



NATIONAL TREASURY

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2004/05 Local Government Capital and Operating Expenditure Budgets

OVERVIEW

1. Publication of this first report on local government budgets and the preliminary expenditure outcomes for selected municipalities gives expression to section 71 of the Municipal Finance Management Act (MFMA) and is a measure of progress that has been made with the implementation of the Act since its promulgation just over a year ago.
2. The reported outcomes are for municipalities which have been working with the National Treasury on extensive financial management reforms and are familiar with the new reporting formats.
3. However, over time it is anticipated that as financial management systems improve not only will municipalities submit financial data in time, but the quality of the data will also improve. Further, while this report only contains financial data the long term plan is to publish non-financial information on service delivery so that users can be able to see what the money is utilized for.
4. The report highlights sluggish spending on capital budgets which reinforces the need to accelerate the roll-out of infrastructure. The footnotes on each report identify the most challenging areas.
5. The report also contains information on the actual remuneration packages of senior local government managers for the 2004/05 financial year.
6. The outcome report includes actual capital and operating expenditure and income for sectors such as water and electricity, cash flow analysis and debtors age analysis of selected municipalities spread across the country, including metros.
7. Along with the outcome reports for selected municipalities, the National Treasury is publishing consolidated information on **all** local government capital and operating **budgets**. The budget figures are divided according to the categories of municipalities and the district municipality as shown in Appendices A, B and C of this release. Budget amounts are reported for the whole of the local government sphere as actual figures were not available at the time of this release.
8. National Treasury has put measures in place to capture and publish budgeted and actual figures from the 2005/06 financial year for all municipalities later this year.
9. The information in Appendices A to C represents all municipal **budgets** and Appendix D represents **actual** outcomes for selected municipalities. This information is available on the National Treasury website www.treasury.gov.za/mfma.

Summary of the 2004/05 Local Government Budgets

10. The combined budgets for local government in South Africa for the 2004/05 financial year amounts to R101 billion, of which R17 billion was allocated to capital projects and R84 billion to operating functions.

11. The capital budgets are made up of infrastructure like; water and sanitation R4 billion (24per cent); roads and storm water R2.8 billion (16per cent); housing R2.2 billion (13per cent) and electricity R1.8 billion (11per cent) and the remainder spread across community facilities.
12. Municipalities in Gauteng account for R4.7 billion (28per cent), KwaZulu- Natal R4.0 billion (24per cent), Western Cape R2.5 billion (15per cent) and Eastern Cape R2.2 billion (13per cent), whereas the remaining R4.0 billion (20per cent) was distributed across the remaining provinces.
13. KwaZulu-Natal municipalities devoted the largest share of their capital budgets to the provision of water and sanitation with a budget of R938 million and housing of R744 million, while Gauteng has the largest part of their budget allocated to water and sanitation R1 billion, followed by repairs and maintenance of roads, pavements and bridges R796 million, and electricity reticulation at R661 million.
14. Most of the capital budget is funded by grants and subsidies of R7.4 billion (44per cent) from national government. Other funding sources include internally generated income of R4.4 billion (26per cent) and external borrowings of R3.3 billion (20per cent). The City of Johannesburg, City of Tshwane and Ekurhuleni Metropolitan Municipality have a large portion of external borrowings. The remainder of the capital budget is funded from other sources (10per cent).
15. Of the R84 billion operating budget Gauteng municipalities account for R29.5 billion (35per cent), followed by the Western Cape with R15.5 billion (18per cent) and KwaZulu-Natal with R14.2 billion (17per cent). Municipalities in other provinces shared the remaining R25 billion (30per cent)
16. Salaries make up R25 billion (30per cent) of the operating budget, bulk electricity purchases R13 billion (16per cent), repairs and maintenance functions of R5.8 billion (7per cent), interest and redemption of loans R5.7 billion (7per cent) and bulk purchases of water R5.1 billion (6per cent).
17. The operating budget is mainly funded by electricity sales of R22.6 billion (27per cent), property rates of R15.6 billion (19per cent), grants and subsidies of R12 billion (14per cent) and water tariffs of R11 billion (13per cent). The remaining income of R22.8 billion (27per cent) is made up of sanitation, refuse removal, RSC levies and other income. The operating revenues of these municipalities amount to R84 billion.
18. Where the human resources side of local government in the form of salaries of senior municipal managers as well as capacity available is concerned, KwaZulu Natal comes in first. It has the highest number of senior managers (242) by virtue of it having the highest number of municipalities, in the country. It is followed by Eastern Cape with 215 and Western Cape with 162 senior managers.
19. A select few municipalities' unaudited financial statements for the 2004/5 financial year, will also be published. The municipalities are spread across the country with various capacity levels in terms of the requirements of section 71 of the MFMA.
20. Municipalities that reported to have spent much of their capital budgets include City of Johannesburg by 106per cent, City of Tshwane by 98per cent, and Emalahleni (Mpumalanga) by 90per cent. Adjustment budgets have not all been submitted.
21. Gert Sibande municipality in Mpumalanga has the lowest degree of capital expenditure with only 22per cent of the capital budget utilised.

Enquiries about specific information should be directed to the relevant municipalities.

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