



MEDIA STATEMENT

LOCAL GOVERNMENT ADOPTED OPERATING AND CAPITAL BUDGETS FOR 2020/21 MTREF

The National Treasury has today published on its website the operating and capital budgets of municipalities as adopted by their respective councils. These budgets give an overview of expected revenue and expenditure trends in local government over the next three years, referred to as the 2020/21 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 2020/21 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 2020/21 is R452.6 billion, which is expected to increase to R479.1 billion in 2021/22 and R509.9 billion in 2022/23.
- Total municipal expenditure in 2020/21 is estimated to be R489.4 billion, increasing to R508.9 billion in 2021/22 and R538.1 billion in 2022/23. Total expenditure for 2020/21 is 1.6 per cent higher than the 2019/20 MTREF.
- In the 2020/21 financial year, a net deficit of R5.1 billion is expected, a position that remains in deficit of R140.4 million in 2021/22 and changes to a surplus of R2.5 billion in 2022/23.
- Municipal operating expenditure on the trading services consisting of water, energy sources, wastewater management and waste management is budgeted to decrease from R202.9 billion in 2019/20 to R201.5 billion in 2020/21. In 2020/21 this equates to just under half of the total operating expenditure of municipalities.
- Bulk purchases of electricity and water total R115.7 billion of the aggregated operating expenditure of R419.3 billion or 27.6 per cent. Bulk purchases are expected to grow to R132.4 billion by 2022/23 representing 28.3 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. R31.5 billion will be allocated in 2020/21 to repairs and maintenance of assets from operating expenditure. This will increase to R33.8 billion in 2021/22 and to R35 billion in 2022/23.

- Capital expenditure has decreased by 10.5 per cent compared to the 2019/20 MTREF. Of the overall budget of municipalities, capital expenditure in aggregate represents 14.3 per cent in 2020/21, 13.3 per cent in 2021/22 and 13.1 per cent in 2022/23.
- Total capital expenditure for 2020/21 is R70.1 billion and comprises R30.3 billion for trading services (electricity, water, wastewater management and waste management). Expenditure on the four trading services will increase to R31.2 billion and to R32.8 billion in the outer years of the MTREF.
- The 2020/21 capital budget reflects a R47.5 billion investment in new infrastructure which is 67.7 per cent of the total capital budget. Investment in the renewal and upgrading of existing assets will be approximately R22.6 billion or 32.3 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 time series 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 had to submit their 2020/21 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 2020/21, 2021/22 and 2022/23 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 30 October 2020. 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 2020/21 MTREF publication covers 256 municipalities.



ANNEXURE A

The full list of information published:

- Aggregated/Consolidated municipal 2020/21 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 2020/21;
 - Capital budget 2020/21;
 - Operating budget 2021/22;
 - Capital budget 2021/22;
 - Operating budget 2022/23; and
 - Capital budget 2022/23.
- *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;
 - Secondary cities

- *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 2020/21 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 2020/21 budget and MTREF is also published on the National Treasury website.

Aggregated operating and capital budget**Table 1: Aggregated Operating and Capital budgets, 2019/20 - 2022/23**

| Description | Original Budget 2019/20 | Adjusted Budget 2019/20 | 2019/20 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------------|----------------------------|---|---------------------|---------------------|
| | | | 2020/21 | 2021/22 | 2022/23 |
| R thousands | | | | | |
| Total Revenue | 450 033 444 | 459 682 249 | 452 615 951 | 479 088 840 | 509 910 997 |
| Total Expenditure | 481 700 646 | 481 193 402 | 489 386 931 | 508 902 076 | 538 059 196 |
| Surplus / (deficit) | (31 667 203) | (21 511 153) | (36 770 980) | (29 813 235) | (28 148 200) |
| FINANCING: | | | | | |
| External loans / borrowing | 17 557 397 | 10 798 115 | 11 395 889 | 13 355 912 | 13 084 441 |
| Internally generated funds ² | 11 405 692 | 10 899 004 | 20 247 414 | 16 316 973 | 17 538 238 |
| Total financing | 28 963 089 | 21 697 119 | 31 643 303 | 29 672 884 | 30 622 679 |
| Net surplus / (deficit) | (2 704 114) | 185 966 | (5 127 677) | (140 351) | 2 474 479 |

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 R452.6 billion, R479.1 billion and R509.9 billion while total expenditure estimates are R489.4 billion, R508.9 billion and R538.1 billion for each of the respective financial years of the 2020/21 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 R37.8 billion to fund infrastructure development while contributing R54.1 billion (R33.1 billion for the 2019 MTREF) through internally generated funding to infrastructure development.
- It appears as if municipalities will not generate enough revenue to cover their operational expenses in the first two of the 2020/21 MTREF years. The operational deficit is R5.1 billion in 2020/21 and is expected to decrease to R140.4 million deficit in 2021/22 and changes to a surplus of R2.5 billion in 2022/23.

Table 2: Consolidated budget summary for all municipalities for the 2020 MTREF

| Description | Current year 2019/20 | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|----------------------|--------------------|---|---------------------|---------------------|
| | Adopted budget | Adjusted budget | Budget Year 2020/21 | Budget Year 2021/22 | Budget Year 2022/23 |
| R thousands | | | | | |
| Financial Performance | | | | | |
| Property rates | 71 212 757 | 71 611 296 | 73 958 017 | 78 324 251 | 83 061 007 |
| Service charges | 210 176 145 | 209 404 376 | 199 379 961 | 214 156 017 | 229 257 898 |
| Investment revenue | 4 415 551 | 4 837 442 | 4 076 648 | 4 271 051 | 4 484 034 |
| Transfers recognised - operational | 81 099 459 | 89 007 415 | 92 289 586 | 96 963 548 | 103 357 961 |
| Other own revenue | 42 775 743 | 45 914 062 | 45 079 208 | 48 276 796 | 50 581 869 |
| Total Revenue (excluding capital transfers and contributions) | 409 679 656 | 420 774 592 | 414 783 420 | 441 991 663 | 470 742 769 |
| Employee costs | 120 480 548 | 119 037 199 | 121 893 061 | 129 529 123 | 138 175 786 |
| Remuneration of councillors | 4 506 203 | 4 504 218 | 4 654 965 | 4 902 972 | 5 172 408 |
| Depreciation & asset impairment | 32 502 794 | 32 390 539 | 33 149 123 | 34 499 619 | 36 214 950 |
| Finance charges | 10 399 250 | 11 748 111 | 11 850 663 | 12 842 169 | 13 698 125 |
| Materials and bulk purchases | 128 014 083 | 122 930 005 | 126 694 971 | 134 881 695 | 144 599 120 |
| Transfers and grants | 3 939 475 | 4 314 789 | 3 465 881 | 3 529 805 | 3 608 963 |
| Other expenditure | 103 495 027 | 117 460 076 | 117 568 899 | 121 173 136 | 125 941 314 |
| Total Expenditure¹ | 403 337 380 | 412 384 938 | 419 277 564 | 441 358 520 | 467 410 668 |
| Surplus/(Deficit) | 6 342 276 | 8 389 654 | (4 494 144) | 633 143 | 3 332 102 |
| Transfers recognised - capital | 39 292 662 | 40 558 537 | 38 597 728 | 39 085 638 | 41 497 881 |
| Contributions recognised - capital & contributed assets | 1 989 404 | 1 604 830 | 1 074 011 | 1 022 796 | 1 081 965 |
| Surplus/(Deficit) after capital transfers & contributions | 47 624 342 | 50 553 021 | 35 177 594 | 40 741 577 | 45 911 948 |
| Share of surplus/ (deficit) of associate | 1 616 | 1 616 | - | - | - |
| Surplus/(Deficit) for the year | 47 625 958 | 50 554 636 | 35 177 594 | 40 741 577 | 45 911 948 |
| Capital expenditure & funds sources | | | | | |
| Capital expenditure | 78 363 267 | 68 808 464 | 70 109 367 | 67 543 556 | 70 648 529 |
| Transfers recognised - capital | 40 353 788 | 38 907 658 | 37 832 531 | 37 097 177 | 39 168 227 |
| Public contributions & donations | - | - | - | - | - |
| Borrowing | 17 557 397 | 10 798 115 | 11 395 889 | 13 355 912 | 13 084 441 |
| Internally generated funds | 11 405 692 | 10 899 004 | 20 247 414 | 16 316 973 | 17 538 238 |
| Total sources of capital funds | 69 316 877 | 60 604 777 | 69 475 834 | 66 770 061 | 69 790 906 |

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, 2019/20 - 2022/23

| R thousand | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|---|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Capital | Operating | Total |
| Category A | 36 165 890 | 252 588 811 | 288 754 701 | 31 552 266 | 246 230 320 | 277 782 586 | 30 776 524 | 264 699 179 | 295 475 703 | 32 651 090 | 282 952 212 | 315 603 302 |
| Category B | 23 638 190 | 133 903 124 | 157 541 314 | 24 061 872 | 144 571 276 | 168 633 149 | 21 684 838 | 152 327 688 | 174 012 526 | 22 194 260 | 161 370 582 | 183 564 842 |
| Category C | 9 512 796 | 23 187 721 | 32 700 518 | 13 861 695 | 23 981 824 | 37 843 519 | 14 308 700 | 24 964 796 | 39 273 496 | 14 945 557 | 26 419 975 | 41 365 532 |
| Total | 69 316 877 | 409 679 656 | 478 996 533 | 69 475 834 | 414 783 420 | 484 259 254 | 66 770 061 | 441 991 663 | 508 761 725 | 69 790 906 | 470 742 769 | 540 533 676 |
| Less | | | | | | | | | | | | |
| External loans / borrowing | 17 557 397 | - | 17 557 397 | 11 395 889 | - | 11 395 889 | 13 355 912 | - | 13 355 912 | 13 084 441 | - | 13 084 441 |
| Internally generated funds | 11 405 692 | - | 11 405 692 | 20 247 414 | - | 20 247 414 | 16 316 973 | - | 16 316 973 | 17 538 238 | - | 17 538 238 |
| Recalculated revenue¹ | 40 353 788 | 409 679 656 | 450 033 444 | 37 832 531 | 414 783 420 | 452 615 951 | 37 097 177 | 441 991 663 | 479 088 840 | 39 168 227 | 470 742 769 | 509 910 997 |
| % of total revenue² | | | | | | | | | | | | |
| Category A | 7.6% | 52.7% | 60.3% | 6.5% | 50.8% | 57.4% | 6.0% | 52.0% | 58.1% | 6.0% | 52.3% | 58.4% |
| Category B | 4.9% | 28.0% | 32.9% | 5.0% | 29.9% | 34.8% | 4.3% | 29.9% | 34.2% | 4.1% | 29.9% | 34.0% |
| Category C | 2.0% | 4.8% | 6.8% | 2.9% | 5.0% | 7.8% | 2.8% | 4.9% | 7.7% | 2.8% | 4.9% | 7.7% |

¹Revenue excludes capital transfers²2016 Municipal Demarcation (257 municipalities)

Source: National Treasury Local Government Database



7. Table 3 above shows the aggregated budgeted revenue by category of municipality over the 2020/21 MTREF period. In aggregate, the total operating budgeted revenue for 2020/21 has increased by 1.3 per cent from R409.7 billion in 2019/20 to R414.8 billion in 2020/21. Operating revenue grows by 13.5 per cent and capital revenue by 3.5 per cent in the outer years of the 2020/21 MTREF. The increase in operating revenue appears to be over optimistic given the current economic climate. Capital revenue is low and is not balancing with the capital expenditure. This appears to be a reporting challenge in the mSCOA classification framework due to incorrect use by the municipalities of the prescribed segments.
8. In the outer years of the 2020/21 MTREF period, aggregated revenue growth is 5.8 per cent and 6.4 per cent respectively. Capital revenue shows a decrease of 1.9 per cent and an increase of 5.6 per cent from 2021/22 to 2022/23.
9. Total gross revenue raised by Category A (metros) municipalities accounts for 59.1 per cent of the total aggregated revenue in 2019/20. This decreases to 58.4 per cent by 2022/23. 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 decreases slightly over the 2020/21 MTREF period. Total revenue raised by Category B (local) municipalities is on average approximately 34 per cent of total aggregated revenue while Category C (districts) municipalities contribute approximately 7.7 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 2020/21 MTREF period. In aggregate, budgeted total municipal expenditure has grown by 1.6 per cent from R481.7 billion in 2019/20 to R489.4 billion in the 2020/21 financial year with growth in operating expenditure contributing 4 per cent and in capital expenditure decreases by 10.5 per cent.

Table 4: Aggregated Operating and Capital expenditure per category, 2019/20 - 2022/23

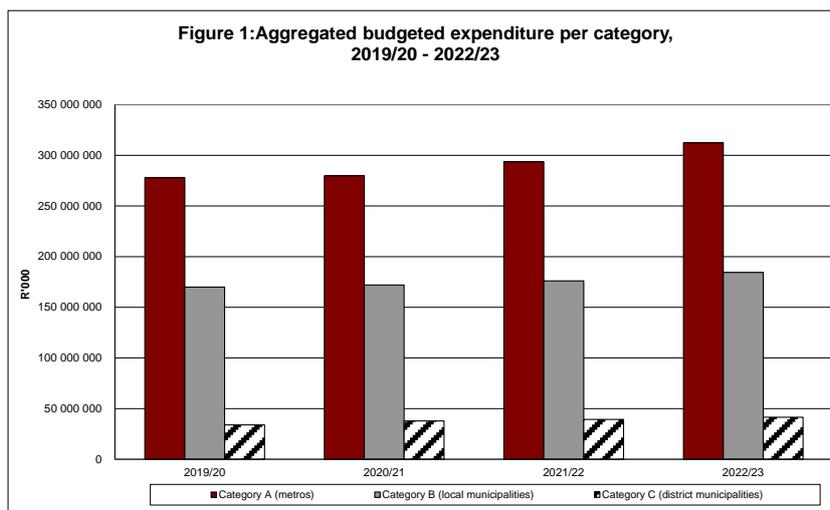
| R thousand | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|---|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Capital | Operating | Total |
| Category A | 40 539 919 | 237 336 815 | 277 876 734 | 31 567 404 | 248 124 118 | 279 691 522 | 30 789 486 | 262 817 319 | 293 606 805 | 32 666 780 | 279 550 962 | 312 217 742 |
| Category B | 26 876 841 | 143 033 234 | 169 910 074 | 24 584 336 | 147 354 178 | 171 938 514 | 22 228 366 | 153 766 598 | 175 994 964 | 22 809 297 | 161 592 396 | 184 401 692 |
| Category C | 10 946 507 | 22 967 332 | 33 913 838 | 13 957 627 | 23 799 268 | 37 756 895 | 14 525 703 | 24 774 604 | 39 300 307 | 15 172 452 | 26 267 310 | 41 439 762 |
| Total | 78 363 267 | 403 337 380 | 481 700 646 | 70 109 367 | 419 277 564 | 489 386 931 | 67 543 556 | 441 358 520 | 508 902 076 | 70 648 529 | 467 410 668 | 538 059 196 |
| Less | | | | | | | | | | | | |
| Taxation | - | 36 196 | 36 196 | - | 3 084 | 3 084 | - | 9 292 | 9 292 | - | 10 062 | 10 062 |
| Total expenditure | 78 363 267 | 403 301 184 | 481 664 450 | 70 109 367 | 419 274 480 | 489 383 847 | 67 543 556 | 441 349 228 | 508 892 784 | 70 648 529 | 467 400 605 | 538 049 134 |
| % of total expenditure¹ | | | | | | | | | | | | |
| Category A | 8.4% | 49.3% | 57.7% | 6.5% | 50.7% | 57.2% | 6.1% | 51.6% | 57.7% | 6.1% | 52.0% | 58.0% |
| Category B | 5.6% | 29.7% | 35.3% | 5.0% | 30.1% | 35.1% | 4.4% | 30.2% | 34.6% | 4.2% | 30.0% | 34.3% |
| Category C | 2.3% | 4.8% | 7.0% | 2.9% | 4.9% | 7.7% | 2.9% | 4.9% | 7.7% | 2.8% | 4.9% | 7.7% |

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 decrease by 10.5 per cent in 2020/21, shows a further decrease of 3.7 per cent in 2021/22 but increases by 4.6 per cent in 2022/23. Capital spending of the metros slows from R40.5 billion in 2019/20 to R32.7 billion by 2022/23. Category B municipalities shows a similar decrease from R26.9 billion in 2019/20 to R22.8 billion in 2022/23. District municipalities shows a steady increase over the 2020/21 MTREF.





14. The total expenditure budget of the eight metros as a share of the total local government budget for the 2020/21 financial year constitutes 57.2 per cent, whereas local municipalities represent 35.1 per cent. District municipalities represent only 7.7 per cent of total expenditure. These trends remain largely constant over the MTREF period with metros contributing an estimated 58 per cent to the total expenditure by 2022/23.
15. The contribution of capital expenditure to the total expenditure remains in the interval 13 to 16.3 per cent with 16.3 per cent in 2019/20, 14.3 per cent in 2020/21, 13.3 per cent in 2021/22 to 13.1 per cent in 2022/23. 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 infrastructure management.
16. Operating expenditure in aggregate represents 83.7 per cent in 2019/20, increases to 85.7 per cent in 2020/21, 86.7 per cent in 2021/22 and 86.9 per cent in 2022/23 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

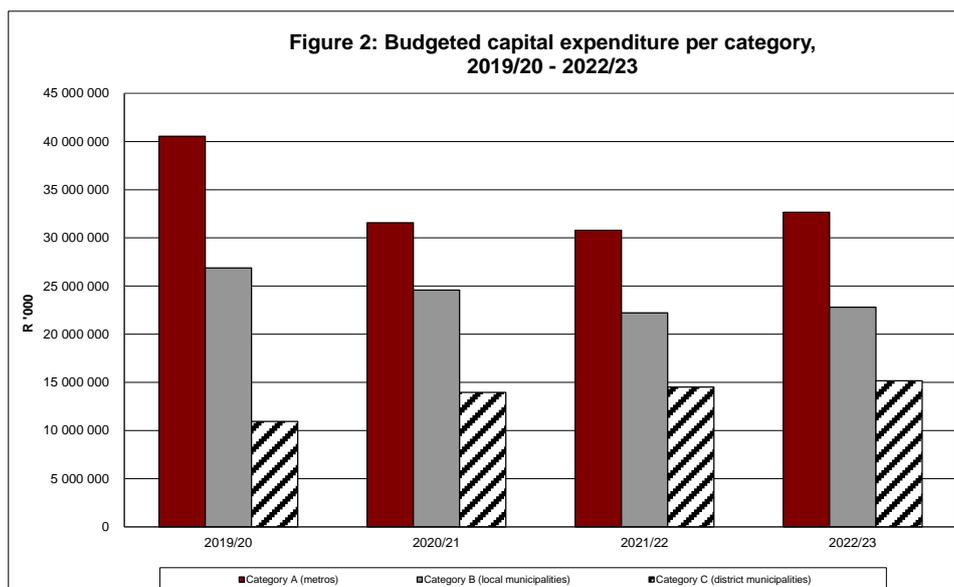
Table 5: Budgeted capital expenditure and funding, 2019/20 - 2022/23

| R thousands | Original | Adjusted | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|--|-------------------|-------------------|---|-------------------|-------------------|
| | Budget 2019/20 | Budget 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Capital Expenditure - Standard Classification | | | | | |
| <i>Governance and Administration</i> | 9 911 627 | 9 081 370 | 12 723 339 | 10 763 161 | 11 013 342 |
| Executive & Council | 773 562 | 497 337 | 5 897 886 | 6 268 295 | 6 578 237 |
| Budget & Treasury Office | 9 133 009 | 8 581 134 | 6 822 834 | 4 493 460 | 4 433 525 |
| Corporate Services | 5 056 | 2 898 | 2 620 | 1 406 | 1 580 |
| <i>Community and Public Safety</i> | 12 016 043 | 10 099 012 | 9 314 091 | 8 378 437 | 9 075 736 |
| Community & Social Services | 1 892 745 | 1 741 861 | 1 444 235 | 1 084 302 | 1 308 792 |
| Sport And Recreation | 1 914 930 | 1 393 848 | 1 632 477 | 1 062 604 | 1 012 979 |
| Public Safety | 1 147 862 | 1 001 219 | 895 726 | 620 155 | 774 394 |
| Housing | 6 789 240 | 5 741 566 | 5 083 144 | 5 362 791 | 5 839 185 |
| Health | 271 265 | 220 518 | 258 508 | 248 585 | 140 386 |
| <i>Economic and Environmental Services</i> | 21 878 138 | 19 276 154 | 17 141 549 | 16 644 408 | 17 160 926 |
| Planning and Development | 5 291 233 | 4 721 161 | 3 359 101 | 3 034 067 | 2 757 392 |
| Road Transport | 16 388 800 | 14 447 197 | 13 581 075 | 13 360 133 | 14 097 647 |
| Environmental Protection | 198 106 | 107 796 | 201 372 | 250 208 | 305 887 |
| <i>Trading Services</i> | 34 339 223 | 29 757 209 | 30 343 246 | 31 206 138 | 32 832 165 |
| Electricity | 7 230 407 | 6 039 928 | 6 019 609 | 6 387 079 | 6 522 211 |
| Water | 18 176 218 | 15 408 854 | 16 045 252 | 16 675 590 | 17 911 640 |
| Waste Water Management | 7 030 189 | 7 059 679 | 6 481 970 | 6 477 342 | 6 592 885 |
| Waste Management | 1 902 410 | 1 248 748 | 1 796 415 | 1 666 127 | 1 805 429 |
| <i>Other</i> | 218 235 | 594 719 | 587 142 | 551 411 | 566 360 |
| Total Capital Expenditure | 78 363 267 | 68 808 464 | 70 109 367 | 67 543 556 | 70 648 529 |
| <i>Of which</i> | | | | | |
| Total New Assets | 46 165 857 | 45 421 184 | 47 470 851 | 45 882 804 | 46 318 109 |
| Total Renewal of Existing Assets | 15 945 633 | 10 730 849 | 9 500 128 | 9 181 040 | 10 376 928 |
| Total Upgrading of Existing Assets | 16 251 776 | 12 656 432 | 13 138 388 | 12 479 712 | 13 953 491 |
| Total Capital Expenditure | 78 363 267 | 68 808 464 | 70 109 367 | 67 543 556 | 70 648 529 |
| <i>Percentage of total capital expenditure</i> | | | | | |
| New assets | 58.9% | 58.0% | 67.7% | 67.9% | 65.6% |
| Renewal of existing assets | 20.3% | 13.7% | 13.6% | 13.6% | 14.7% |
| Upgrading of Existing Assets | 20.7% | 18.4% | 18.7% | 18.5% | 19.8% |
| Funded by: | | | | | |
| National Government | 38 301 639 | 36 152 825 | 35 378 249 | 34 958 573 | 37 159 397 |
| Provincial Government | 1 551 305 | 1 897 363 | 1 753 737 | 1 555 804 | 1 488 398 |
| District Municipality | 20 990 | 117 303 | 86 156 | 35 061 | 14 201 |
| Other transfers and grants | 479 854 | 740 167 | 614 390 | 547 739 | 506 231 |
| Transfers recognised - capital | 40 353 788 | 38 907 658 | 37 832 531 | 37 097 177 | 39 168 227 |
| Borrowing | 17 557 397 | 10 798 115 | 11 395 889 | 13 355 912 | 13 084 441 |
| Internally generated funds | 11 405 692 | 10 899 004 | 20 247 414 | 16 316 973 | 17 538 238 |
| Total Capital Funding | 69 316 877 | 60 604 777 | 69 475 834 | 66 770 061 | 69 790 906 |
| Repairs and Maintenance by Asset Class | 26 299 497 | 23 712 991 | 31 510 811 | 33 750 361 | 35 043 576 |
| <i>Roads Infrastructure</i> | 4 516 662 | 3 722 850 | 4 000 328 | 4 340 631 | 4 598 109 |
| <i>Storm water Infrastructure</i> | 782 344 | 438 888 | 545 636 | 580 902 | 613 458 |
| <i>Electrical Infrastructure</i> | 4 913 615 | 5 350 036 | 5 362 294 | 5 791 345 | 5 475 622 |
| <i>Water Supply Infrastructure</i> | 3 942 534 | 3 532 002 | 3 413 361 | 3 561 613 | 3 836 165 |
| <i>Sanitation Infrastructure</i> | 2 964 388 | 2 285 885 | 2 244 890 | 2 401 320 | 2 508 954 |
| <i>Solid Waste Infrastructure</i> | 383 817 | 375 801 | 7 001 838 | 7 462 635 | 7 944 650 |
| <i>Rail Infrastructure</i> | 20 320 | 22 341 | 55 974 | 54 706 | 50 243 |
| <i>Coastal Infrastructure</i> | 45 016 | 55 200 | 60 938 | 68 249 | 72 286 |
| <i>Information and Communication Infrastructure</i> | 100 411 | 118 149 | 132 790 | 133 302 | 140 449 |
| Infrastructure Total | 17 669 107 | 15 901 151 | 22 818 048 | 24 394 702 | 25 239 936 |
| Community Facilities | 1 238 435 | 1 034 264 | 1 442 585 | 1 545 773 | 1 622 120 |
| Sport and Recreation Facilities | 303 558 | 257 204 | 291 120 | 273 614 | 287 480 |
| Community Assets Total | 1 541 992 | 1 291 469 | 1 733 705 | 1 819 387 | 1 909 600 |
| Heritage Assets | 9 273 | 5 089 | 4 804 | 5 708 | 5 937 |
| Revenue Generating | 72 571 | 50 422 | 53 821 | 56 414 | 59 128 |
| Non-revenue Generating | 79 716 | 58 511 | 76 457 | 80 689 | 85 157 |
| Investment properties | 152 287 | 108 933 | 130 278 | 137 103 | 144 284 |
| Operational Buildings | 1 942 884 | 1 535 968 | 1 677 747 | 1 820 746 | 1 904 764 |
| Housing | 73 269 | 160 753 | 134 294 | 150 304 | 154 313 |
| Other Assets | 2 016 152 | 1 696 721 | 1 812 040 | 1 971 050 | 2 059 077 |
| Biological or Cultivated Assets | 824 | 9 301 | 10 689 | 10 929 | 11 392 |
| Servitudes | 7 | - | - | - | 70 |
| Licences and Rights | 276 007 | 287 631 | 264 753 | 286 491 | 299 785 |
| Intangible Assets | 276 014 | 287 631 | 264 753 | 286 491 | 299 855 |
| Computer Equipment | 554 497 | 518 597 | 608 294 | 664 493 | 694 665 |
| Furniture and Office Equipment | 647 752 | 589 752 | 692 039 | 745 147 | 782 532 |
| Machinery and Equipment | 1 343 242 | 1 231 905 | 1 307 376 | 1 437 817 | 1 508 455 |
| Transport Assets | 2 088 355 | 2 072 441 | 2 128 786 | 2 277 535 | 2 387 844 |
| Land | - | - | - | - | - |
| Zoo's, Marine and Non-biological Animals | - | - | - | - | - |

Source: National Treasury Local Government database



17. In 2019/20, R34.3 billion has been allocated to total trading services, which comprises electricity, water, wastewater management and waste management. This was adjusted to R29.8 billion during the Adjustments Budget focusing mostly on reducing the water services budget. For the 2020/21 MTREF the total allocations for trading services are R30.3 billion or 43.4 per cent, growing to R31.2 billion or 46.2 per cent and R32.8 billion or 46.5 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 R26.3 billion of operating expenditure allocated in 2019/20 to the repairs and maintenance of assets has been adjusted to R23.7 billion. This will increase to R31.5 billion, R33.8 billion and R35 billion over the 2020/21 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 2020/21 MTREF period.
20. A provincial analysis reveals that Gauteng with 11 municipalities (including three metros and two secondary cities) has the highest capital revenue budget for 2020/21 estimated at R15.4 billion or 22 per cent of the total municipal capital budget. This is followed by Western Cape with 30 municipalities (including one metro and three secondary cities) at an estimated R12.9 billion or 18.6 per cent and KwaZulu-Natal with 54 municipalities (including one metro and three secondary cities) at R11 billion or 15.5 per cent. This trend remains unchanged over the duration of the MTREF.
21. In table 7 the national aggregate per capita spending average is estimated to be R8 793 in 2020/21, an increase from R8 655 in 2019/20. Only two provinces will exceed this national average in 2020/21, namely Gauteng at R13 439 and Western Cape at R12 718 per capita. The trend line suggests increases over the MTREF reaching R9 668 per capita by 2022/23.
22. 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.
23. Free State was just below the national per capita spending average in 2020/21.

24. 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, 2019/20 - 2022/23

| R thousand | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|-----------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Capital | Operating | Total |
| Eastern Cape | 8 541 218 | 43 861 863 | 52 403 081 | 6 942 846 | 24 917 855 | 31 860 700 | 6 847 728 | 26 157 237 | 33 004 965 | 6 857 987 | 27 746 987 | 34 604 974 |
| Free State | 3 399 079 | 18 169 871 | 21 568 950 | 4 028 620 | 20 224 258 | 24 252 878 | 3 266 197 | 21 276 205 | 24 542 402 | 3 082 109 | 22 418 933 | 25 501 043 |
| Gauteng | 20 137 002 | 152 586 784 | 172 723 786 | 15 421 356 | 164 549 930 | 179 971 286 | 14 227 911 | 174 746 479 | 188 974 390 | 14 977 171 | 185 695 162 | 200 672 333 |
| Kw aZulu-Natal | 13 415 299 | 68 906 131 | 82 321 430 | 10 790 522 | 72 122 484 | 82 913 006 | 10 979 190 | 78 001 340 | 88 980 530 | 11 603 120 | 83 658 271 | 95 261 391 |
| Limpopo | 5 533 120 | 19 829 128 | 25 362 247 | 6 120 140 | 20 308 506 | 26 428 646 | 5 780 281 | 21 358 288 | 27 138 569 | 5 969 971 | 22 750 669 | 28 720 640 |
| Mpumalanga | 3 264 466 | 18 594 894 | 21 859 360 | 3 914 777 | 20 914 259 | 24 829 035 | 3 870 096 | 21 808 388 | 25 678 484 | 4 194 010 | 23 095 818 | 27 289 829 |
| North West | 2 666 107 | 18 601 982 | 21 268 088 | 8 027 216 | 20 218 124 | 28 245 339 | 8 332 906 | 21 144 521 | 29 477 427 | 8 759 711 | 22 350 129 | 31 109 840 |
| Northern Cape | 1 284 505 | 7 579 497 | 8 864 002 | 1 309 937 | 8 013 320 | 9 323 256 | 1 041 093 | 8 355 522 | 9 396 616 | 1 138 706 | 8 826 472 | 9 965 178 |
| Western Cape | 11 076 082 | 61 549 506 | 72 625 588 | 12 920 421 | 63 514 684 | 76 435 105 | 12 424 660 | 69 143 681 | 81 568 341 | 13 208 121 | 74 200 327 | 87 408 448 |
| Total | 69 316 877 | 409 679 656 | 478 996 533 | 69 475 834 | 414 783 420 | 484 259 254 | 66 770 061 | 441 991 663 | 508 761 725 | 69 790 906 | 470 742 769 | 540 533 676 |
| Less | | | | | | | | | | | | |
| External loans / borrowing | 17 620 931 | - | 17 620 931 | 11 395 889 | - | 11 395 889 | 13 355 912 | - | 13 355 912 | 13 084 441 | - | 13 084 441 |
| Internally generated funds | 13 008 879 | - | 13 008 879 | 20 247 414 | - | 20 247 414 | 16 316 973 | - | 16 316 973 | 17 538 238 | - | 17 538 238 |
| Recalculated revenue | 38 687 067 | 409 679 656 | 448 366 723 | 37 832 531 | 414 783 420 | 452 615 951 | 37 097 177 | 441 991 663 | 479 088 840 | 39 168 227 | 470 742 769 | 509 910 997 |

¹ Operating revenue excluding capital transfers

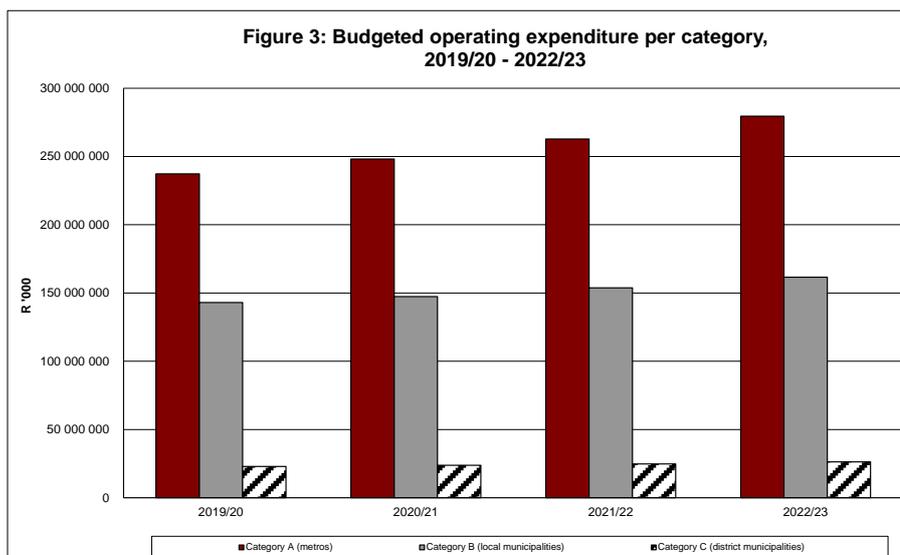
Source: National Treasury Local Government Database

Table 7: Aggregated Operating and Capital expenditure budgets per province, 2019/20 - 2022/23

| R thousand | Population 2016 | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|----------------------------|-------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | | Capital | Operating | Total |
| Eastern Cape | 6 996 976 | 8 638 191 | 35 468 396 | 44 106 587 | 6 960 146 | 24 926 069 | 31 886 215 | 6 862 900 | 25 953 396 | 32 816 296 | 6 873 513 | 27 421 166 | 34 294 679 |
| Free State | 2 834 714 | 3 423 852 | 22 129 048 | 25 552 900 | 4 038 676 | 20 766 342 | 24 805 018 | 3 271 740 | 21 907 914 | 25 179 654 | 3 086 486 | 22 772 419 | 25 858 905 |
| Gauteng | 13 399 724 | 21 037 220 | 146 275 495 | 167 312 714 | 15 423 966 | 164 661 280 | 180 085 246 | 14 229 458 | 173 637 539 | 187 866 997 | 14 978 724 | 184 171 085 | 199 149 809 |
| Kw aZulu-Natal | 11 065 240 | 17 176 895 | 69 600 281 | 86 777 176 | 11 021 103 | 72 176 330 | 83 197 433 | 11 298 407 | 77 445 599 | 88 744 006 | 11 924 270 | 82 318 000 | 94 242 270 |
| Limpopo | 5 799 091 | 6 796 585 | 18 426 454 | 25 223 039 | 6 154 722 | 19 292 091 | 25 446 813 | 5 828 964 | 20 318 535 | 26 147 499 | 6 024 915 | 21 556 999 | 27 581 913 |
| Mpumalanga | 4 335 964 | 3 924 304 | 20 872 813 | 24 797 117 | 4 105 707 | 22 896 666 | 27 002 373 | 4 047 681 | 23 332 195 | 27 379 876 | 4 379 313 | 24 432 780 | 28 812 093 |
| North West | 3 748 435 | 3 442 943 | 19 896 327 | 23 339 269 | 8 129 817 | 19 593 250 | 27 723 067 | 8 418 036 | 20 200 029 | 28 618 066 | 8 844 718 | 21 068 839 | 29 913 557 |
| Northern Cape | 1 193 780 | 1 330 699 | 7 717 568 | 9 048 267 | 1 331 392 | 8 042 778 | 9 374 169 | 1 148 897 | 8 436 661 | 9 585 558 | 1 312 779 | 8 852 070 | 10 164 849 |
| Western Cape | 6 279 730 | 12 592 579 | 62 950 997 | 75 543 577 | 12 943 839 | 66 922 758 | 79 866 597 | 12 437 472 | 70 126 652 | 82 564 124 | 13 223 811 | 74 817 309 | 88 041 120 |
| Total | 55 653 654 | 78 363 267 | 403 337 380 | 481 700 646 | 70 109 367 | 419 277 564 | 489 386 931 | 67 543 556 | 441 358 520 | 508 902 076 | 70 648 529 | 467 410 668 | 538 059 196 |
| Less | | | | | | | | | | | | | |
| Taxation | | - | 36 196 | 36 196 | - | 3 084 | 3 084 | - | 9 292 | 9 292 | - | 10 062 | 10 062 |
| Total expenditure | | 78 363 267 | 403 301 184 | 481 664 450 | 70 109 367 | 419 274 480 | 489 383 847 | 67 543 556 | 441 349 228 | 508 892 784 | 70 648 529 | 467 400 605 | 538 049 134 |
| Per capita spending | | | | | | | | | | | | | |
| Eastern Cape | | 1 235 | 5 069 | 6 304 | 995 | 3 562 | 4 557 | 981 | 3 709 | 4 690 | 982 | 3 919 | 4 901 |
| Free State | | 1 208 | 7 806 | 9 014 | 1 425 | 7 326 | 8 750 | 1 154 | 7 728 | 8 883 | 1 089 | 8 033 | 9 122 |
| Gauteng | | 1 570 | 10 916 | 12 486 | 1 151 | 12 288 | 13 439 | 1 062 | 12 958 | 14 020 | 1 118 | 13 744 | 14 862 |
| Kw aZulu-Natal | | 1 552 | 6 290 | 7 842 | 996 | 6 523 | 7 519 | 1 021 | 6 999 | 8 020 | 1 078 | 7 439 | 8 517 |
| Limpopo | | 1 172 | 3 177 | 4 349 | 1 061 | 3 327 | 4 388 | 1 005 | 3 504 | 4 509 | 1 039 | 3 717 | 4 756 |
| Mpumalanga | | 905 | 4 814 | 5 719 | 947 | 5 281 | 6 228 | 934 | 5 381 | 6 315 | 1 010 | 5 635 | 6 645 |
| North West | | 919 | 5 308 | 6 226 | 2 169 | 5 227 | 7 396 | 2 246 | 5 389 | 7 635 | 2 360 | 5 621 | 7 980 |
| Northern Cape | | 1 115 | 6 465 | 7 580 | 1 115 | 6 737 | 7 853 | 962 | 7 067 | 8 030 | 1 100 | 7 415 | 8 515 |
| Western Cape | | 2 005 | 10 024 | 12 030 | 2 061 | 10 657 | 12 718 | 1 981 | 11 167 | 13 148 | 2 106 | 11 914 | 14 020 |
| Total | | 1 408 | 7 247 | 8 655 | 1 260 | 7 534 | 8 793 | 1 214 | 7 930 | 9 144 | 1 269 | 8 399 | 9 668 |

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





Aggregated operating and capital budget for metros

25. The aggregated budgeted revenue for all metros over the 2020/21 MTREF period is contained in Table 8. Total revenue decreased from R288.8 billion in 2019/20, to R277.8 billion in 2020/21, and thereafter increase to R295.5 billion in 2021/22 and to R315.6 billion in 2022/23, reflecting a total increase of 6.4 and 6.8 per cent in the two outer years of the MTREF which may not be realistic in the current economic climate.

26. 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 24.9 per cent for 2020/21 followed by Cape Town at 15.3 per cent and City of Ekurhuleni at 15 per cent of operational revenue respectively. Two metros, namely Buffalo City and Mangaung are constituting a small percentage of the total revenue at 2.7 per cent respectively.

Table 8: Aggregated Operating and Capital revenue budgets for metros, 2019/20 - 2022/23

| | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|-----------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Capital | Operating | Total |
| R thousand | | | | | | | | | | | | |
| Buffalo City | 1 737 413 | 7 143 008 | 8 880 421 | 1 660 089 | 7 507 552 | 9 167 640 | 1 721 556 | 8 095 037 | 9 816 593 | 1 614 507 | 8 680 320 | 10 294 827 |
| Cape Town | 7 225 060 | 41 208 458 | 48 433 518 | 9 666 369 | 42 443 103 | 52 109 472 | 9 667 916 | 46 562 551 | 56 230 466 | 10 688 804 | 50 237 739 | 60 926 544 |
| City of Ekurhuleni | 7 417 207 | 38 807 515 | 46 224 722 | 4 929 978 | 41 629 459 | 46 559 437 | 4 542 239 | 45 063 492 | 49 605 731 | 4 520 643 | 48 832 875 | 53 353 519 |
| eThekweni | 5 149 304 | 39 277 508 | 44 426 812 | 4 792 769 | 40 534 246 | 45 327 015 | 5 098 905 | 44 625 132 | 49 724 037 | 5 583 392 | 48 049 662 | 53 633 054 |
| City Of Johannesburg | 7 754 430 | 57 485 417 | 65 239 846 | 5 328 954 | 69 142 819 | 74 471 773 | 5 025 746 | 73 115 893 | 78 141 639 | 5 433 773 | 77 280 567 | 82 714 340 |
| Mangaung | 1 266 261 | 6 949 638 | 8 215 898 | 1 136 562 | 7 412 427 | 8 548 990 | 1 180 261 | 7 621 869 | 8 802 130 | 1 123 556 | 8 233 355 | 9 356 911 |
| Nelson Mandela Bay | 1 832 628 | 20 662 256 | 22 494 884 | - | - | - | - | - | - | - | - | - |
| City Of Tshwane | 3 783 588 | 41 055 011 | 44 838 599 | 4 037 545 | 37 560 714 | 41 598 260 | 3 539 901 | 39 615 205 | 43 155 107 | 3 686 414 | 41 637 693 | 45 324 107 |
| Total | 36 165 890 | 252 588 811 | 288 754 701 | 31 552 266 | 246 230 320 | 277 782 586 | 30 776 524 | 264 699 179 | 295 475 703 | 32 651 090 | 282 952 212 | 315 603 302 |
| Less | | | | | | | | | | | | 6.8% |
| External loans / borrowing | 15 480 939 | - | 15 480 939 | 9 533 303 | - | 9 533 303 | 11 918 222 | - | 11 918 222 | 11 786 236 | - | 11 786 236 |
| Internally generated funds | (241 753) | - | (241 753) | 7 782 132 | - | 7 782 132 | 5 318 563 | - | 5 318 563 | 6 528 259 | - | 6 528 259 |
| Recalculated revenue | 20 926 705 | 252 588 811 | 273 515 516 | 14 236 831 | 246 230 320 | 260 467 151 | 13 539 739 | 264 699 179 | 278 238 918 | 14 336 595 | 282 952 212 | 297 288 807 |
| % of total revenue | | | | | | | | | | | | |
| Buffalo City | 0.6% | 2.5% | 3.1% | 0.6% | 2.7% | 3.3% | 0.6% | 2.7% | 3.3% | 0.5% | 2.8% | 3.3% |
| Cape Town | 2.5% | 14.3% | 16.8% | 3.5% | 15.3% | 18.8% | 3.3% | 15.8% | 19.0% | 3.4% | 15.9% | 19.3% |
| City of Ekurhuleni | 2.6% | 13.4% | 16.0% | 1.8% | 15.0% | 16.8% | 1.5% | 15.3% | 16.8% | 1.4% | 15.5% | 16.9% |
| eThekweni | 1.8% | 13.6% | 15.4% | 1.7% | 14.6% | 16.3% | 1.7% | 15.1% | 16.8% | 1.8% | 15.2% | 17.0% |
| City Of Johannesburg | 2.7% | 19.9% | 22.6% | 1.9% | 24.9% | 26.8% | 1.7% | 24.7% | 26.4% | 1.7% | 24.5% | 26.2% |
| Mangaung | 0.4% | 2.4% | 2.8% | 0.4% | 2.7% | 3.1% | 0.4% | 2.6% | 3.0% | 0.4% | 2.6% | 3.0% |
| Nelson Mandela Bay | 0.6% | 7.2% | 7.8% | - | - | - | - | - | - | - | - | - |
| City Of Tshwane | 1.3% | 14.2% | 15.5% | 1.5% | 13.5% | 15.0% | 1.2% | 13.4% | 14.6% | 1.2% | 13.2% | 14.4% |

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

27. The capital budget of the metros constitutes 45 per cent of the total municipal capital budget for 2020/21 and increases to 46.8 per cent of total municipal capital expenditure by 2022/23. This

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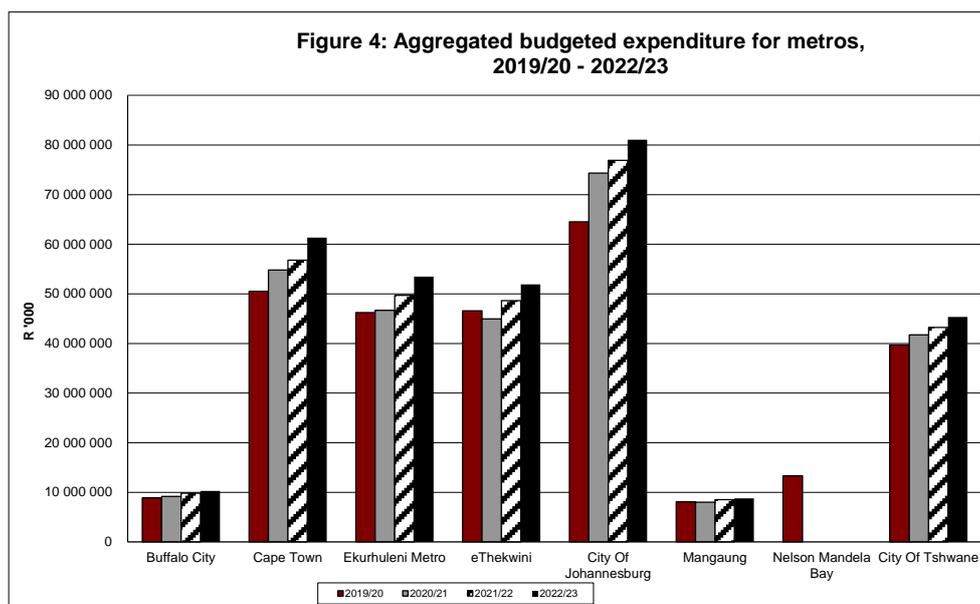


highlights the overall importance of the metros in driving economic growth and job creation as metros are widely considered growth engines of the economy.

Table 9: Aggregated Operating and Capital expenditure for metros, 2019/20 - 2022/23

| | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|-------------------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Capital | Operating | Total |
| R thousand | | | | | | | | | | | | |
| Buffalo City | 1 737 413 | 7 142 098 | 8 879 511 | 1 660 239 | 7 506 953 | 9 167 191 | 1 721 706 | 8 093 062 | 9 814 768 | 1 614 507 | 8 679 528 | 10 294 036 |
| Cape Town | 8 430 911 | 42 099 244 | 50 530 155 | 9 681 357 | 45 118 985 | 54 800 342 | 9 680 728 | 47 102 379 | 56 783 107 | 10 704 494 | 50 623 290 | 61 327 785 |
| City of Ekurhuleni | 7 417 207 | 38 806 031 | 46 223 238 | 4 929 978 | 41 755 974 | 46 685 952 | 4 542 239 | 45 178 777 | 49 721 016 | 4 520 643 | 48 947 197 | 53 467 841 |
| eThekweni | 7 854 605 | 38 728 894 | 46 583 499 | 4 792 769 | 40 161 811 | 44 954 580 | 5 098 905 | 43 539 782 | 48 638 687 | 5 583 392 | 46 318 719 | 51 902 111 |
| City Of Johannesburg | 7 754 430 | 56 775 410 | 64 529 839 | 5 328 954 | 68 998 412 | 74 327 366 | 5 025 746 | 71 883 401 | 76 909 147 | 5 433 773 | 75 647 121 | 81 080 894 |
| Mangaung | 1 266 261 | 6 819 795 | 8 086 056 | 1 136 562 | 6 875 325 | 8 011 887 | 1 180 261 | 7 333 270 | 8 513 531 | 1 123 556 | 7 672 482 | 8 796 038 |
| Nelson Mandela Bay | 1 832 628 | 11 518 639 | 13 351 267 | - | - | - | - | - | - | - | - | - |
| City Of Tshwane | 4 246 464 | 35 446 704 | 39 693 168 | 4 037 545 | 37 706 660 | 41 744 205 | 3 539 901 | 39 686 647 | 43 226 548 | 3 686 414 | 41 662 624 | 45 349 037 |
| Total | 40 539 919 | 237 336 815 | 277 876 734 | 31 567 404 | 248 124 118 | 279 691 522 | 30 789 486 | 262 817 319 | 293 606 805 | 32 666 780 | 279 550 962 | 312 217 742 |
| Less | | | | | | | | | | | | |
| Taxation | - | 36 196 | 36 196 | - | 3 084 | 3 084 | - | 9 292 | 9 292 | - | 10 062 | 10 062 |
| Total revenue | 40 539 919 | 237 300 619 | 277 840 538 | 31 567 404 | 248 121 034 | 279 688 438 | 30 789 486 | 262 808 027 | 293 597 513 | 32 666 780 | 279 540 900 | 312 207 680 |
| % of total expenditure | | | | | | | | | | | | |
| Buffalo City | 0.6% | 2.6% | 3.2% | 0.6% | 2.7% | 3.3% | 0.6% | 2.8% | 3.3% | 0.5% | 2.8% | 3.3% |
| Cape Town | 3.0% | 15.2% | 18.2% | 3.5% | 16.1% | 19.6% | 3.3% | 16.0% | 19.3% | 3.4% | 16.2% | 19.6% |
| City of Ekurhuleni | 2.7% | 14.0% | 16.6% | 1.8% | 14.9% | 16.7% | 1.5% | 15.4% | 16.9% | 1.4% | 15.7% | 17.1% |
| eThekwini | 2.8% | 13.9% | 16.8% | 1.7% | 14.4% | 16.1% | 1.7% | 14.8% | 16.6% | 1.8% | 14.8% | 16.6% |
| City Of Johannesburg | 2.8% | 20.4% | 23.2% | 1.9% | 24.7% | 26.6% | 1.7% | 24.5% | 26.2% | 1.7% | 24.2% | 26.0% |
| Mangaung | 0.5% | 2.5% | 2.9% | 0.4% | 2.5% | 2.9% | 0.4% | 2.5% | 2.9% | 0.4% | 2.5% | 2.8% |
| Nelson Mandela Bay | 0.7% | 4.1% | 4.8% | - | - | - | - | - | - | - | - | - |
| City Of Tshwane | 1.5% | 12.8% | 14.3% | 1.4% | 13.5% | 14.9% | 1.2% | 13.5% | 14.7% | 1.2% | 13.3% | 14.5% |

Source: National Treasury Local Government Database



28. Operating expenditure by metros accounts for more than half (59.5 per cent on average) of total municipal operating expenditure over the 2020/21 MTREF.
29. Table 9 also shows that in 2020/21 Cape Town, City of Johannesburg and City of Ekurhuleni have the largest capital budgets at 3.5, 1.9 and 1.8 per cent of the aggregated total budget for metros. They are closely followed by the eThekwini at 1.7 per cent. When the City of Tshwane is benchmarked against the mentioned metros, its capital budget is a mere 1.4 per cent in 2020/21 and decreases over the MTREF.
30. 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 2020/21 are energy sources at R129.1 billion, water at R58.3 billion, waste water management at R18.5 billion and waste management at R18.5 billion. Over the MTREF, moderate increases are anticipated for energy sources, which is expected to grow by 6.7 per cent in 2021/22 and 6.5



per cent in 2022/23. 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.

31. 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 | 2016/17 | 2017/18 | 2018/19 | Current year 2019/20 | | 2020/21 Medium Term Revenue & Expenditure Framework | | |
|---|----------------------|----------------------|--------------------|----------------------|--------------------|---|---------------------|---------------------|
| | Audited Outcome (BR) | Audited Outcome (BR) | Audited Outcome | Original Budget | Adjusted Budget | Budget Year 2020/21 | Budget Year 2021/22 | Budget Year 2022/23 |
| R thousands | | | | | | | | |
| Revenue - Functional | | | | | | | | |
| Trading services | 181 762 451 | 145 531 412 | 133 322 325 | 243 816 609 | 232 846 116 | 224 446 718 | 240 093 469 | 257 060 169 |
| Energy sources | 106 407 315 | 81 602 645 | 73 998 103 | 140 649 194 | 138 942 810 | 129 138 039 | 137 825 423 | 146 822 117 |
| Water management | 46 046 000 | 41 080 156 | 35 857 861 | 61 935 462 | 56 128 189 | 58 344 501 | 63 390 845 | 68 682 085 |
| Waste water management | 17 227 661 | 11 303 265 | 12 663 093 | 23 579 956 | 19 017 899 | 18 477 795 | 19 267 110 | 20 857 164 |
| Waste management | 12 081 475 | 11 545 346 | 10 803 268 | 17 651 996 | 18 757 219 | 18 486 383 | 19 610 091 | 20 698 803 |
| Expenditure - Functional | | | | | | | | |
| Trading services | 163 302 803 | 134 615 571 | 126 655 578 | 202 852 577 | 196 432 774 | 201 539 424 | 212 873 466 | 226 253 983 |
| Energy sources | 98 338 738 | 76 415 497 | 69 730 636 | 118 643 263 | 114 866 309 | 116 219 700 | 122 810 180 | 130 514 129 |
| Water management | 40 636 600 | 38 939 287 | 36 861 840 | 50 871 557 | 51 045 587 | 54 684 751 | 58 104 909 | 61 941 714 |
| Waste water management | 11 755 323 | 8 526 161 | 9 445 533 | 17 393 726 | 14 181 200 | 13 888 909 | 14 492 920 | 15 403 947 |
| Waste management | 12 572 142 | 10 734 625 | 10 617 569 | 15 944 032 | 16 339 678 | 16 746 064 | 17 465 456 | 18 394 193 |
| Surplus/(Deficit) for Trading Services | 18 459 647 | 10 915 841 | 6 666 747 | 40 964 032 | 33 504 594 | 34 924 105 | 36 711 070 | 30 806 185 |

Source: National Treasury Local Government Database

32. Table 11 provides information on the projected expenditure by metros on bulk purchases for electricity and water over the MTREF. Metros have budgeted R57.6 billion for the purchase of bulk electricity in 2020/21, with an annual growth of 6.4 per cent and 7.6 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 2020/21 to 2022/23 on 7 March 2019. The NERSA document proposed a 8.1 per cent guideline increase for municipal electricity tariffs for 2020/21.
33. It is estimated that budgeted expenditure in relation to bulk purchases of electricity will be R65.9 billion by 2022/23.
34. 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.
35. 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.
36. 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.
37. Expenditure on bulk water amounts to R18.3 billion in 2020/21 and increases by 8.8 per cent in 2021/22 to R19.9 billion and a further 8.6 per cent in 2022/23 to R21.6 billion.

Table 11: Bulk purchases expenditure for metros for functions, 2019/20 - 2022/23

| R thousand | Electricity | | | | Water | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Buffalo City | 1 686 925 | 1 779 698 | 1 914 277 | 2 103 025 | 251 536 | 277 777 | 300 777 | 325 682 |
| Cape Town | 9 475 500 | 9 585 215 | 10 578 308 | 11 461 549 | 617 101 | 405 666 | 513 776 | 582 495 |
| City of Ekurhuleni | 11 735 606 | 12 547 651 | 13 413 439 | 14 338 966 | 3 968 084 | 4 303 271 | 4 948 761 | 5 691 075 |
| eThekweni | 10 270 575 | 10 220 351 | 11 769 213 | 12 651 804 | 2 722 464 | 3 210 314 | 3 439 926 | 3 686 158 |
| City Of Johannesburg | 12 482 612 | 12 175 141 | 11 684 530 | 12 661 815 | 5 910 579 | 6 531 536 | 6 960 732 | 7 418 262 |
| Mangaung | 1 741 212 | 1 720 532 | 1 881 718 | 1 972 040 | 567 879 | 488 331 | 520 072 | 553 877 |
| Nelson Mandela Bay | 3 396 741 | - | - | - | 158 549 | - | - | - |
| City Of Tshwane | 9 204 980 | 9 527 588 | 10 023 022 | 10 724 634 | 2 876 192 | 3 099 168 | 3 241 730 | 3 390 849 |
| Total expenditure | 59 994 152 | 57 556 176 | 61 264 507 | 65 913 833 | 17 072 383 | 18 316 063 | 19 925 775 | 21 648 399 |

Source: National Treasury Local Government Database

38. 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

39. Tables 12 and 13 depict the aggregated budgeted revenue and expenditure for the secondary cities (top 19 municipalities) over the 2020/21 MTREF period.
40. The total budgeted revenue for secondary cities amounts to R66.8 billion in 2020/21 (an increase from R3.4 billion from 2019/20) and increases to R74.3 billion by 2022/23. Growth in revenue in the outer years is 4.6 and 6.3 per cent.
41. The total budgeted revenue is skewed by the low 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.
42. The total expenditure budget of secondary cities increased from R67.9 billion in 2019/20 to R68.2 billion in 2020/21, R70.3 billion in 2021/22 and R74.1 billion in 2022/23 representing a growth of 3.1 per cent and accelerates to 5.4 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 two of the MTREF years when considering operational revenue and expenditure.
43. 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.
44. Spending on capital by secondary cities over the MTREF is decreasing from R7.2 billion in 2020/21 to R6.8 billion in 2021/22 but increasing to R7.4 billion in 2022/23. 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, 2019/20 - 2022/23

| R thousand | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|-----------------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|
| | Capital | Operating ¹ | Total |
| Secondary cities | 7 613 722 | 55 811 212 | 63 424 934 | 6 989 019 | 59 819 336 | 66 808 355 | 6 615 674 | 63 279 020 | 69 894 695 | 7 211 085 | 67 068 557 | 74 279 642 |
| Matjhabeng | 220 615 | 2 672 803 | 2 893 418 | 153 247 | 2 958 462 | 3 111 709 | 163 862 | 3 240 636 | 3 404 498 | 174 830 | 3 221 776 | 3 396 606 |
| Emfuleni | 471 566 | 5 774 289 | 6 245 855 | 333 960 | 6 196 143 | 6 530 103 | 373 391 | 6 592 173 | 6 965 564 | 427 998 | 6 937 136 | 7 365 133 |
| Mogale City | 191 489 | 3 090 965 | 3 282 454 | 199 326 | 3 333 071 | 3 532 397 | 213 251 | 3 433 907 | 3 647 158 | 309 137 | 3 622 012 | 3 931 148 |
| Msunduzi | 434 982 | 5 604 622 | 6 039 605 | 580 892 | 5 917 810 | 6 498 702 | 658 417 | 6 341 889 | 7 000 306 | 692 561 | 6 817 456 | 7 510 018 |
| New castle | 10 543 | 1 979 077 | 1 989 620 | 173 | 2 093 603 | 2 093 777 | 121 015 | 2 205 973 | 2 326 988 | 120 827 | 2 398 638 | 2 519 465 |
| uMhlatuze | 597 533 | 3 208 768 | 3 806 301 | 671 834 | 3 416 974 | 4 088 808 | 593 789 | 3 622 302 | 4 216 090 | 654 376 | 3 862 722 | 4 517 098 |
| Polokwane | 1 889 186 | 3 795 788 | 5 684 974 | 1 201 499 | 3 807 023 | 5 008 522 | 728 152 | 4 111 603 | 4 839 755 | 641 813 | 4 442 748 | 5 084 562 |
| Govan Mbeki | 100 363 | 2 000 926 | 2 101 289 | 169 586 | 2 432 912 | 2 602 498 | 100 223 | 2 441 384 | 2 541 607 | 130 858 | 2 567 861 | 2 698 720 |
| Emalahleni (Mp) | 178 986 | 3 181 225 | 3 360 211 | 245 771 | 3 428 838 | 3 674 609 | 245 954 | 3 610 922 | 3 856 876 | 252 472 | 3 816 998 | 4 069 470 |
| Steve Tshwete | 115 714 | 1 641 590 | 1 757 303 | 682 404 | 1 776 708 | 2 459 113 | 701 992 | 1 884 533 | 2 586 524 | 681 061 | 2 015 314 | 2 696 375 |
| City of Mbombela | 682 362 | 2 864 567 | 3 546 929 | 410 187 | 3 213 492 | 3 623 679 | 466 975 | 3 293 665 | 3 760 640 | 750 432 | 3 518 720 | 4 269 152 |
| Sol Plaatje | 184 285 | 2 203 612 | 2 387 897 | 154 456 | 2 212 561 | 2 367 017 | 155 489 | 2 348 000 | 2 503 489 | 169 458 | 2 498 378 | 2 667 836 |
| Madibeng | 281 797 | 1 829 055 | 2 110 852 | 281 482 | 2 061 212 | 2 342 694 | 327 000 | 2 201 617 | 2 528 617 | 335 000 | 2 357 100 | 2 692 100 |
| Rustenburg | 788 360 | 5 198 472 | 5 986 832 | 611 404 | 5 190 749 | 5 802 153 | 616 486 | 5 525 327 | 6 141 813 | 675 499 | 5 837 464 | 6 512 962 |
| City Of Matlosana | 164 115 | 2 722 181 | 2 886 296 | 162 800 | 3 399 142 | 3 561 942 | 159 842 | 3 527 708 | 3 687 550 | 170 179 | 3 703 593 | 3 873 772 |
| J B Marks | 21 148 | 1 715 897 | 1 737 045 | 149 300 | 1 715 095 | 1 864 395 | 112 658 | 1 806 849 | 1 919 507 | 113 767 | 1 908 012 | 2 021 779 |
| Drakenstein | 378 030 | 2 331 777 | 2 709 807 | 216 972 | 2 431 220 | 2 648 193 | 114 979 | 2 604 692 | 2 719 671 | 112 702 | 2 795 032 | 2 907 734 |
| Stellenbosch | 558 277 | 1 778 647 | 2 336 924 | 375 750 | 1 899 731 | 2 275 481 | 436 268 | 2 025 069 | 2 461 336 | 458 119 | 2 172 509 | 2 630 628 |
| George | 344 372 | 2 216 950 | 2 561 322 | 387 975 | 2 334 589 | 2 722 564 | 325 936 | 2 460 771 | 2 786 707 | 339 997 | 2 575 087 | 2 915 084 |
| Less | | | | | | | | | | | | |
| External loans / borrowing | 1 096 683 | - | 1 096 683 | 1 121 943 | - | 1 121 943 | 810 389 | - | 810 389 | 866 522 | - | 866 522 |
| Internally generated funds | 1 811 026 | - | 1 811 026 | 1 407 248 | - | 1 407 248 | 1 498 810 | - | 1 498 810 | 1 710 607 | - | 1 710 607 |
| Recalculated revenue | 4 706 014 | 55 811 212 | 60 517 226 | 4 459 828 | 59 819 336 | 64 279 164 | 4 306 476 | 63 279 020 | 67 585 497 | 4 633 956 | 67 068 557 | 71 702 513 |

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

Table 13: Aggregated Operating and Capital expenditure budgets for secondary cities, 2019/20 - 2022/23

| R thousand | 2019/20 | | | 2020/21 | | | 2021/22 | | | 2022/23 | | |
|------------------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|------------------|------------------------|-------------------|
| | Capital | Operating ¹ | Total |
| Top 19 Municipalities | 8 915 781 | 58 934 603 | 67 850 384 | 7 184 403 | 61 037 730 | 68 222 133 | 6 783 886 | 63 525 887 | 70 309 772 | 7 388 629 | 66 717 855 | 74 106 484 |
| Matjhabeng | 220 615 | 3 246 217 | 3 466 832 | 153 247 | 2 958 364 | 3 111 611 | 163 862 | 3 106 555 | 3 270 417 | 174 830 | 3 190 968 | 3 365 798 |
| Emfuleni | 471 566 | 5 717 910 | 6 189 476 | 333 960 | 6 066 389 | 6 400 349 | 373 391 | 6 427 205 | 6 800 595 | 427 998 | 6 733 068 | 7 161 066 |
| Mogale City | 342 392 | 2 975 965 | 3 318 357 | 199 326 | 3 290 122 | 3 489 447 | 213 251 | 3 400 992 | 3 614 242 | 309 137 | 3 505 074 | 3 814 210 |
| Msunduzi | 555 371 | 5 328 507 | 5 883 878 | 580 892 | 5 516 477 | 6 097 369 | 658 417 | 5 904 343 | 6 562 760 | 692 561 | 6 320 973 | 7 013 535 |
| New castle | 200 619 | 2 432 636 | 2 633 255 | 24 322 | 2 397 474 | 2 421 796 | 123 015 | 2 604 205 | 2 727 220 | 124 827 | 2 832 347 | 2 957 174 |
| uMhlatuze | 597 533 | 3 234 247 | 3 831 780 | 671 834 | 3 485 274 | 4 157 108 | 593 789 | 3 673 862 | 4 267 650 | 654 376 | 3 852 144 | 4 506 520 |
| Polokwane | 1 889 186 | 3 549 931 | 5 439 117 | 1 201 499 | 3 679 467 | 4 880 966 | 728 152 | 3 931 507 | 4 659 659 | 641 813 | 4 180 867 | 4 822 681 |
| Govan Mbeki | 142 188 | 2 415 650 | 2 557 838 | 325 861 | 2 376 700 | 2 702 561 | 266 434 | 2 248 512 | 2 514 946 | 304 403 | 2 428 357 | 2 732 760 |
| Emalahleni (Mp) | 251 088 | 3 888 876 | 4 139 963 | 245 771 | 4 504 262 | 4 750 032 | 245 954 | 4 704 844 | 4 950 798 | 252 472 | 4 922 039 | 5 174 510 |
| Steve Tshwete | 462 137 | 1 721 632 | 2 183 769 | 682 404 | 1 906 279 | 2 588 683 | 701 992 | 2 001 704 | 2 703 695 | 681 061 | 2 116 812 | 2 797 873 |
| City of Mbombela | 682 362 | 3 249 926 | 3 932 288 | 410 187 | 3 618 653 | 4 028 840 | 466 975 | 3 343 705 | 3 810 680 | 750 432 | 3 473 595 | 4 224 027 |
| Sol Plaatje | 184 285 | 2 194 210 | 2 378 495 | 154 456 | 2 193 028 | 2 347 484 | 155 489 | 2 327 266 | 2 482 755 | 169 458 | 2 471 291 | 2 640 749 |
| Madibeng | 281 797 | 2 423 738 | 2 705 535 | 281 482 | 2 462 474 | 2 743 957 | 327 000 | 2 581 135 | 2 908 135 | 335 000 | 2 670 888 | 3 005 888 |
| Rustenburg | 1 146 562 | 5 041 218 | 6 187 780 | 611 404 | 4 326 090 | 4 937 495 | 616 486 | 4 497 755 | 5 114 241 | 675 499 | 4 667 013 | 5 342 512 |
| City Of Matlosana | 164 115 | 3 217 212 | 3 381 326 | 162 800 | 3 382 374 | 3 545 174 | 159 842 | 3 426 128 | 3 585 970 | 170 179 | 3 486 603 | 3 656 782 |
| J B Marks | 42 887 | 1 818 848 | 1 861 735 | 164 261 | 2 091 965 | 2 256 226 | 112 658 | 2 198 890 | 2 311 548 | 113 767 | 2 338 411 | 2 452 177 |
| Drakenstein | 378 030 | 2 399 626 | 2 777 656 | 216 972 | 2 515 184 | 2 732 157 | 114 979 | 2 653 718 | 2 768 697 | 112 702 | 2 787 739 | 2 900 441 |
| Stellenbosch | 558 277 | 1 808 247 | 2 366 523 | 375 750 | 1 887 463 | 2 263 214 | 436 268 | 2 002 434 | 2 438 701 | 458 119 | 2 141 680 | 2 599 800 |
| George | 344 372 | 2 270 007 | 2 614 379 | 387 975 | 2 379 689 | 2 767 664 | 325 936 | 2 491 127 | 2 817 063 | 339 997 | 2 597 985 | 2 937 981 |
| Less | | | | | | | | | | | | |
| Taxation | - | - | - | - | - | - | - | - | - | - | - | - |
| Total revenue | 8 915 781 | 58 934 603 | 67 850 384 | 7 184 403 | 61 037 730 | 68 222 133 | 6 783 886 | 63 525 887 | 70 309 772 | 7 388 629 | 66 717 855 | 74 106 484 |

Source: National Treasury Local Government Database

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

Growth in Aggregated Operating and Capital Budgets compared to the 2019/20 Budgets

46. Table 14 provides a comparison between the preliminary outcome for the 2019/20 financial year concluded on 30 June 2020 as published in the Section 71 Quarter 4 publication which was released on 18 August 2020, the adopted budget for the 2020/21 financial year and the average growth in municipal budgets over the 2020/21 MTREF period.



Table 14: Growth in municipal budgets compared to S71 Preliminary Outcome for 2019/20

| R thousands | 2019/20 | | | 2020/21 | 2021/22 | 2022/23 | % Growth rates: Estimated actual (Nominal) | |
|---|--------------------|--------------------|---------------------|-----------------------|--------------------|--------------------|--|-----------------|
| | Adopted Budget | Revised Budget | Preliminary outcome | Medium term estimates | | | 2019/20-2020/21 | 2019/20-2022/23 |
| Operating Revenue¹ | | | | | | | | |
| Property rates | 71 212 757 | 71 611 296 | 70 217 357 | 73 958 017 | 78 324 251 | 83 061 007 | 5.3% | 5.8% |
| Service charges | 210 176 145 | 209 404 376 | 178 516 762 | 199 379 961 | 214 156 017 | 229 257 898 | 11.7% | 8.7% |
| Other own revenue | 127 688 686 | 139 758 919 | 119 211 319 | 141 445 442 | 149 511 396 | 158 423 864 | 18.7% | 9.9% |
| Total Revenue | 409 077 588 | 420 774 592 | 367 945 438 | 414 783 420 | 441 991 663 | 470 742 769 | 12.7% | 8.6% |
| Operating Expenditure | | | | | | | | |
| Employee related costs | 120 480 548 | 119 037 199 | 105 436 509 | 121 893 061 | 129 529 123 | 138 175 786 | 15.6% | 9.4% |
| Debt impairment | 24 310 434 | 28 782 446 | 19 095 940 | 33 413 770 | 33 084 396 | 34 878 454 | 75.0% | 22.2% |
| Bulk purchases | 115 489 260 | 111 697 362 | 102 333 883 | 115 651 547 | 123 273 924 | 132 367 619 | 13.0% | 9.0% |
| Other expenditure | 143 057 138 | 152 867 930 | 116 164 131 | 148 319 185 | 155 471 077 | 161 988 809 | 27.7% | 11.7% |
| Total Expenditure² | 403 337 380 | 412 384 938 | 343 030 463 | 419 277 564 | 441 358 520 | 467 410 668 | 22.2% | 10.9% |
| Operating Surplus(Deficit) | 5 740 208 | 8 389 654 | 24 914 976 | (4 494 144) | 633 143 | 3 332 102 | | |
| Capital Funding | | | | | | | | |
| External loans | 17 557 397 | 10 798 115 | 5 897 860 | 11 395 889 | 13 355 912 | 13 084 441 | 93.2% | 30.4% |
| Internal contributions | 11 405 692 | 10 899 004 | 20 401 752 | 20 247 414 | 16 316 973 | 17 538 238 | (0.8%) | (4.9%) |
| Transfers and subsidies | 40 353 788 | 38 907 658 | 33 282 390 | 37 832 531 | 37 097 177 | 39 168 227 | 13.7% | 5.6% |
| Other | - | - | - | - | - | - | - | - |
| Total funding | 69 316 877 | 60 604 777 | 59 582 001 | 69 475 834 | 66 770 061 | 69 790 906 | 16.6% | 5.4% |
| Capital Expenditure | | | | | | | | |
| Water | 19 948 220 | 15 789 008 | 23 314 882 | 15 238 129 | 15 760 837 | 16 936 195 | (34.6%) | (10.1%) |
| Electricity | 7 157 535 | 6 426 219 | 14 288 066 | 6 589 441 | 6 191 229 | 6 306 676 | (53.9%) | (23.9%) |
| Housing | 1 546 409 | 2 208 430 | 216 738 | 1 626 948 | 1 620 718 | 1 745 575 | 650.7% | 100.4% |
| Roads, pavements, bridges and storm water | 16 991 976 | 15 756 451 | 17 873 739 | 15 015 311 | 14 794 082 | 15 744 957 | (16.0%) | (4.1%) |
| Other | 32 719 126 | 28 628 356 | 20 943 404 | 31 639 538 | 29 176 689 | 29 915 126 | 51.1% | 12.6% |
| Total expenditure | 78 363 267 | 68 808 464 | 41 245 121 | 70 109 367 | 67 543 556 | 70 648 529 | 70.0% | 19.6% |

¹Excluding capital transfers and contributions

²Excludes Taxation

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

47. As seen in the above table, operating expenditure increases in total by 22.2 per cent when the preliminary outcome for 2019/20 and the MTREF budget for 2020/21 are compared. Note that the operating revenue increases by 12.7 per cent. Increasing operating expenditure that exceeds revenue is a concern and is considered unsustainable.
48. Compared to the preliminary outcomes of 2019/20, salaries, wages and allowances will increase of 15.6 per cent and bulk purchases by 13 per cent. Bulk purchases will increase by 8.1 per cent as indicated in the Eskom standard tariff submission for the 2020/21 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.
49. Bad and doubtful debt is expected to increase by 75 per cent, an indication of the revenue losses expected due to the COVID-19 lockdown and the economic slowdown.
50. 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 22.2 per cent noted in respect of debt impairment.
51. Provisions in respect of bulk purchases are also expected to increase by 9 per cent over the MTREF period owing primarily to the increases associated with bulk electricity purchases.
52. In respect of operating revenue items, the average increase is 8.6 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 2020/21 MTREF.
53. Capital budgets grow significantly by 70 per cent from 2019/20 to 2020/21. 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 93.2 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.

54. Grants and subsidies show an increase of 13.7 per cent when compared to the preliminary outcomes for 2019/20.
55. Over the MTREF period the average capital expenditure growth is increasing to an estimated 19.6 per cent. Capital expenditure seems over stated and exceeds the capital funding. These are reporting challenges and incorrect treatment of the mSCOA classification framework.

Changes to Baseline

56. Table 15 highlights the extent to which municipalities have allocated additional resources in the 2020/21 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 2020/21 forward estimates.

Table 15: Changes to baseline for 2020 MTREF

| | 2020/21 | | | 2021/22 | | | 2022/23 | % change to baseline | | % share of total change to baseline | |
|---|-------------------------------|-------------------------------------|---------------------|-------------------------------|-------------------------------------|---------------------|-------------------------------------|----------------------|---------------|-------------------------------------|-----------------|
| | 2019/20 Medium term estimates | 2020/21 Draft Medium term estimates | Changes to baseline | 2019/20 Medium term estimates | 2020/21 Draft Medium term estimates | Changes to baseline | 2020/21 Draft Medium term estimates | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| R thousands | | | | | | | | | | | |
| Operating Revenue¹ | | | | | | | | | | | |
| Property rates | 75 502 836 | 73 958 017 | (1 544 819) | 80 178 121 | 78 324 251 | (1 853 870) | 83 061 007 | (2.0%) | (2.3%) | (8.2%) | (20.0%) |
| Service charges | 219 464 054 | 199 379 961 | (20 084 093) | 238 319 296 | 214 156 017 | (24 163 279) | 229 257 898 | (9.2%) | (10.1%) | (106.7%) | (260.3%) |
| Other own revenue | 134 223 471 | 141 445 442 | 7 221 971 | 144 510 707 | 149 511 396 | 5 000 689 | 158 423 864 | 5.4% | 3.5% | 38.4% | 53.9% |
| Total Revenue | 429 190 361 | 414 783 420 | (14 406 942) | 463 008 123 | 441 991 663 | (21 016 460) | 470 742 769 | (3.4%) | (4.5%) | (76.6%) | (226.4%) |
| Operating Expenditure | | | | | | | | | | | |
| Employee related costs | 129 107 232 | 121 893 061 | (7 214 170) | 138 757 900 | 129 529 123 | (9 228 776) | 138 175 786 | (5.6%) | (6.7%) | (77.1%) | (95.1%) |
| Debt impairment | 25 212 279 | 33 413 770 | 8 201 492 | 26 250 035 | 33 084 396 | 6 834 361 | 34 878 454 | 32.5% | 26.0% | 87.6% | 70.4% |
| Bulk purchases | 126 420 910 | 115 651 547 | (10 769 363) | 136 504 440 | 123 273 924 | (13 230 516) | 132 367 619 | (8.5%) | (9.7%) | (115.1%) | (136.4%) |
| Other expenditure | 149 145 977 | 148 319 185 | (826 792) | 157 458 262 | 155 471 077 | (1 987 185) | 161 988 809 | (0.6%) | (1.3%) | (8.8%) | (20.5%) |
| Total Expenditure² | 429 886 397 | 419 277 564 | (10 608 833) | 458 970 636 | 441 358 520 | (17 612 116) | 467 410 668 | (2.5%) | (3.8%) | (113.4%) | (181.5%) |
| Operating Surplus/(Deficit) | (696 036) | (4 494 144) | (3 798 108) | 4 037 487 | 633 143 | (3 404 344) | 3 332 102 | | | | |
| Capital Funding | | | | | | | | | | | |
| External loans | 11 395 889 | 11 395 889 | (7 484 636) | 13 355 912 | 13 355 912 | (4 839 634) | 13 084 441 | (65.7%) | (36.2%) | 180.7% | 75.4% |
| Internal contributions | 20 206 627 | 20 247 414 | 10 809 392 | 16 302 495 | 16 316 973 | 5 668 271 | 17 538 238 | 53.5% | 34.8% | (261.0%) | (88.3%) |
| Transfers and subsidies | 37 914 262 | 37 832 531 | (2 575 568) | 37 229 001 | 37 097 177 | (5 134 885) | 39 168 227 | (6.8%) | (13.8%) | 62.2% | 80.0% |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total funding | 69 516 778 | 69 475 834 | (40 944) | 66 887 408 | 66 770 061 | (117 347) | 69 790 906 | (0.1%) | (0.2%) | 1.0% | 1.8% |
| Capital Expenditure | | | | | | | | | | | |
| Water | 16 045 252 | 15 238 129 | (6 548 754) | 16 708 590 | 15 760 837 | (6 634 496) | 16 936 195 | (40.8%) | (39.7%) | (34.2%) | (36.6%) |
| Electricity | 6 096 353 | 6 589 441 | (1 039 194) | 1 666 127 | 6 191 229 | (2 389 873) | 6 306 676 | (17.0%) | (143.4%) | (5.4%) | (13.2%) |
| Housing | 5 083 144 | 1 626 948 | (4 418 755) | 5 362 791 | 1 620 718 | (4 421 424) | 1 745 575 | (86.9%) | (82.4%) | (23.1%) | (24.4%) |
| Roads, pavements, bridges and storm water | 13 581 075 | 15 015 311 | (6 287 844) | 13 396 061 | 14 794 082 | (7 433 211) | 15 744 957 | (46.3%) | (55.5%) | (32.9%) | (41.0%) |
| Other | 29 358 686 | 31 639 538 | (4 869 376) | 30 532 333 | 29 176 689 | (6 531 547) | 29 915 126 | (16.6%) | (21.4%) | (25.5%) | (36.0%) |
| Total expenditure | 70 164 511 | 70 109 367 | (55 144) | 67 665 902 | 67 543 556 | (122 347) | 70 648 529 | (0.1%) | (0.2%) | (0.3%) | (0.7%) |

¹Excluding capital transfers and contributions

²Includes Taxation

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

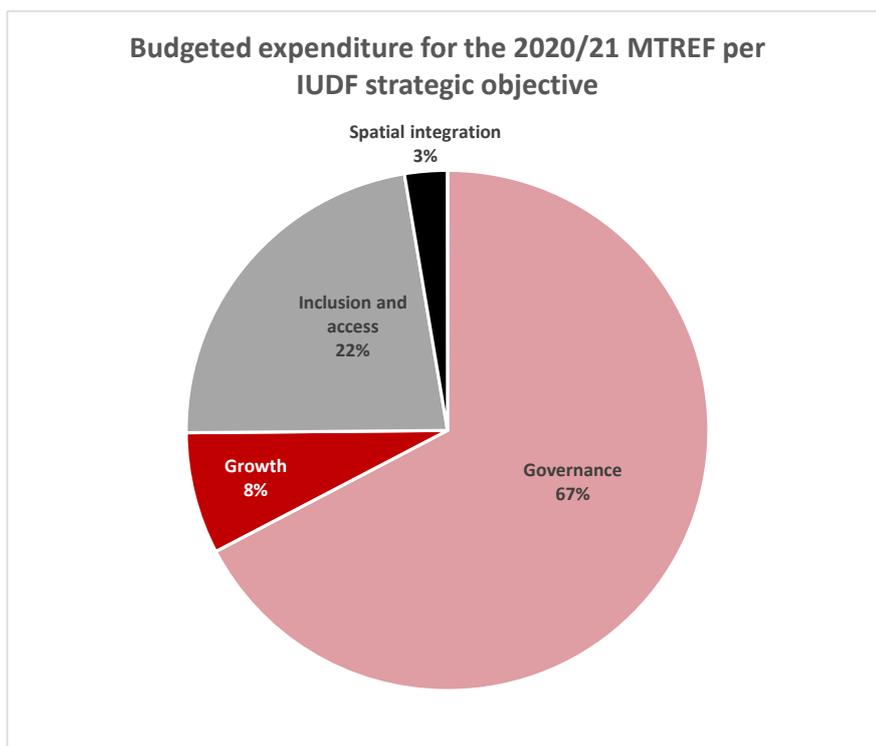
57. Compared to the 2019/20 MTREF forecast, budgeted operating revenue for 2020/21 has decreased by R14.4 billion and operating expenditure by R10.6 billion. Capital expenditure in the 2020/21 financial year decreased by R55.1 million. As mentioned before the capital expenditure is not fully aligned with the capital funding.

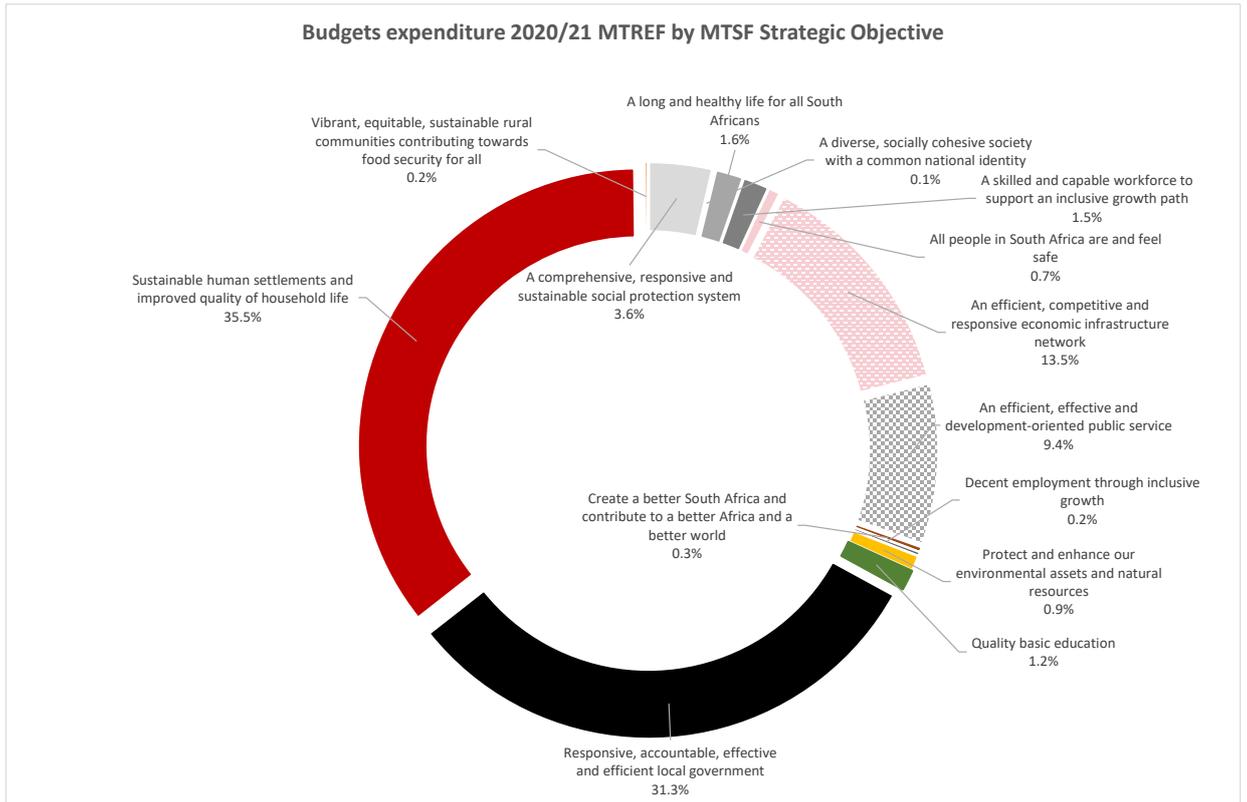
58. For the 2021/22 financial year, the operating revenue will decrease further by R21 billion and operating expenditure by R17.6 billion. Capital expenditure has decreased further by R122.3 million.

59. Against operating expenditure, bulk purchases can be observed as decreasing by 8.5 per cent to the baseline in the 2020/21 financial year and by a further 9.7 per cent in the 2021/22 year. This is concerning as the bulk purchase cost of electricity and water are expected to increase by 8.1 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.
60. Movement from 2019/20 in respect of operating revenue to the 2020/21 financial year can be observed as a decrease in the Property rates at 2 per cent, a decrease in Service charges at 9.2 per cent while Other revenue shows an increase of 5.4 per cent.
61. The capital expenditure baseline in the 2020/21 financial year is related to an anticipated decrease of 0.1 per cent.
62. From a funding perspective, the increased capital expenditure will not be fully supported by a decrease in external loans funding of 65.7 per cent, an increase of 53.5 per cent in internally generated funds and a decrease of 6.8 per cent in transfers and subsidies.

Analysis in the mSCOA framework

63. Using the different dimensions available in the *mSCOA* framework, the municipal 2020/21 MTREF budgets were analysed 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.

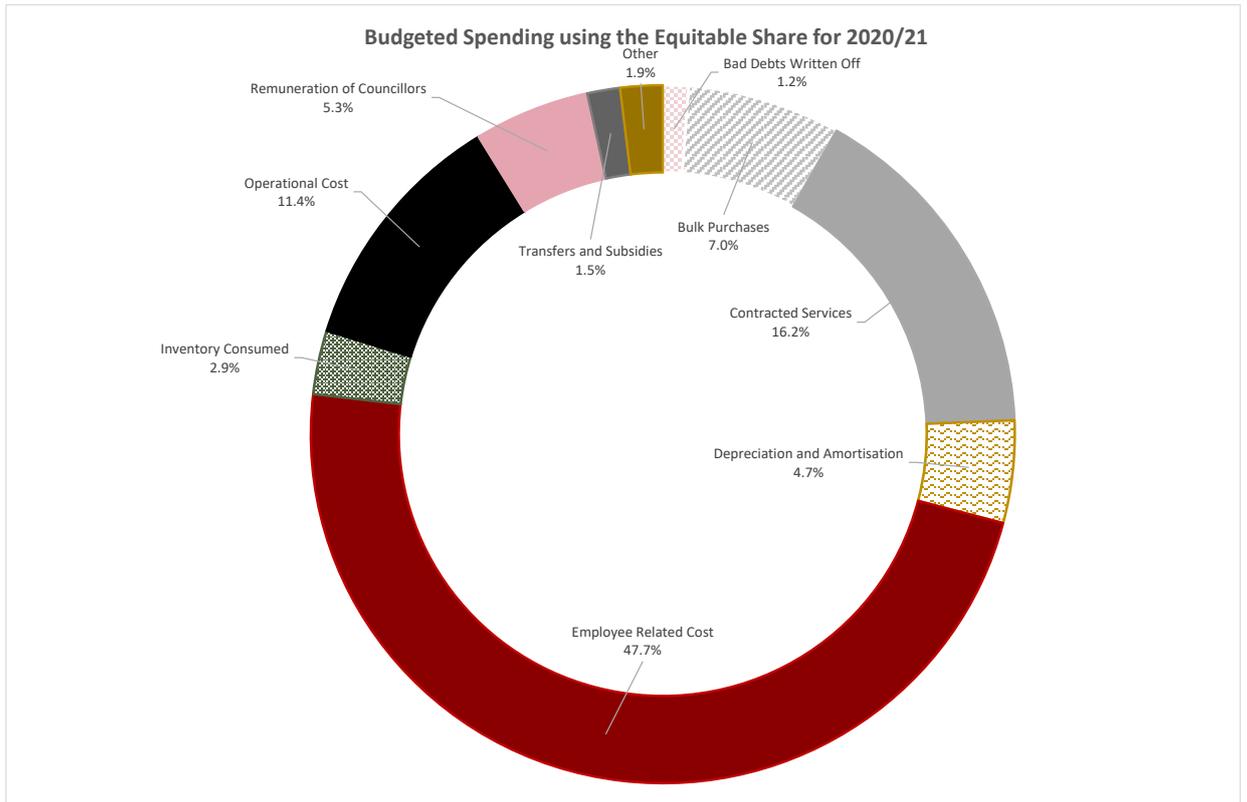




Utilization of the Local Government Equitable share

64. 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.





65. More detail is available on the MFMA website.



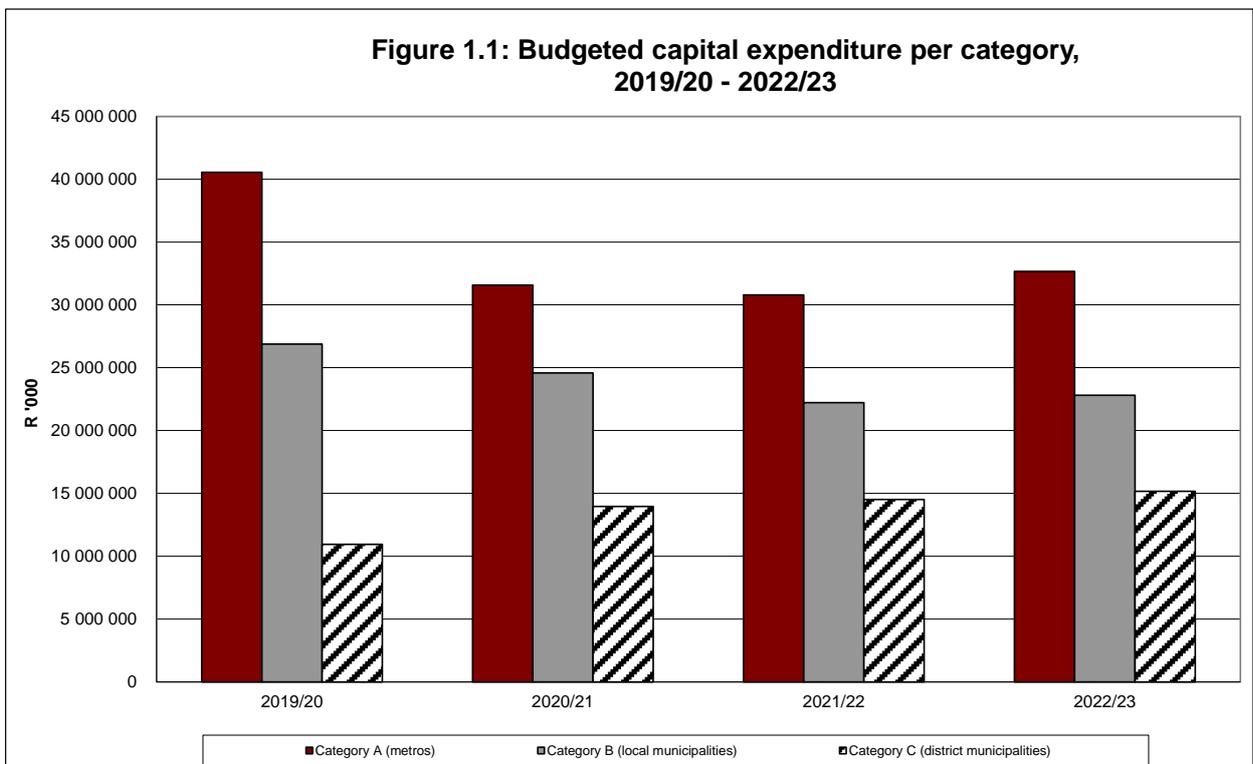
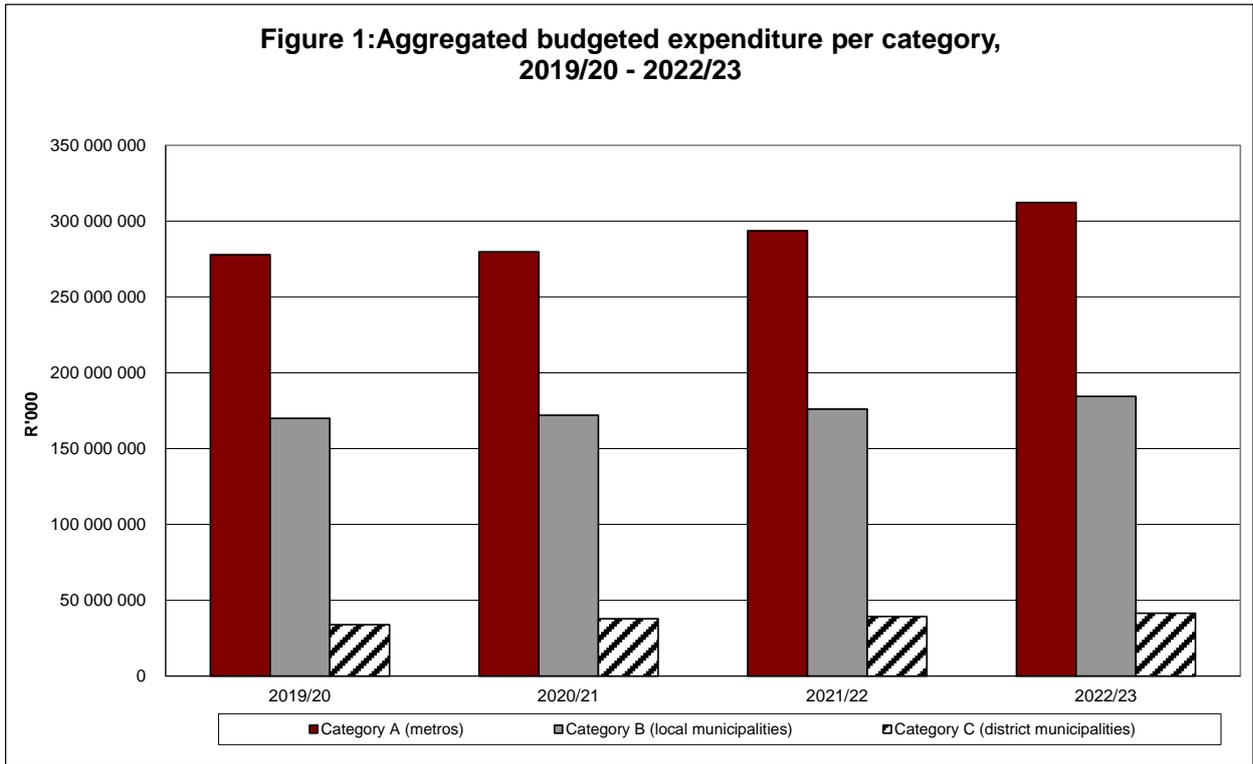


Figure 1.2: Budgeted operating expenditure per category, 2019/20 - 2022/23

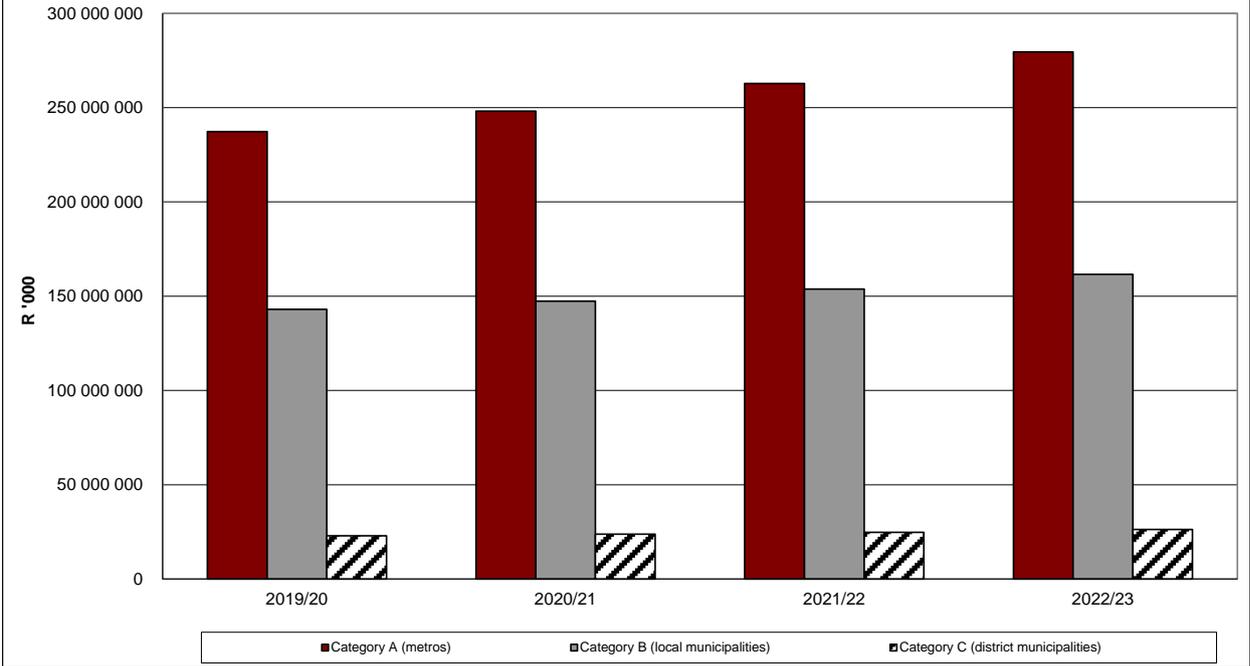


Figure 2: Total operating and capital expenditure per province, 2019/20 - 2022/23

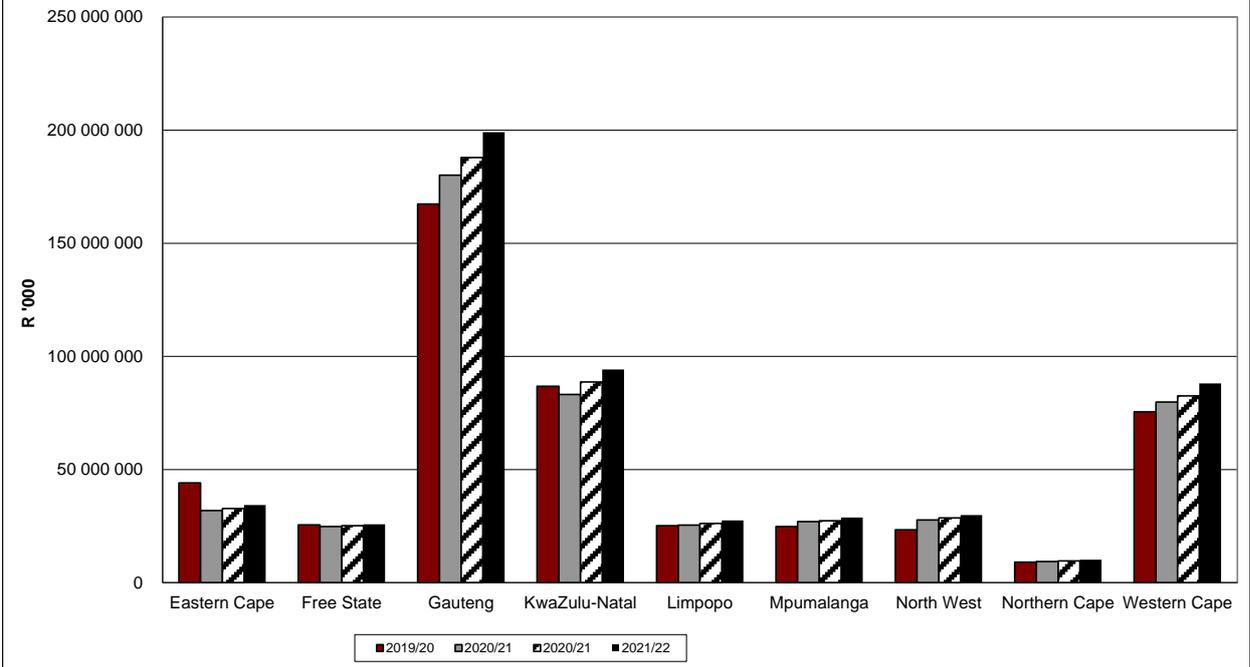


Figure 2.1: Budgeted capital expenditure per province, 2019/20 - 2022/23

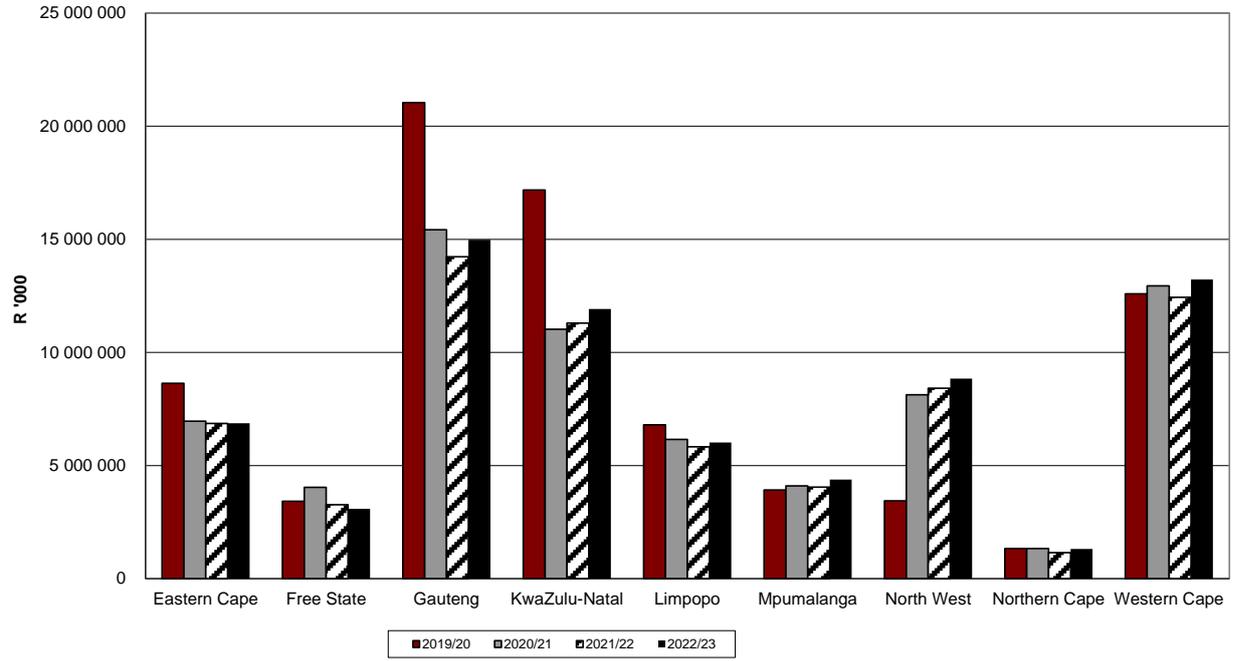


Figure 2.2: Budgeted operating expenditure per province, 2019/20 - 2022/23

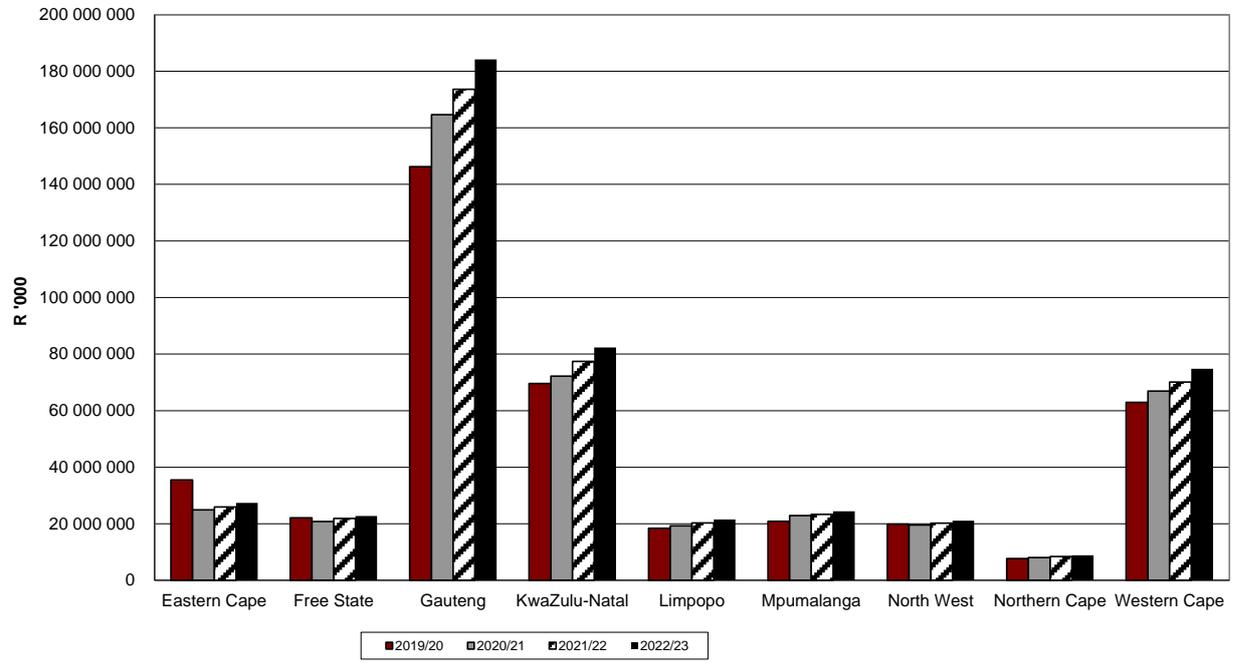


Figure 3: Aggregated budgeted expenditure for metros, 2019/20 - 2022/23

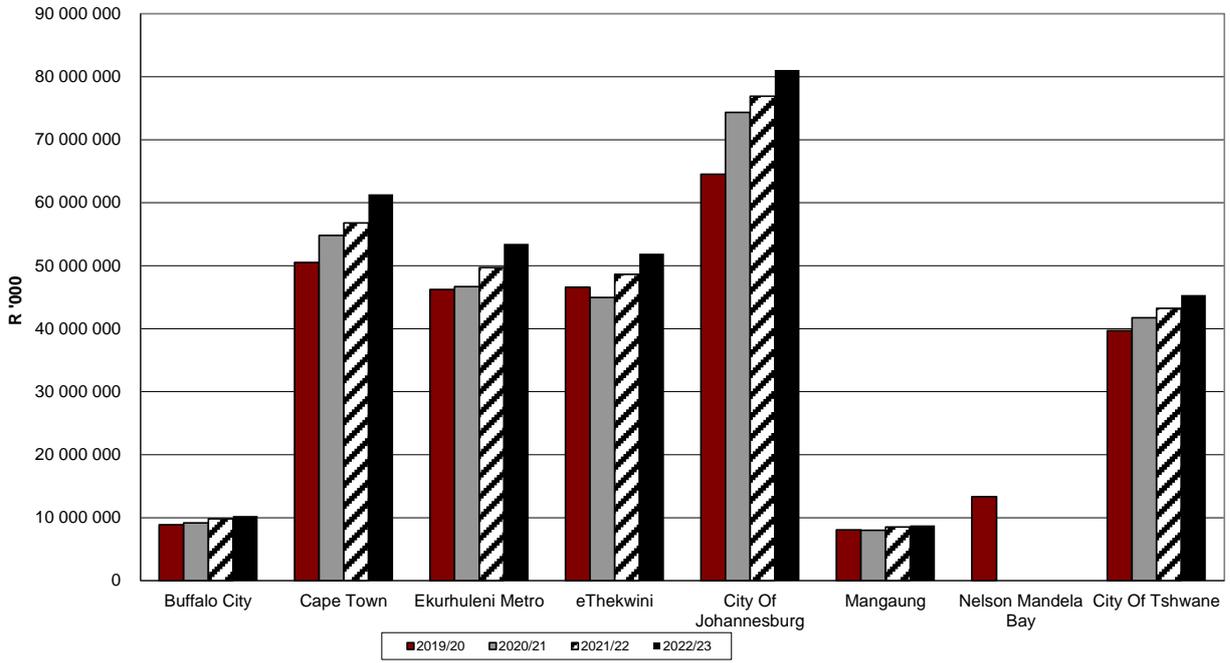


Figure 3.1: Budgeted capital expenditure per metro, 2019/20 - 2022/23

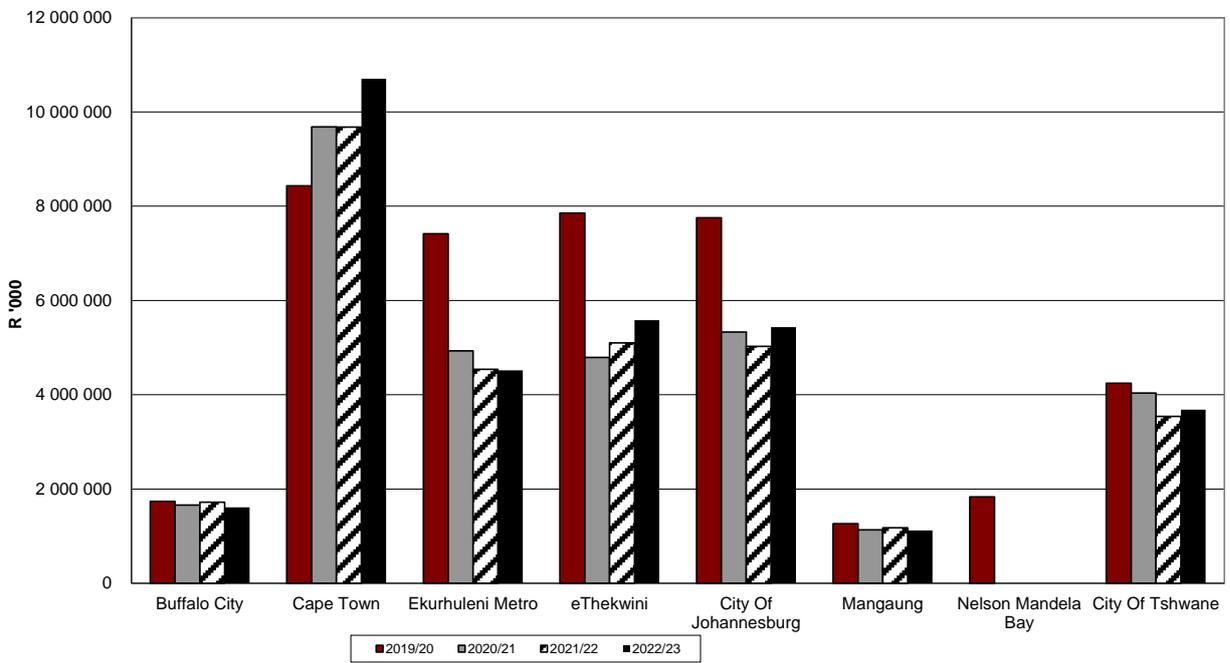
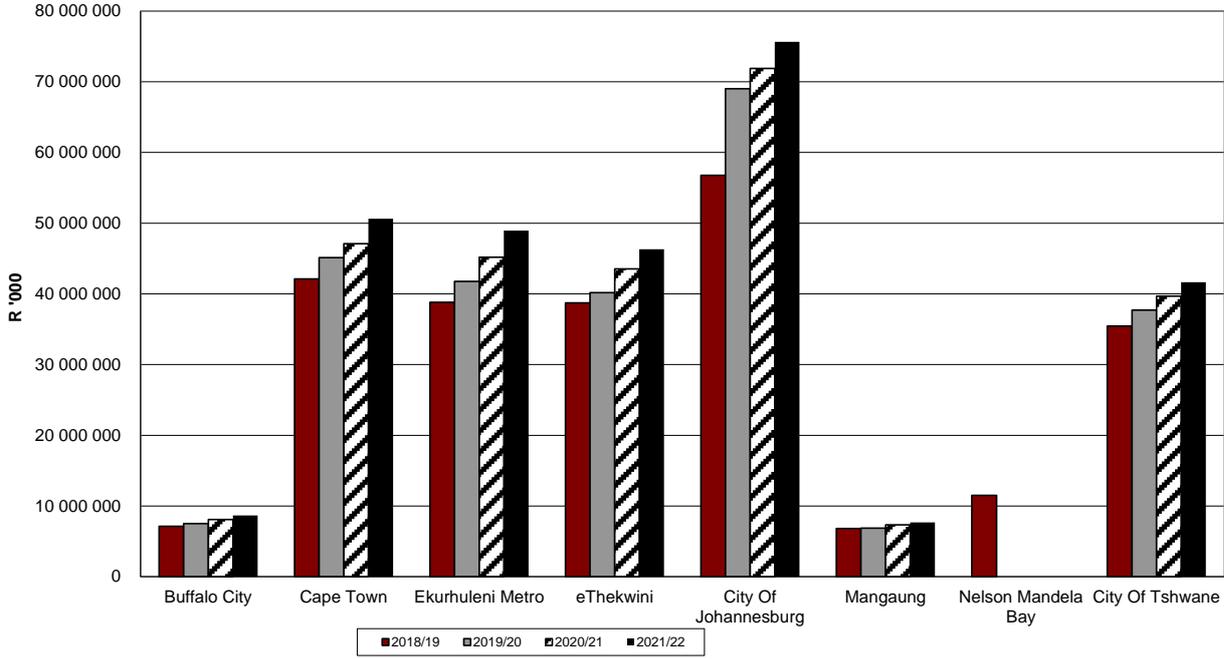
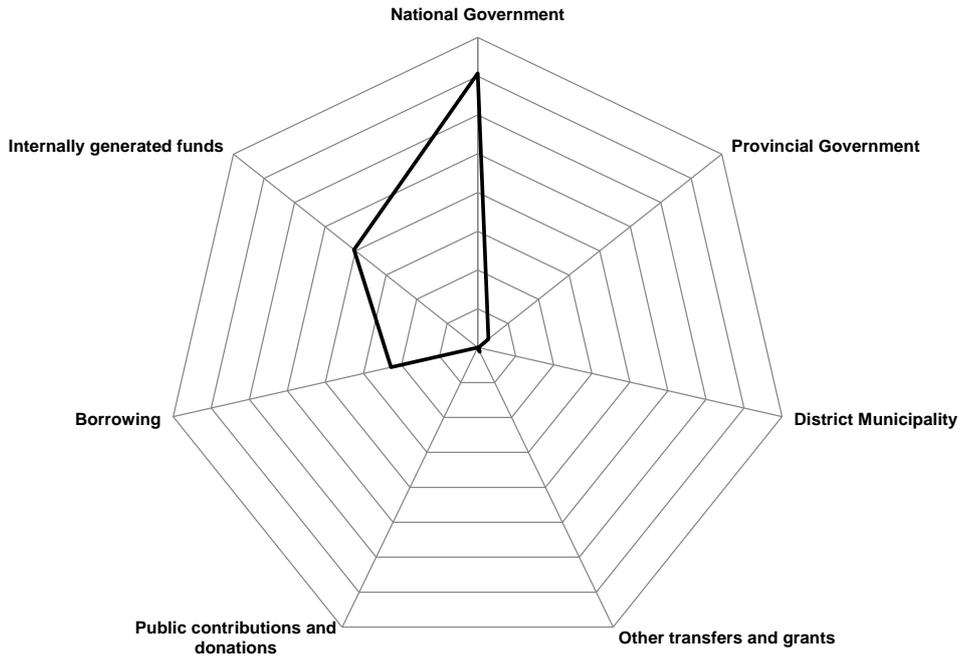


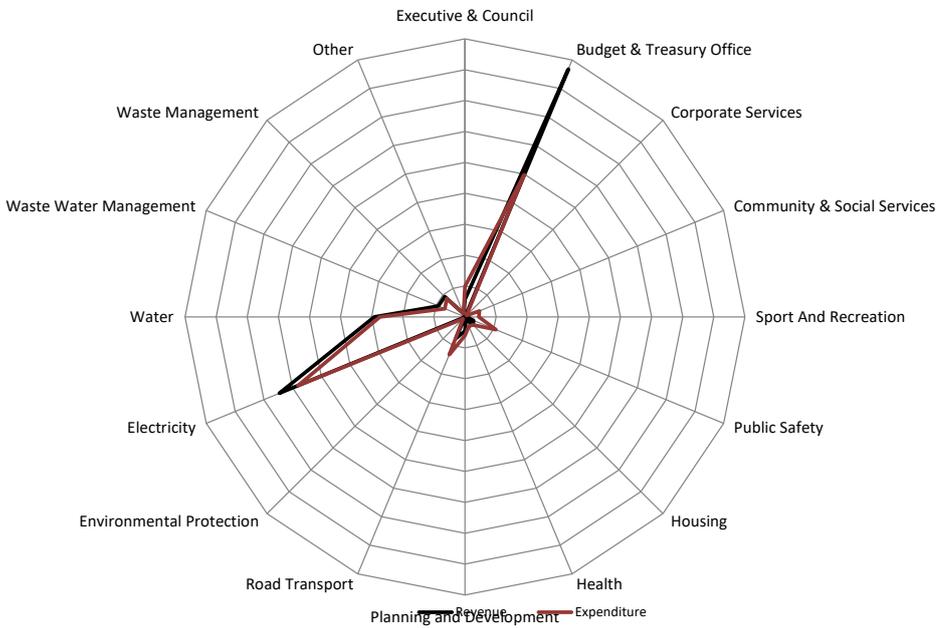
Figure 3.2: Budgeted operating expenditure per metro, 2019/20 - 2022/23



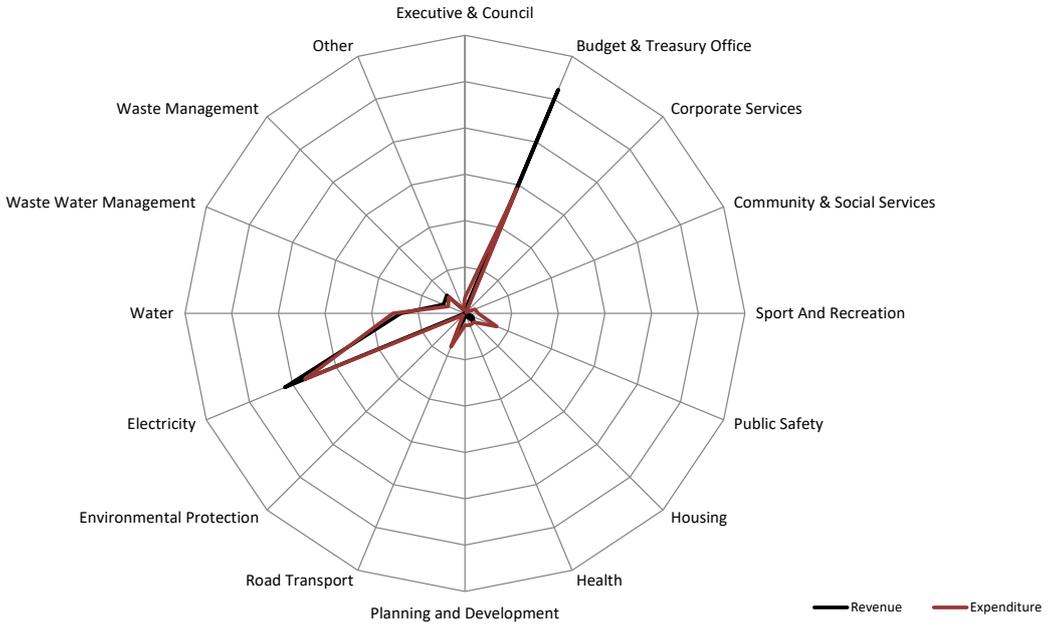
Capital funding contributions, 2020/21



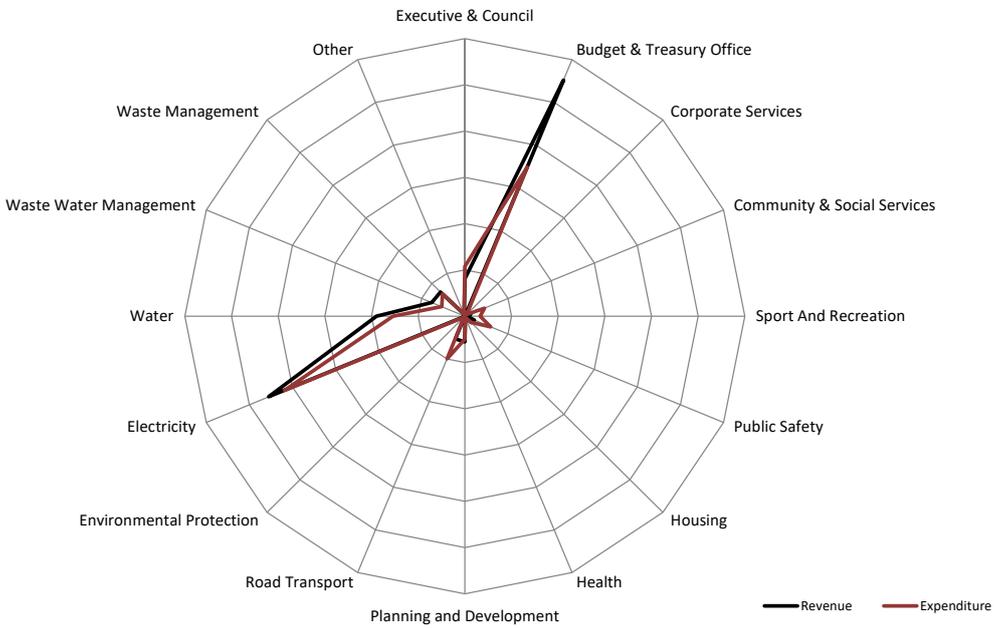
Aggregated operating revenue and expenditure by standard classification, 2020/21



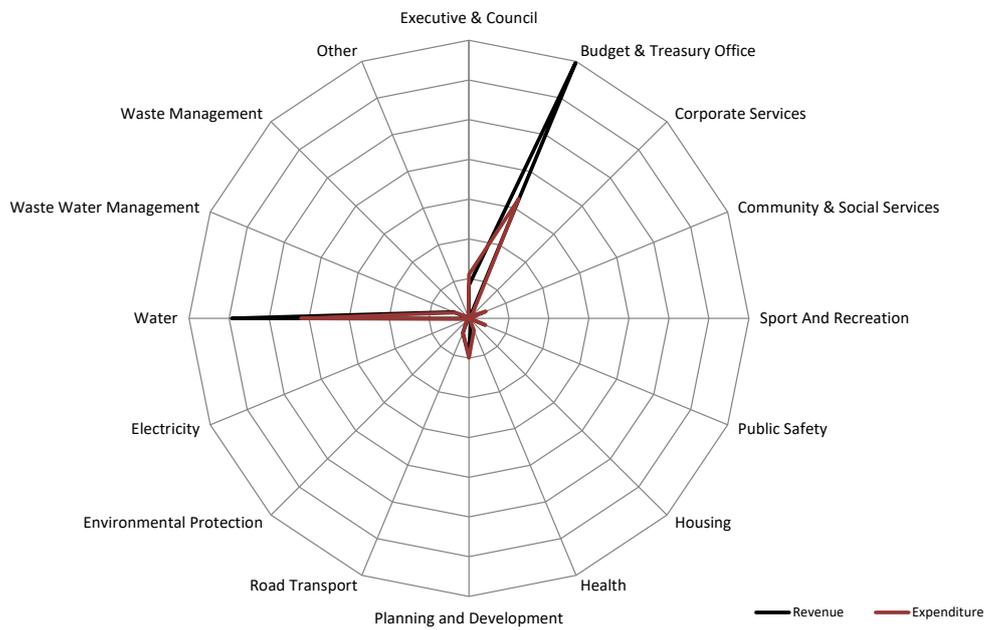
Category A operating revenue and expenditure by standard classification, 2020/21



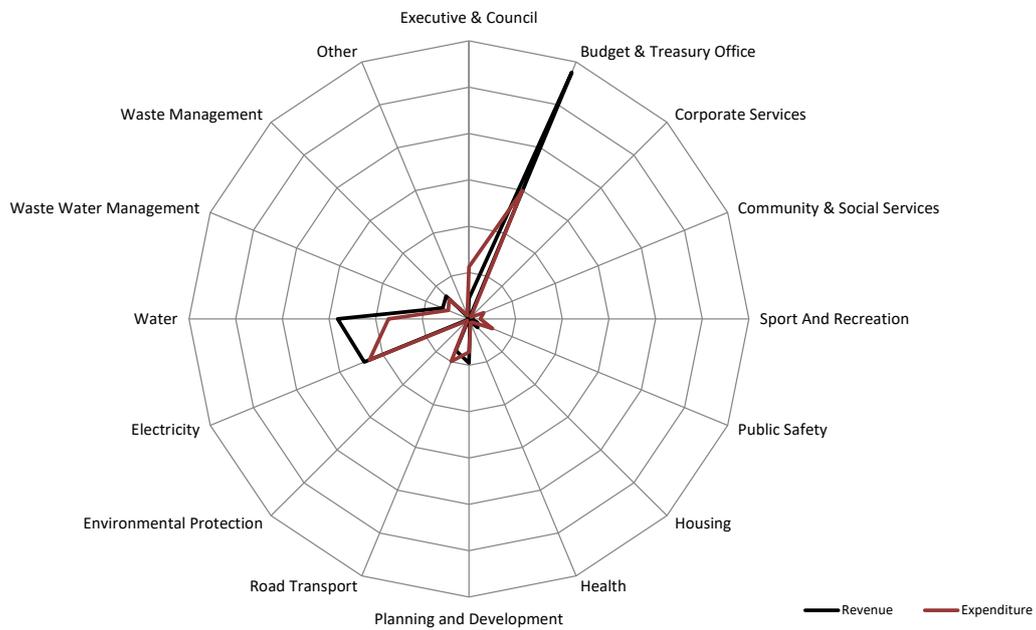
Category B operating revenue and expenditure by standard classification, 2020/21



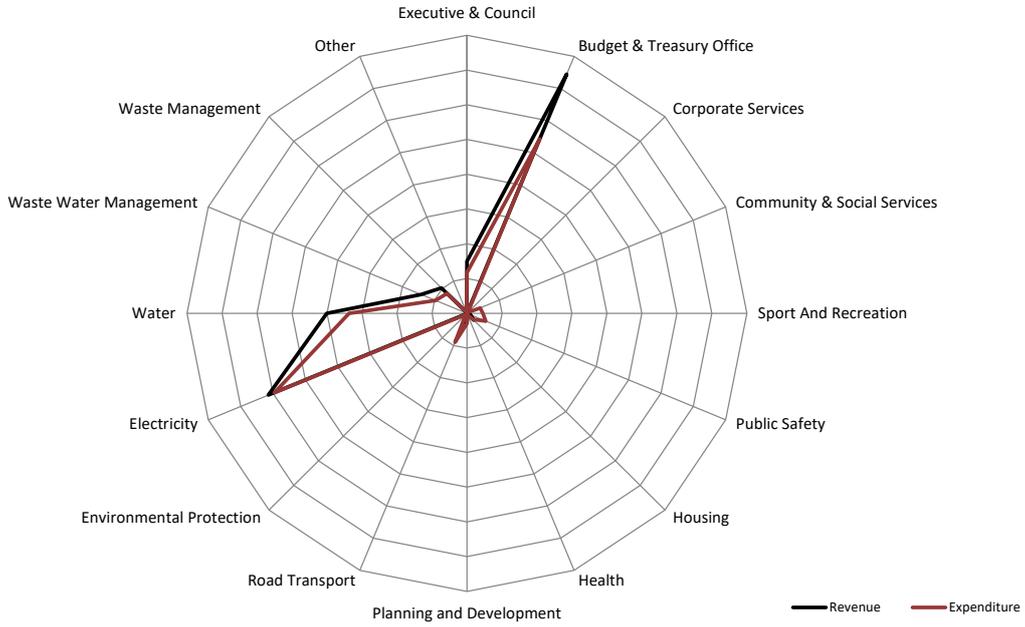
Category C operating revenue and expenditure by standard classification, 2020/21



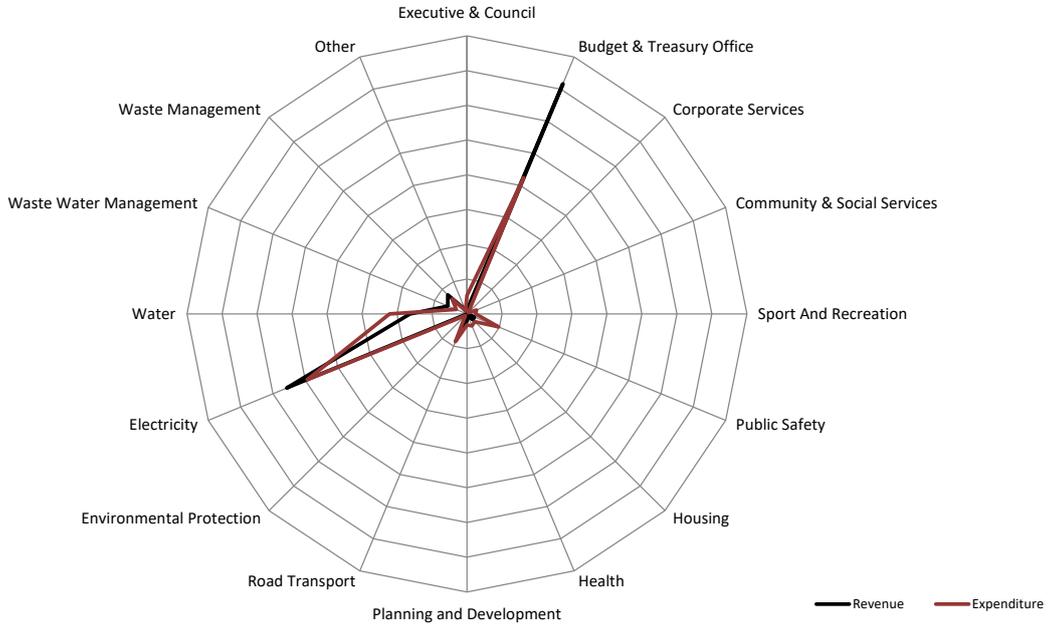
Eastern Cape operating revenue and expenditure by standard classification, 2020/21



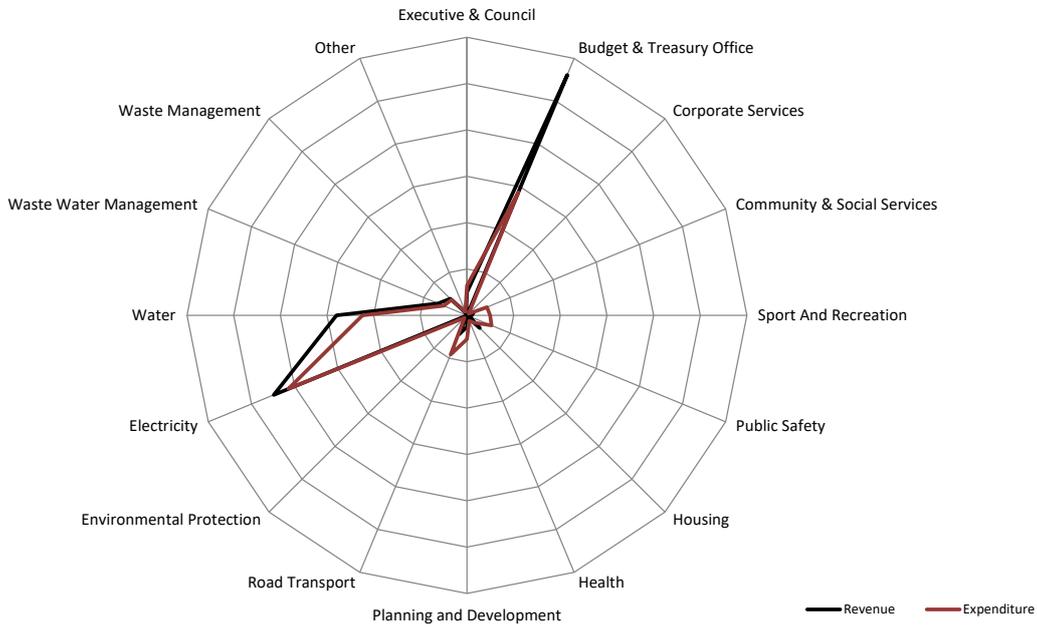
Free State operating revenue and expenditure by standard classification, 2020/21



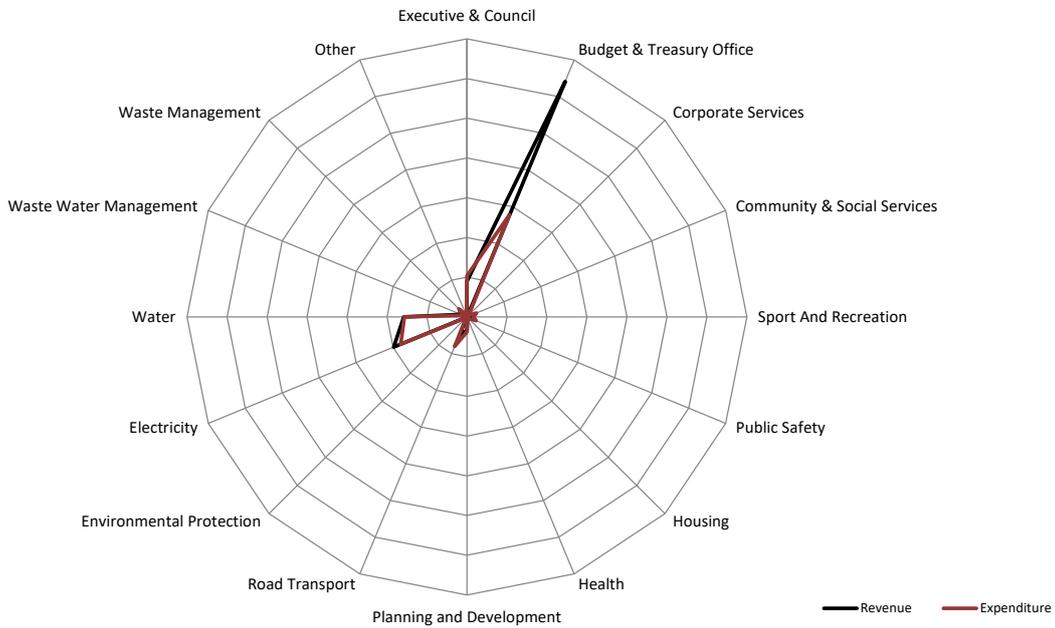
Gauteng operating revenue and expenditure by standard classification, 2020/21



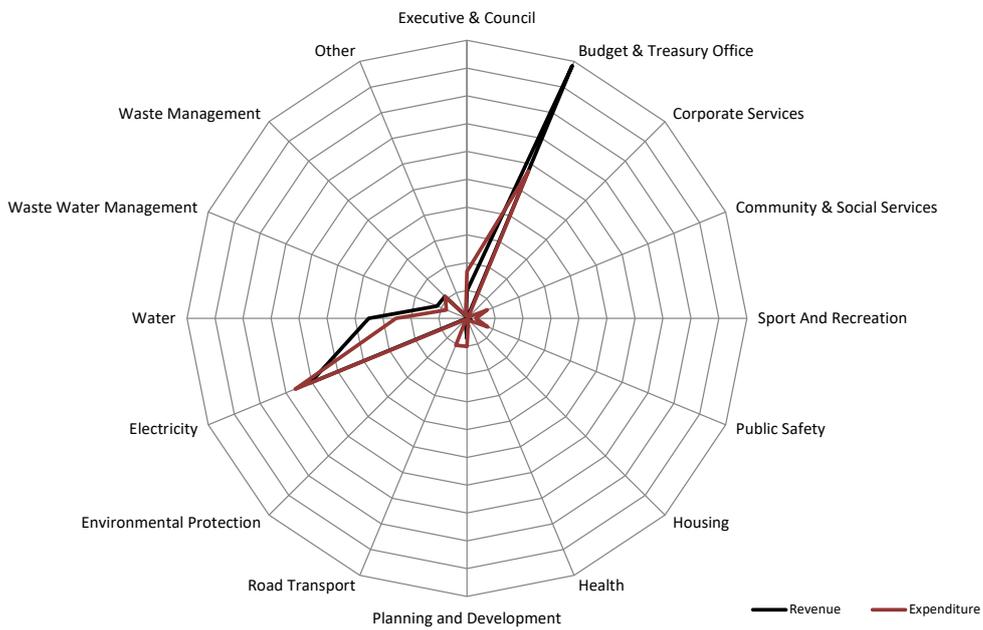
KwaZulu-Natal operating revenue and expenditure by standard classification, 2020/21



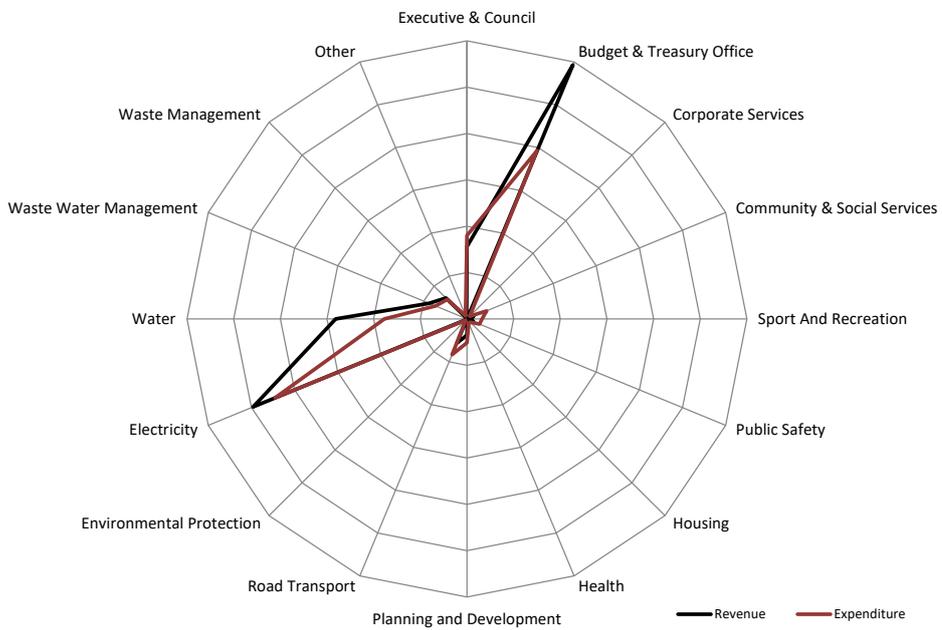
Limpopo operating revenue and expenditure by standard classification, 2020/21



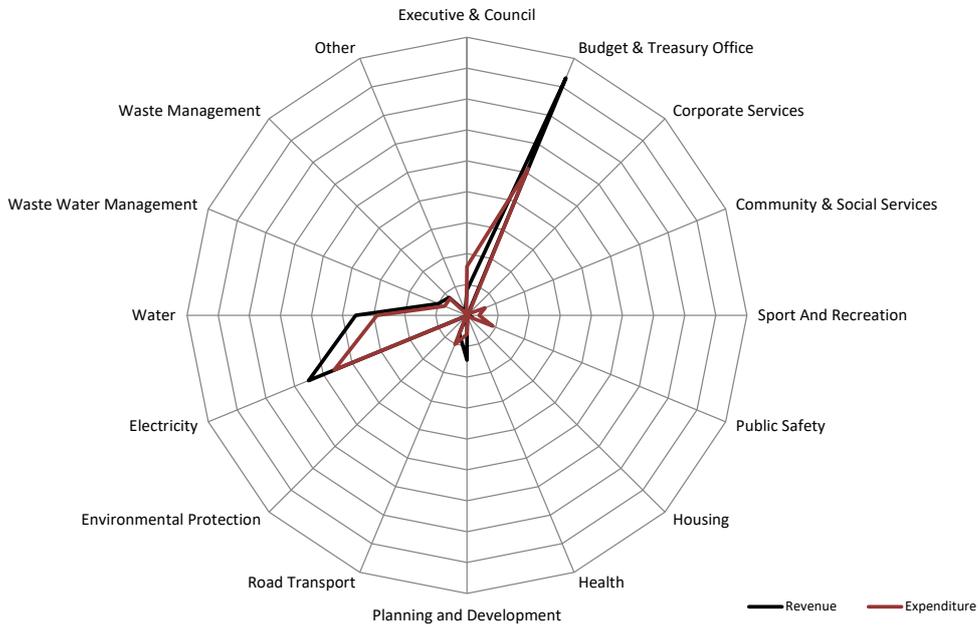
Mpumalanga operating revenue and expenditure by standard classification, 2020/21



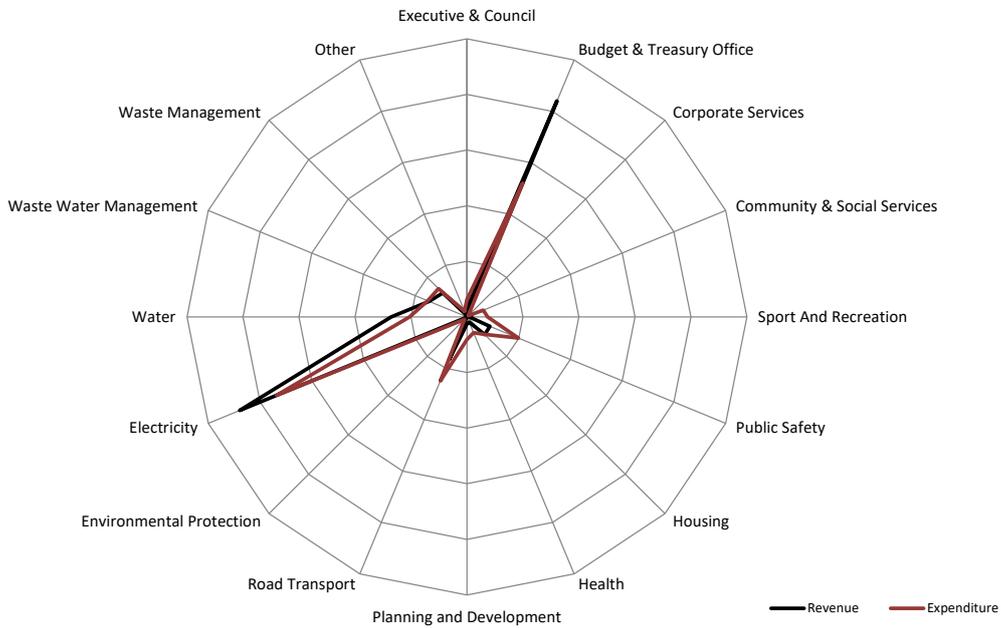
Northern Cape operating revenue and expenditure by standard classification, 2020/21



North West operating revenue and expenditure by standard classification, 2020/21



Western Cape operating revenue and expenditure by standard classification, 2020/21



Planned capital expenditure, 2020/21

