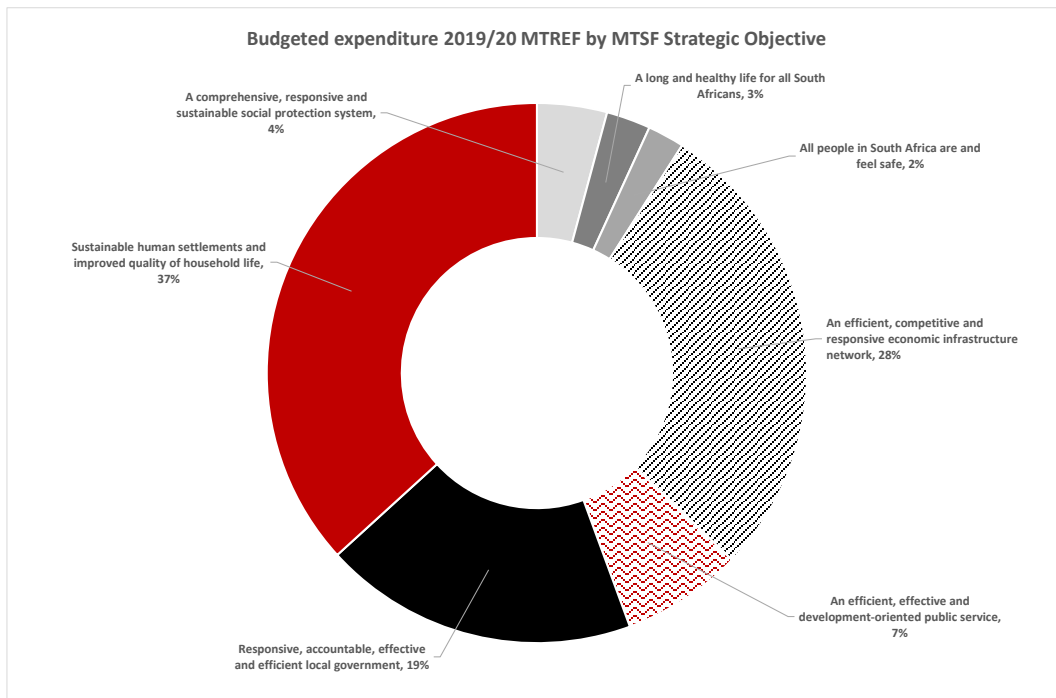
58. Compared to the 2018/19 MTREF forecast, budgeted operating revenue for 2019/20 has increased by R18.8 billion and operating expenditure by R9.4 billion. An additional R19.1 billion was allocated to capital expenditure in the 2019/20 financial year. As mentioned before the capital expenditure is far more than the capital funding and pertains to incorrect use of the *m*SCOA classification framework.
59. For the 2020/21 financial year, the operating revenue will increase further by R9.3 billion and operating expenditure by R9.7 billion. An additional R18.1 billion will be set aside for capital expenditure.

- 60. Against operating expenditure, bulk purchases can be observed as increasing by 2.5 per cent to the baseline in the 2019/20 financial year and increase by 4.6 per cent in the 2020/21 year. This is concerning as the bulk purchase cost of electricity and water are expected to increase by 8 per cent if the multi-year increases are used. It may also indicate that the municipalities are expecting to sell less water and electricity as consumers are tightening their belts.
- 61. Changes to the baseline in respect of operating revenue for the 2019/20 financial year can be observed in the Property rates and Other revenue at 4.9 per cent increases and Service charges which decreases at around 7.4 per cent.
- 62. The capital expenditure baseline in the 2019/20 financial year is related to an anticipated increase of 25.8 per cent.
- 63. From a funding perspective, the increased capital expenditure will not be fully supported by an increase in external loans funding of 10.2 per cent, a decrease of 29 per cent in internally generated funds and a decrease of 1.2 per cent in transfers and subsidies.

Analysis in the mSCOA framework

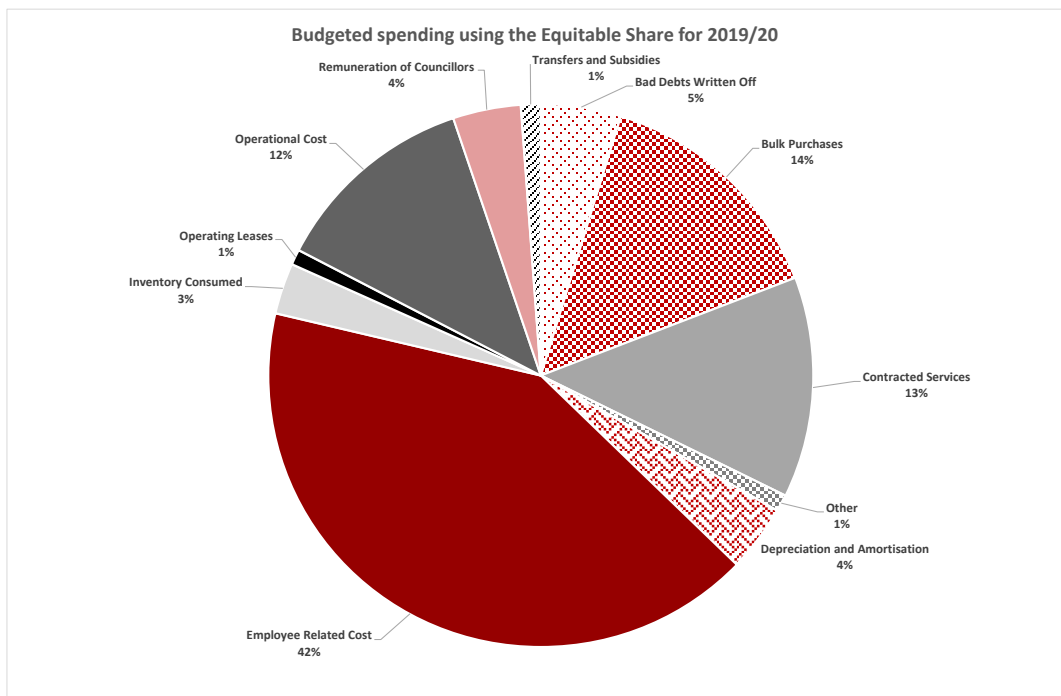
- 64. Using the different dimensions available in the *mSCOA* classification framework, the municipal 2019/20 MTREF budgets were analysis to determine how they align to the Integrated Urban Development Framework (IUDF) and the Medium Term Strategic Framework. The *mSCOA* classification framework requires municipalities to unpack their Integrated Development Plans (IDP) into operational and capital projects and to link those projects to the IUDF and MTSF objectives as well as their own strategic objectives.





Utilization of the Local Government Equitable share

65. While the spending of conditional grants are reported on regularly in the quarterly Section 71 publications, the *mSCOA* classification framework has made it possible to trace what the municipalities are spending their Equitable share on.



66. More detail is available on the MFMA website.

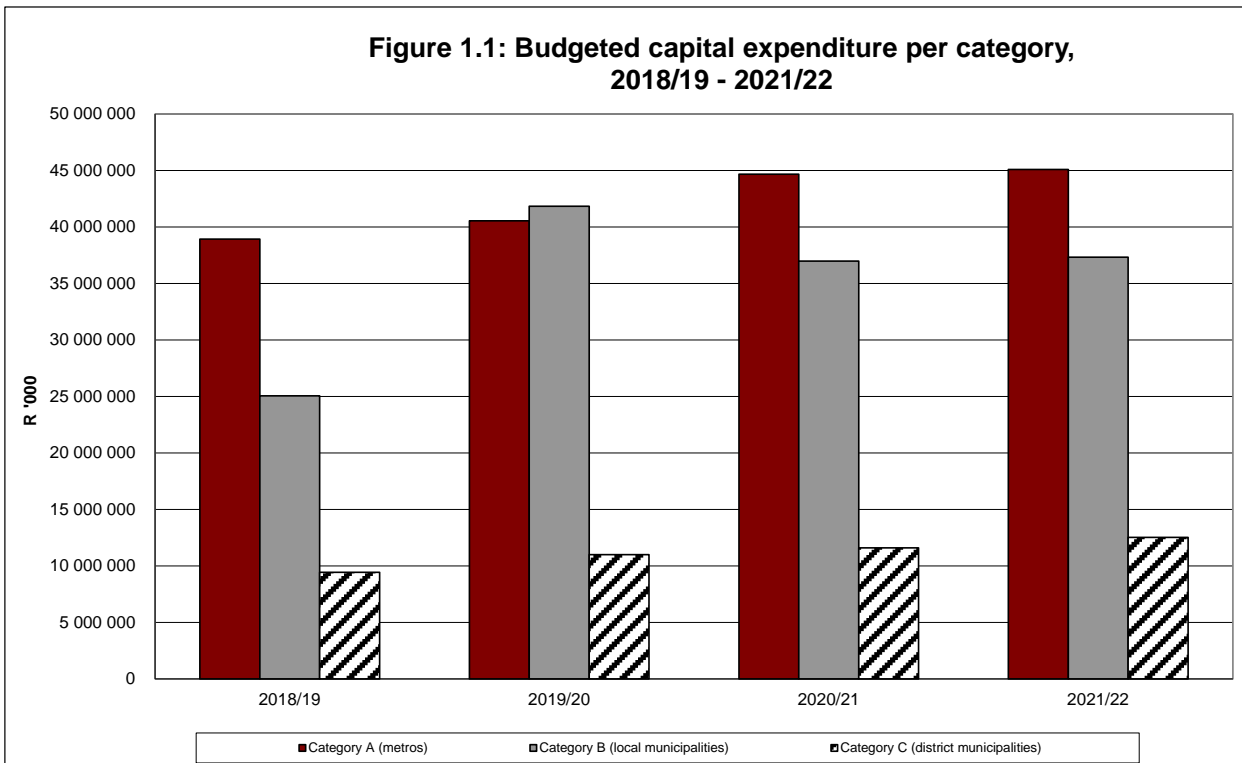
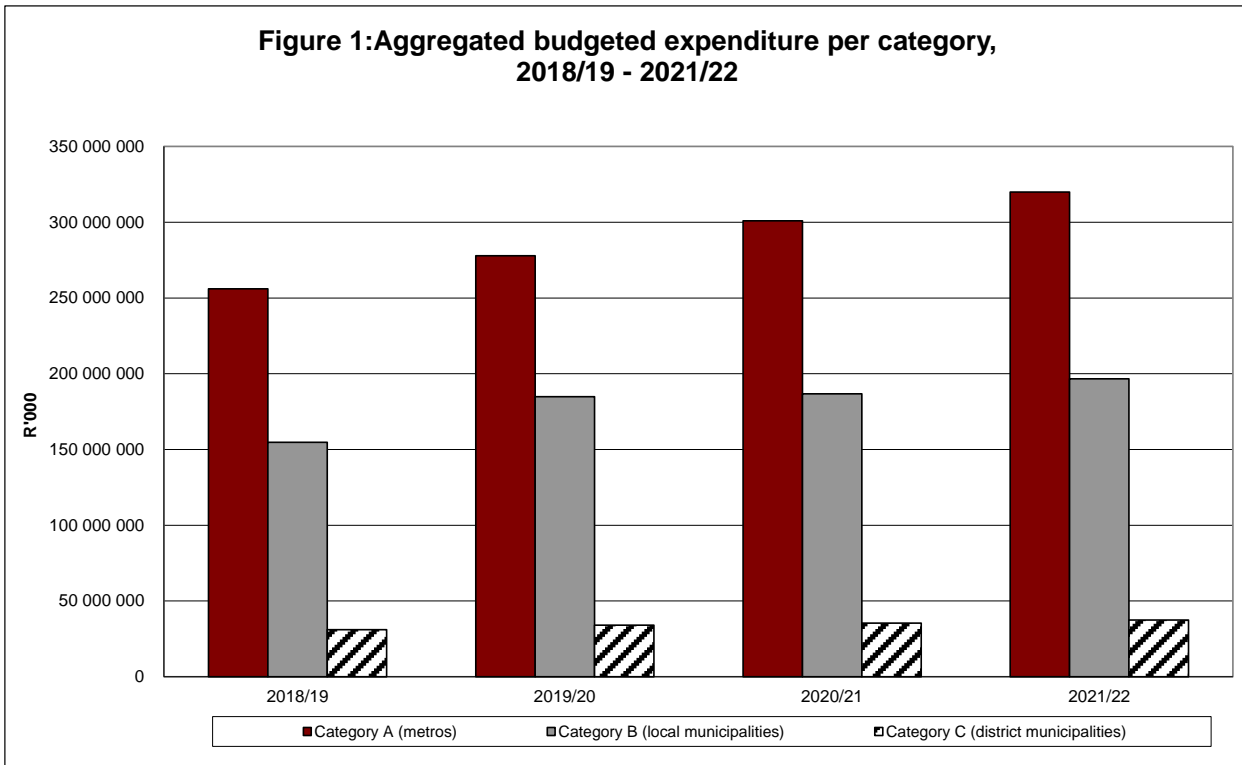


Figure 1.2: Budgeted operating expenditure per category, 2018/19 - 2021/22

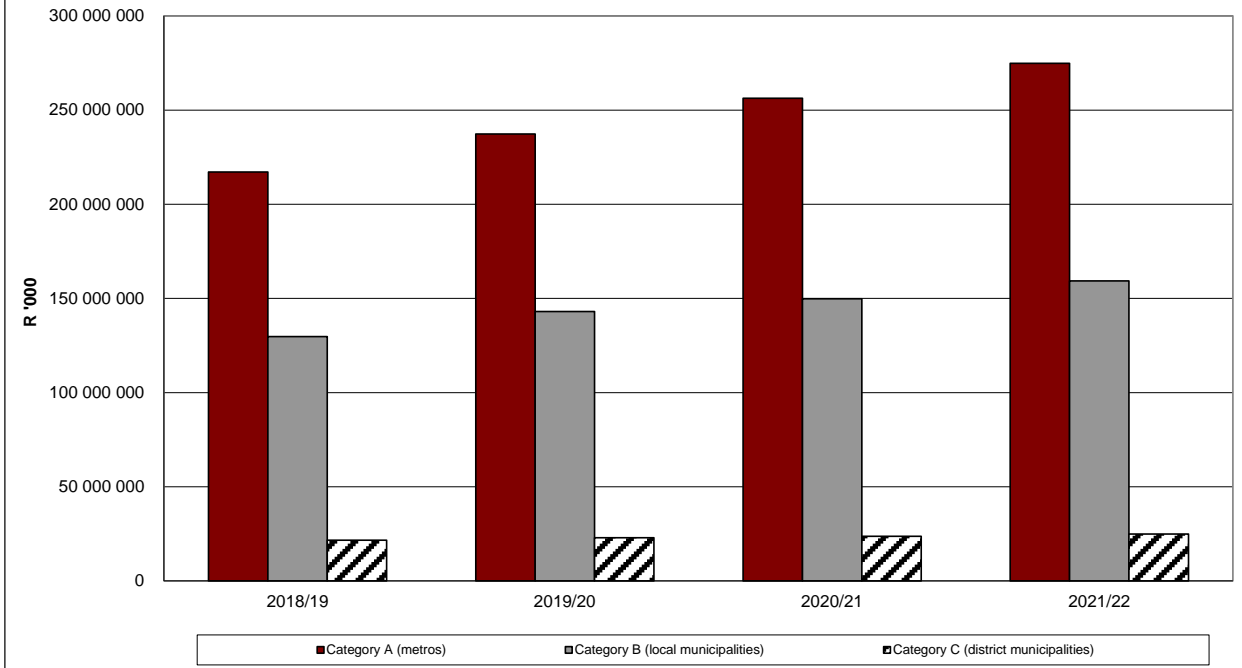


Figure 2: Total operating and capital expenditure per province, 2018/19 - 2021/22

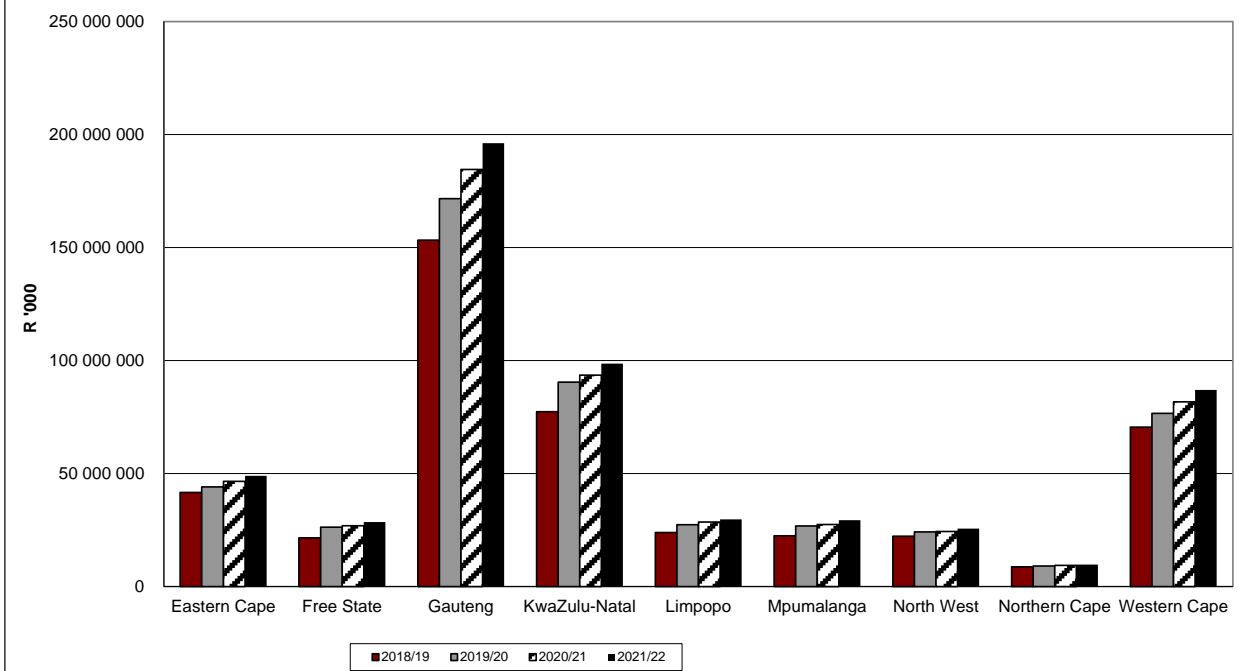


Figure 2.1: Budgeted capital expenditure per province, 2018/19 - 2021/22

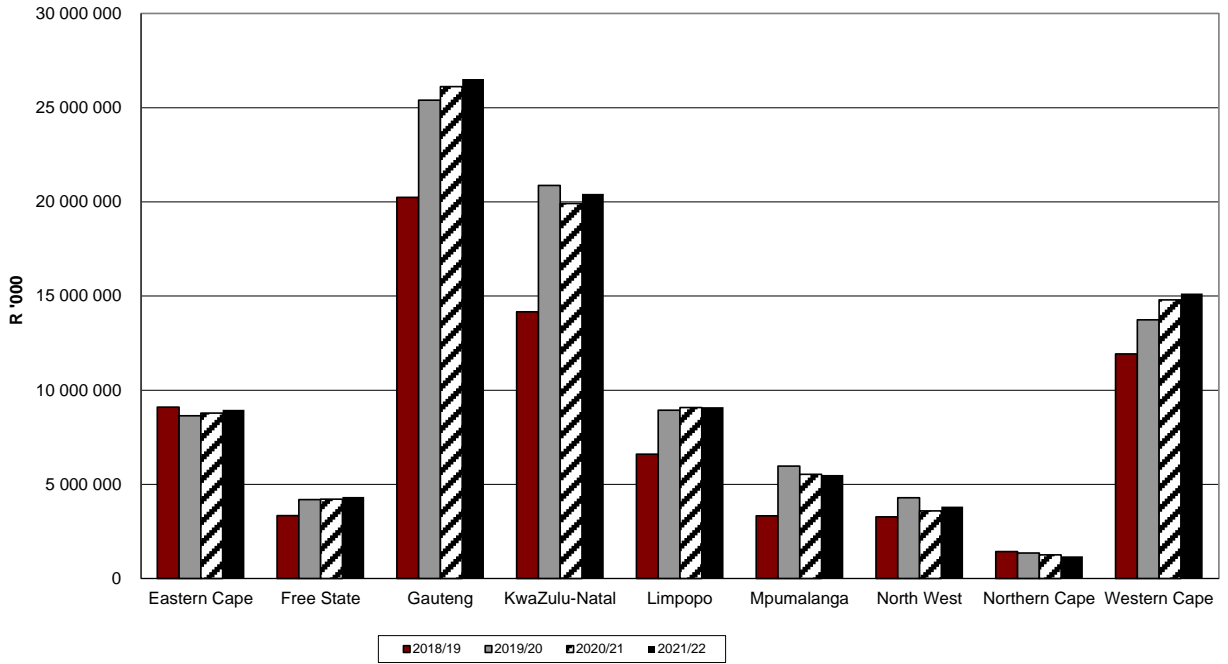


Figure 2.2: Budgeted operating expenditure per province, 2018/19 - 2021/22

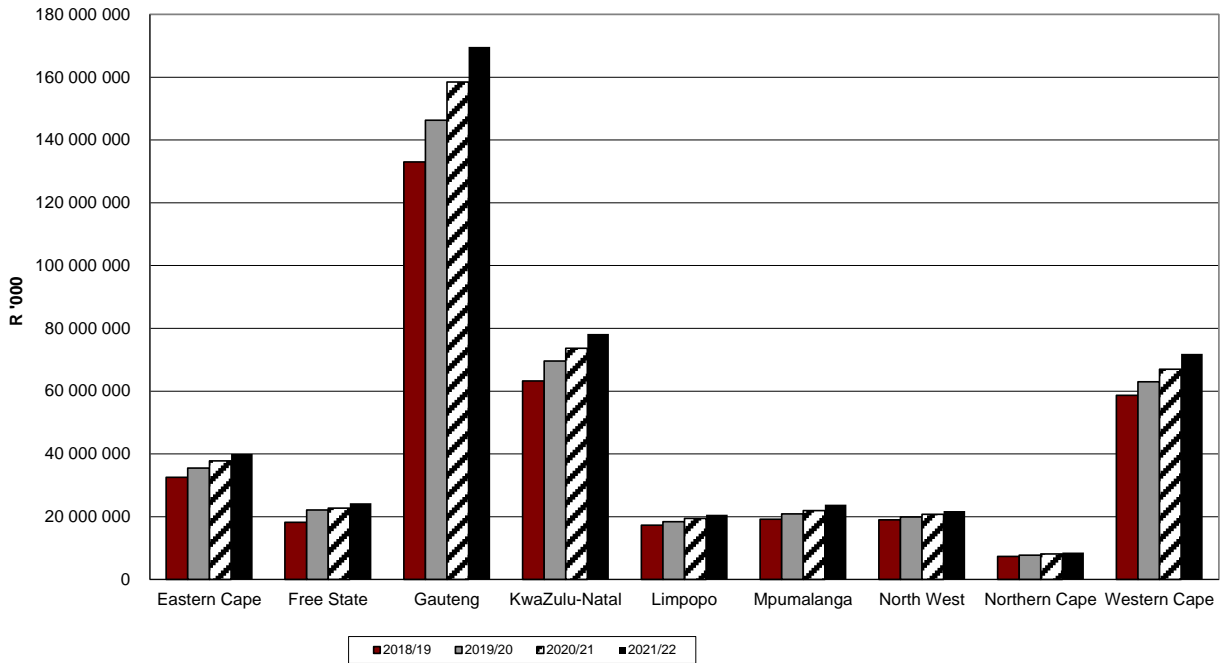


Figure 3: Aggregated budgeted expenditure for metros, 2018/19 - 2021/22

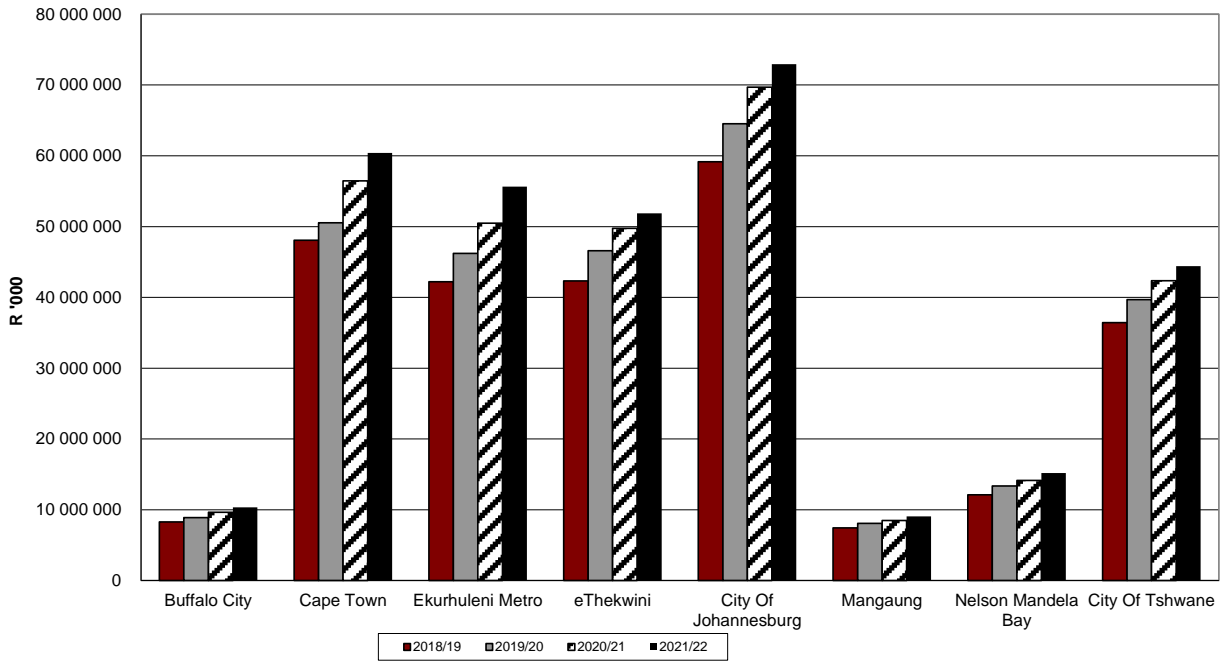


Figure 3.1: Budgeted capital expenditure per metro, 2018/19 - 2021/22

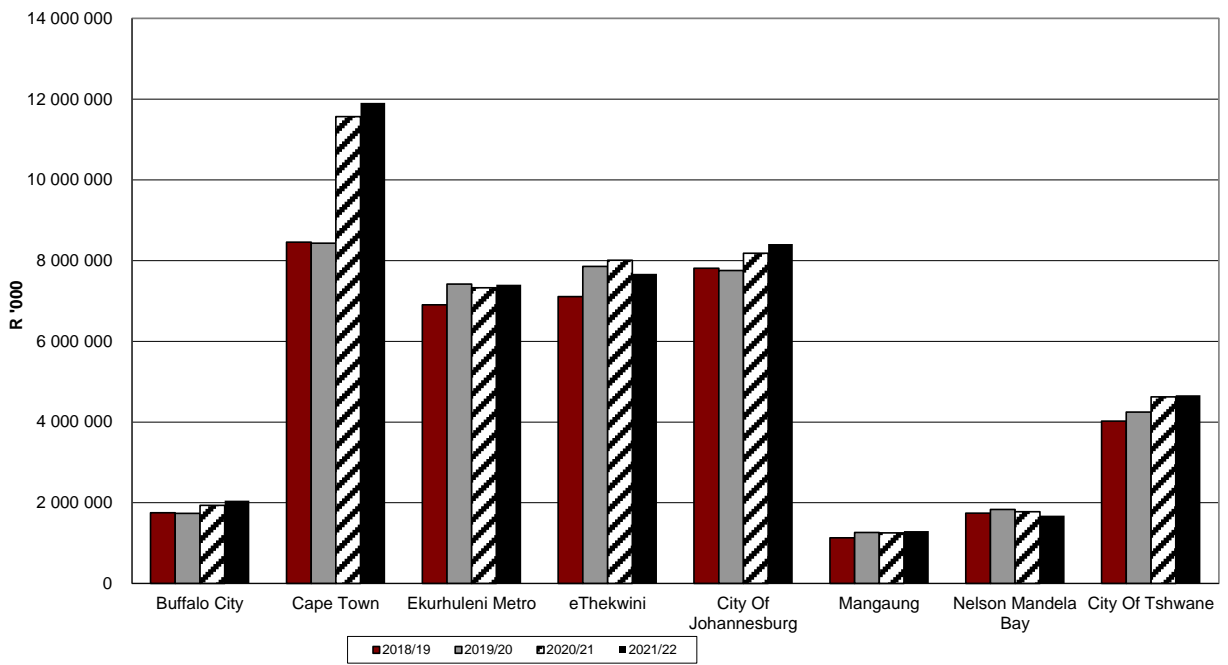
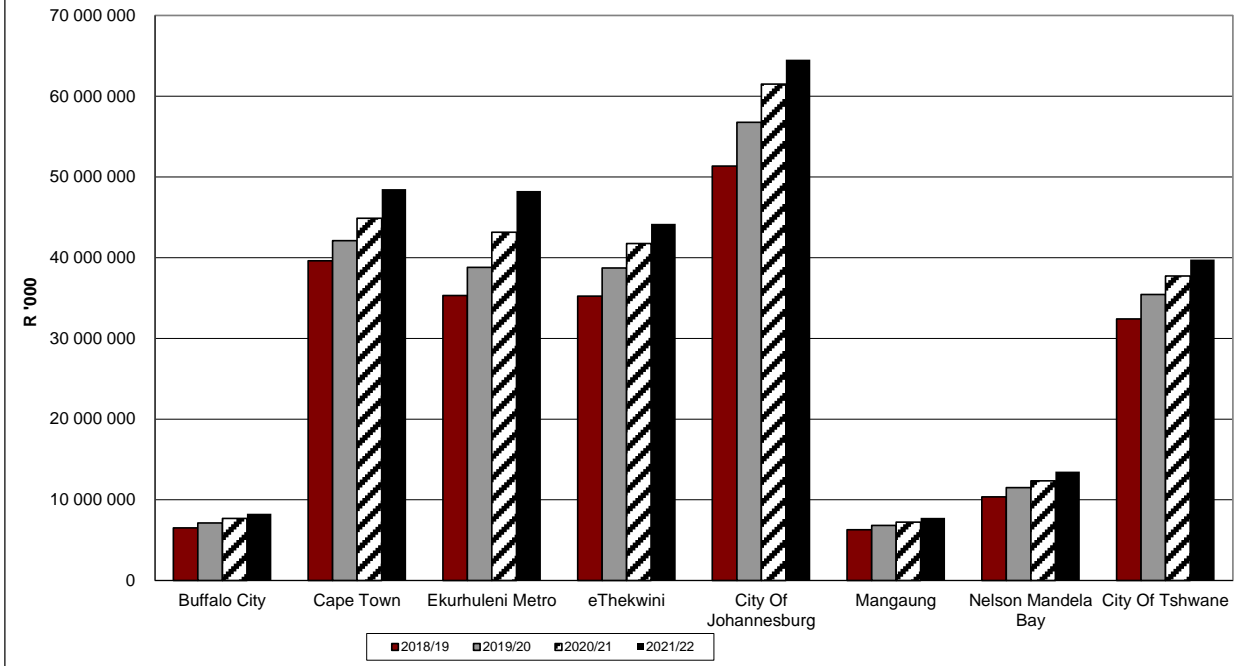
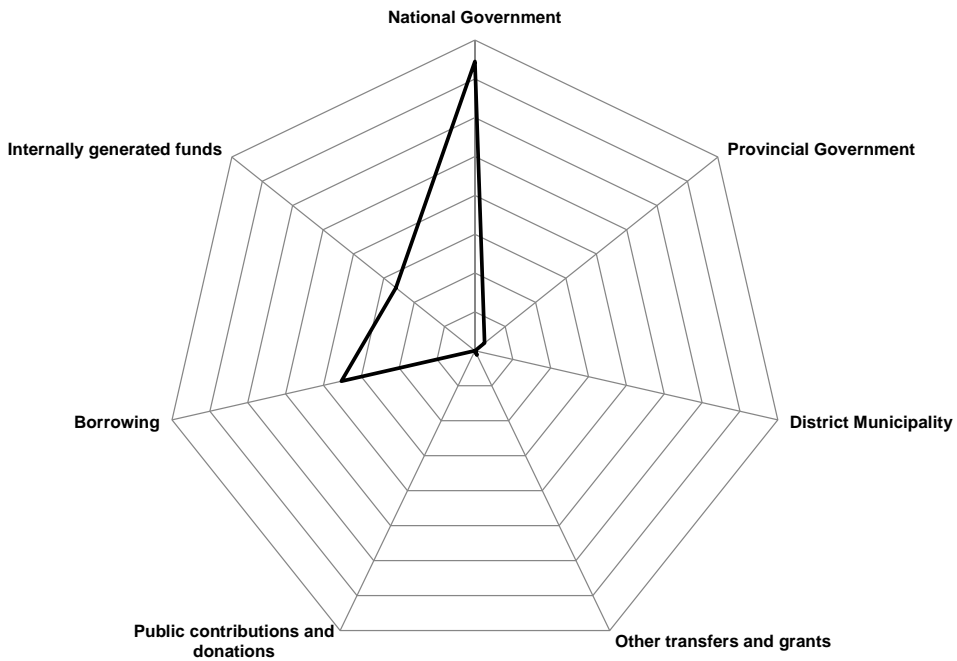


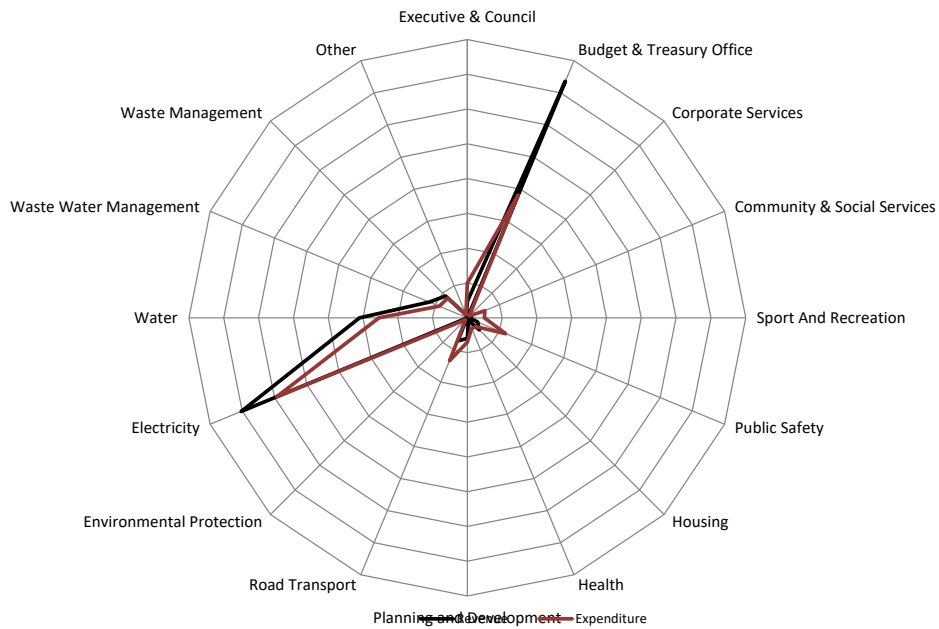
Figure 3.2: Budgeted operating expenditure per metro, 2018/19 - 2021/22



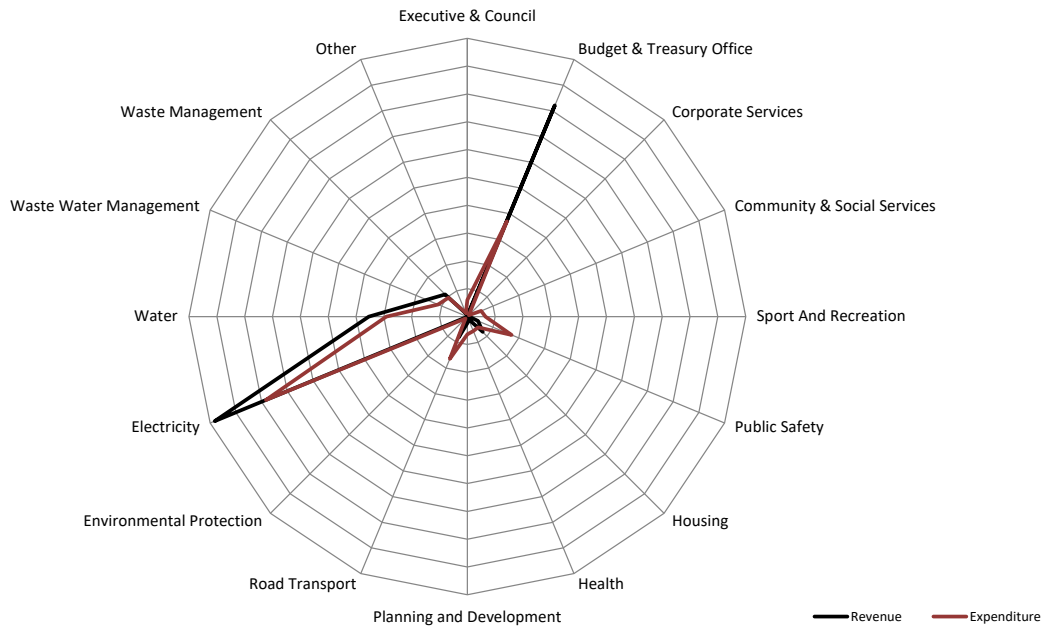
Capital funding contributions, 2019/20



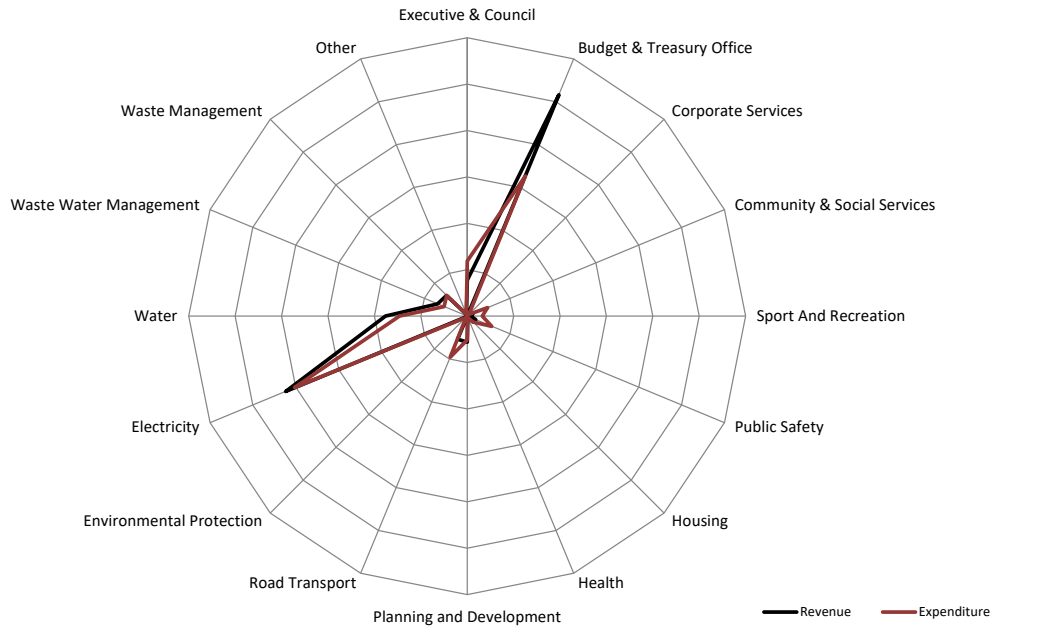
Aggregated operating revenue and expenditure by standard classification, 2019/20



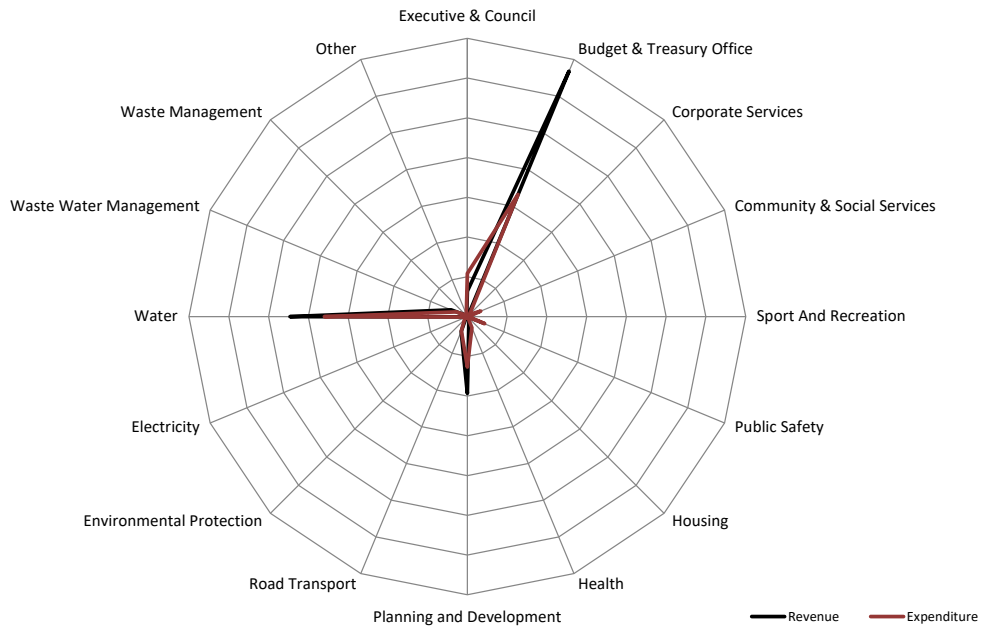
**Category A operating revenue and expenditure
by standard classification, 2019/20**



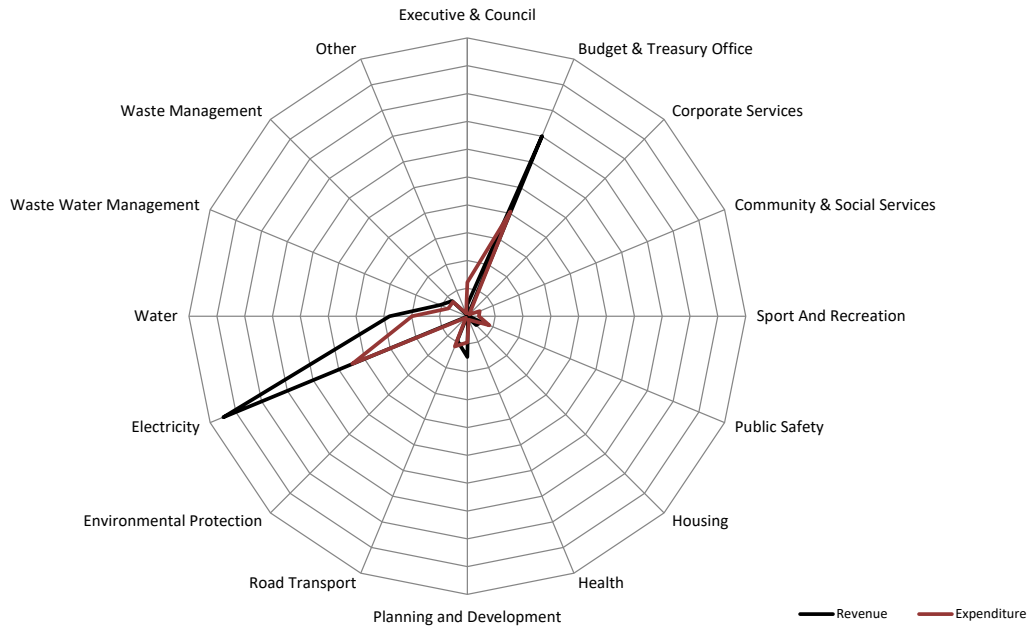
**Category B operating revenue and expenditure
by standard classification, 2019/20**



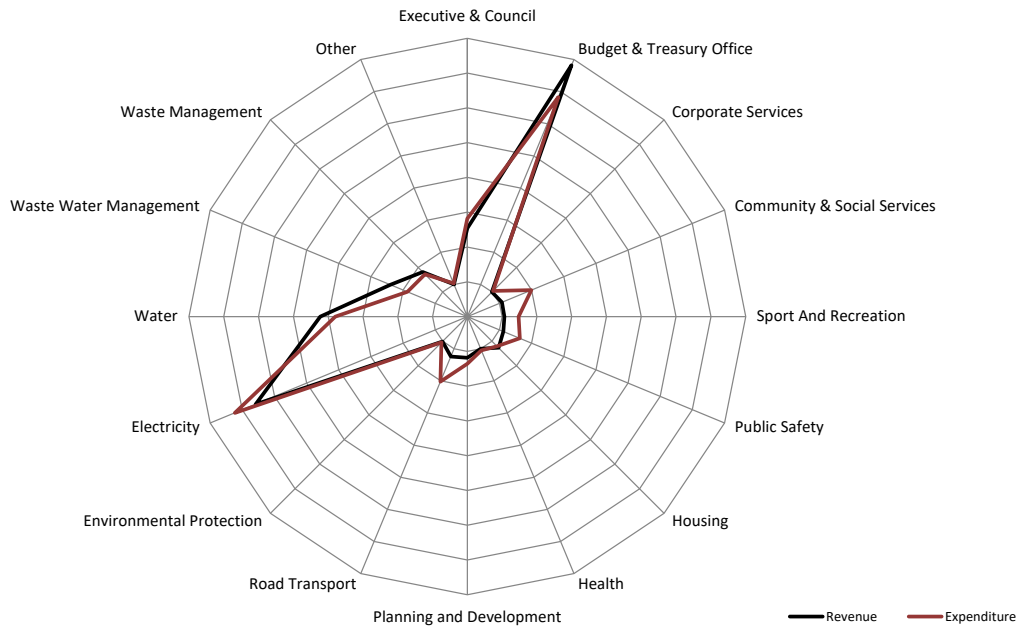
Category C operating revenue and expenditure by standard classification, 2019/20



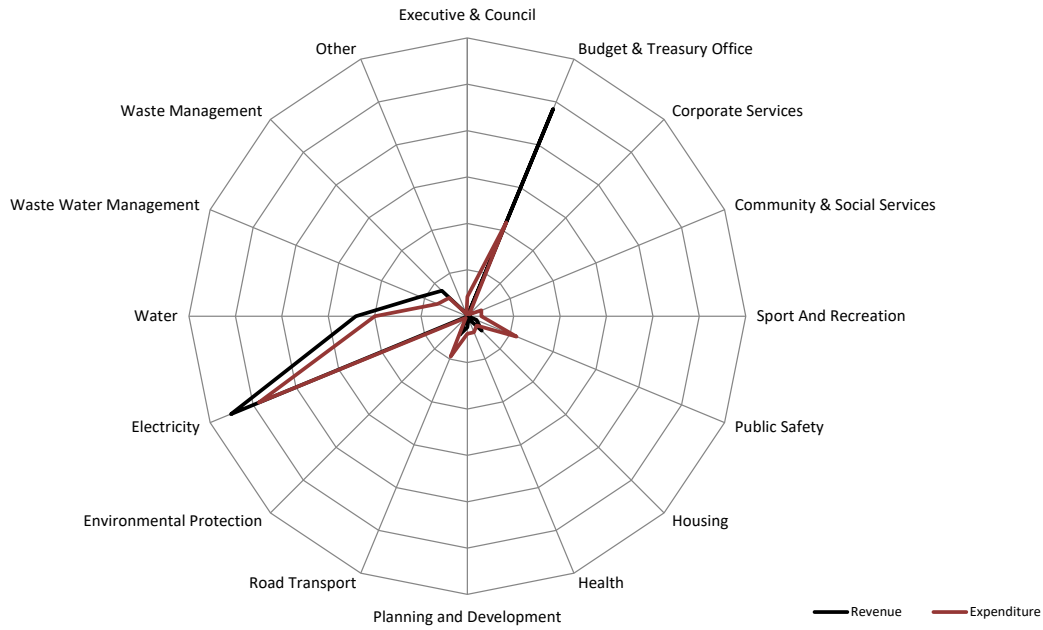
Eastern Cape operating revenue and expenditure by standard classification, 2019/20



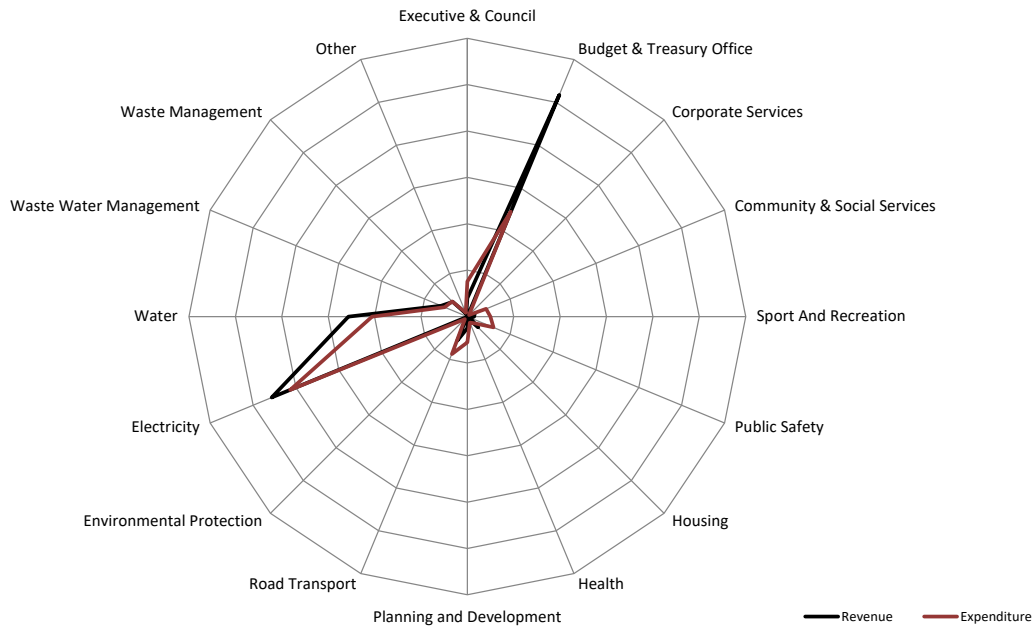
Free State operating revenue and expenditure by standard classification, 2019/20



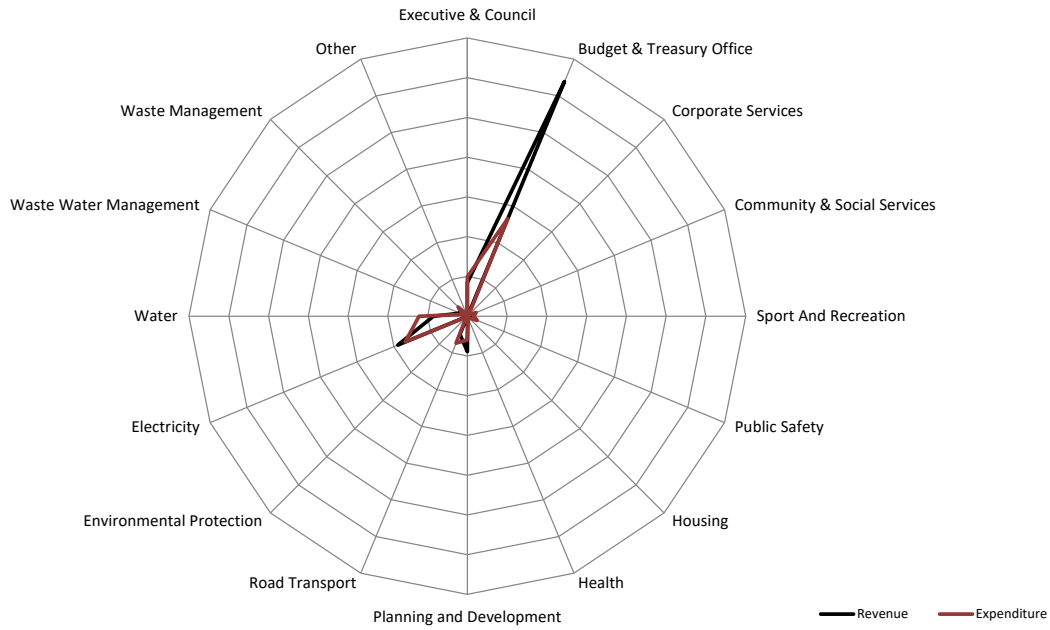
Gauteng operating revenue and expenditure by standard classification, 2019/20



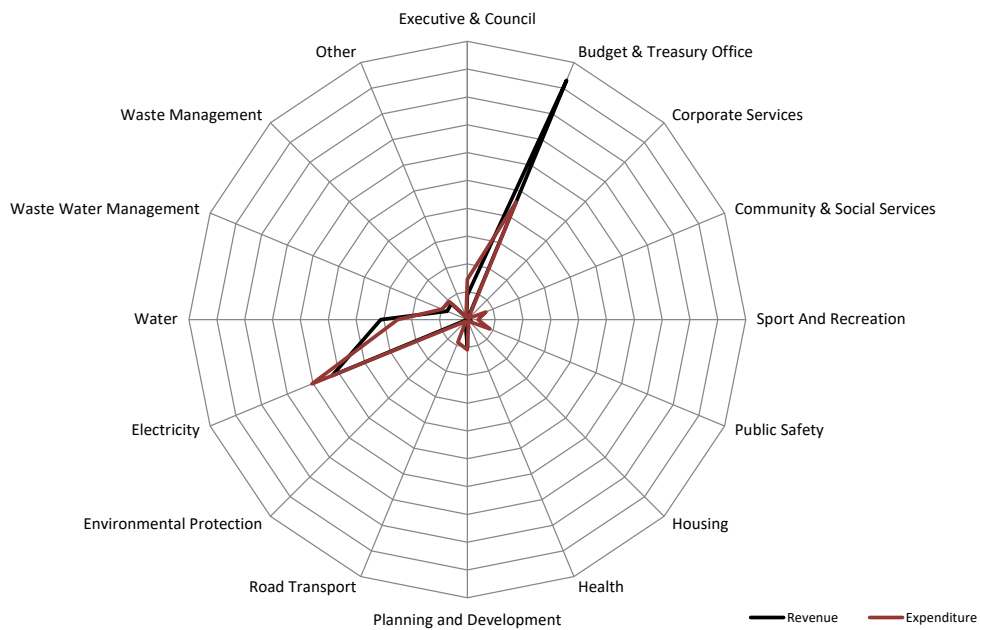
KwaZulu-Natal operating revenue and expenditure by standard classification, 2019/20



Limpopo operating revenue and expenditure by standard classification, 2019/20



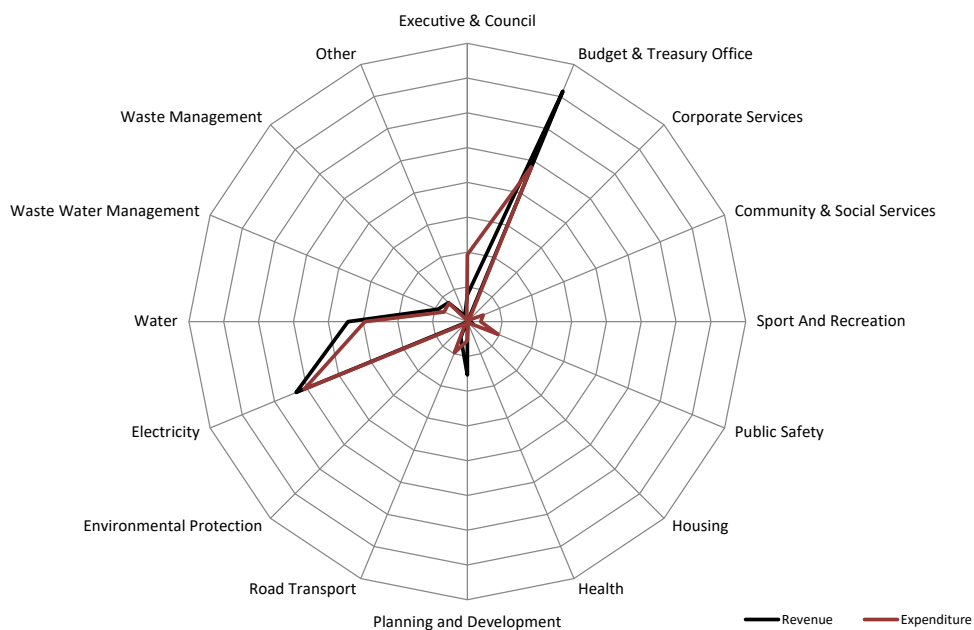
Mpumalanga operating revenue and expenditure by standard classification, 2019/20



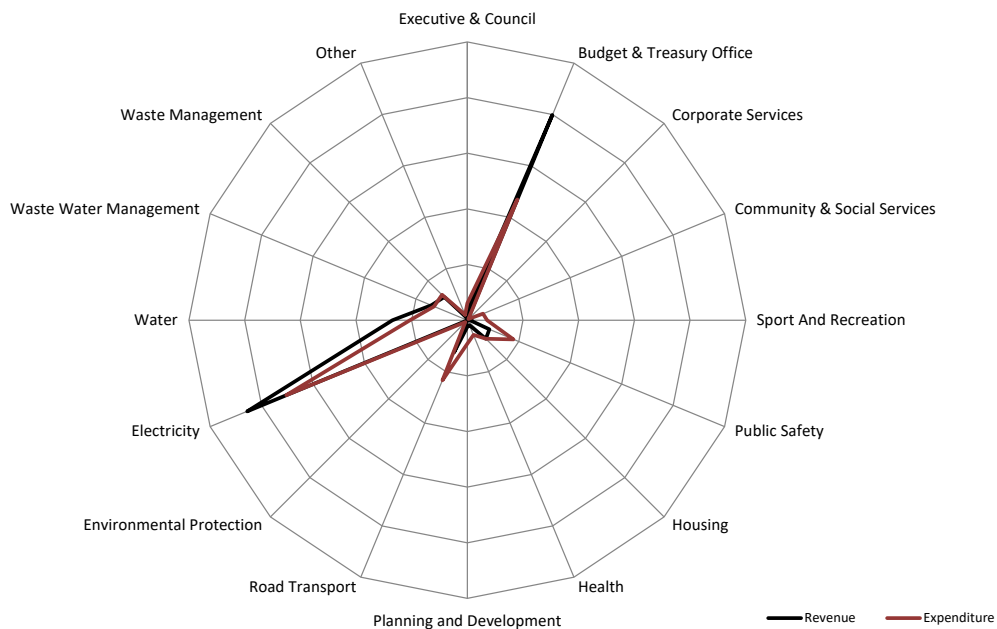
Northern Cape operating revenue and expenditure by standard classification, 2019/20



North West operating revenue and expenditure by standard classification, 2019/20



Western Cape operating revenue and expenditure by standard classification, 2019/20



Planned capital expenditure, 2019/20

