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OF THE REPUBLIC OF SOUTH AFRICA

PBO

**PARLIAMENTARY
BUDGET OFFICE**



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

LOCAL GOVERNMENT (METROS) UNDERSPENDING ANALYSIS 2012/13 - 2021/22

Case studies of Buffalo City, City of
Cape Town, City of Johannesburg
and Mangaung Metropolitan
Municipalities.

January 2024

The Parliamentary Budget Office (PBO) has been established in terms of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The PBO provides independent, objective and professional advice and analysis to Parliament on matters related to the budget and other money Bills. The PBO supports the implementation of the Act by undertaking research and analysis for the Finance and Appropriations Committees.

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EXECUTIVE SUMMARY

The Parliamentary Budget Office (PBO) has since the beginning of the current financial year published various briefs providing Members of Parliament (MPs) with detailed analysis of government underspending. Thus far, these PBO Underspending Analysis briefs followed a longitudinal analysis approach and focused on the national and provincial governments to provide Parliament with insight and context of underspending of government budgets.

Given the progress of these briefs at both at national and provincial governments and service delivery challenges at local government, this brief provides an analysis of government underspending at the local government level, with a particular focus on metropolitan municipalities. The brief further provides an analysis of some of the key reasons for underspending.

Local government (LG) plays a critical role as the first line of interaction between citizens and government. Evidence from various government reports and the literature shows that South African Municipalities have been plagued by declining service delivery, leaving many communities without access to essential services such as clean water, sanitation, power, and waste removal. In this context, this brief provides MPs, specifically the Finance and Appropriations Committees, with an analysis of trends in metropolitan government spending outcomes between 2012/13 to 2021/22. The brief analysis relies on the qualitative and quantitative data from multiple integrated annual reports from the metros.

In order to provide MPs with evidence and the extent of underspending of local government, the brief analyses public finance official data and related information on government spending. The PBO analysis sampled four specific metro areas to ensure the analysis results are better representative and can be widely extrapolated. These metro areas of focus are; Buffalo City Metropolitan Municipality (BCMM), City of Cape Town Metropolitan Municipality (CCT), City of Johannesburg Metropolitan Municipality (CoJ), and eThekweni Metropolitan Municipality (EMM).

A mixed methodological approach, encompassing both quantitative and qualitative analysis is used in this brief. This approach enabled the Office to assess potential underspending within selected metropolitan municipalities and to uncover the underlying reasons for underspending. The local government conditional grants underspending analysis was excluded from this brief. In this way, separate underspending for conditional grants will be undertaken over the coming financial years.

The key findings for the local government underspending analysis are as follows:

Findings on eThekweni Metropolitan Municipality (EMM)

- In the period of between 2012/13 and 2021/22, for 2021/22, the municipality generated revenue of R42.6 billion, which was 96 per cent of the budgeted revenue of R44.1 billion. This follows a trend of achieving approximately 95 to 100 per cent of budgeted revenue over the years, with 2014/15 and 2017/18 notably achieving 100 per cent
- In the earlier years, from 2012/13 to 2016/17, the EMM consistently underspent relative to their adjusted budget. The highest under-expenditure experienced during the 2012/13 at 9 per cent.
- In 2016/17, a significant shift occurred as the municipality began to overspend, with a modest deviation of -0.5 per cent (over-spending). There was over-expenditure from 2017/18 to 2021/22, with the most substantial over-expenditure being 3 per cent in 2017/18.

In more recent years, there was a gradual return to under-expenditure, which reached a high of 5 per cent in 2021/22

Findings on Buffalo City Metropolitan Municipality (BCMM)

- In 2012/13 and 2020/21, revenue collected by BCMM was 100 per cent of that budgeted. However, there were variations in subsequent years with audited revenues exceeding budget in 2013/14, 2017/18, and 2019/20 and falling short in 2015/16, 2016/17, 2018/19, and 2021/22
- On average, the annual underspending has been around 3 per cent. The most notable year of overspending occurred in 2020/21, where the municipality exceeded the budget by a substantial 12 per cent. In 2014/15 and 2016/17, the metro documented overspending, but at lower percentages of 3 per cent and 5 per cent, respectively.
- In 2014/15 and 2016/17, the metro documented overspending, but at lower percentages of 3 per cent and 5 per cent, respectively

Findings on City of Cape Town Metropolitan Municipality (CCT)

- Over the 2012/13 to 2021/22 period, the CoCT has demonstrated a positive trend in its revenue performance. The municipality raised an average of 102 per cent over the period. In 2021/22, revenue was R48.8 billion against a budgeted revenue of R45 billion resulting in over-performance of 108 per cent
- The average percentage of underspending throughout this period was 3 per cent. The underspending during the period from 2012/13 to 2017/17 was primarily caused by compensation of employees and debt impairment as well as accounting for depreciation and amortisation
- Noteworthy trends include in 2016/17 and 2014/15, there was underspending by 8 per cent and 7 per cent, respectively. Additionally, in 2020/21, there was overspending of 6 per cent. The years 2015/16 and 2017/18 saw a substantial increase in underspending, with 6 per cent underspending for both these periods

Findings on City of Johannesburg Metropolitan Municipality (CoJ)

- For the period 2012/13 to 2021/22, the CoJ's revenue collection averaged 97 per cent. In 2012/13, the actual revenue was 95 per cent of the budget, indicating a slight shortfall. The following year, it improved to 96 per cent. In 2014/15, actual revenue even exceeded the budget at 101 per cent
- However, in the subsequent years, there was a decline, reaching a low of 93 per cent in 2016/17. From 2017/18 onwards, the municipality managed to maintain revenues close to budget, with percentages around 96-98 per cent
- the CoJ's financial performance has exhibited a trend characterised by an average annual underspending of about 3 per cent. However, it's important to note that several years saw substantial deviations from this average, indicating periods of more significant financial fluctuations

Overall, the analysis does not show significant levels of underspending in metropolitan municipalities.

The general reasons for underspending for the metros include; delays in project implementation/completion, inconsistencies, lack of capacity in implementing supply chain management and procurement process, unexpected savings or poor budgeting controls,

vacant critical posts and delays in filling the roles. There is a notable underspending in the infrastructure and capital projects within the local government spending.

The key reasons for the underspending at metros highlight some the systemic issues in the public financial management system requiring more and consistent oversight. There have been continued debates as to whether municipalities receive adequate budgets to fulfil their mandate., The brief argues that in certain instances the local government budgets maybe inadequate to fulfil their mandates. While this brief provides evidence for some underspending of metro budgets, it is important to understand the context, extent and root causes.

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1. INTRODUCTION

The annual budget is a key policy tool used by the government to implement strategies, policies, and programmes. Adherence to planned budgets is an important indicator of the overall ability of the government to deliver on the programmes as per commitments. Over the years, government underspending of the allocated budgets has been highlighted as a weakness of government. However, the extent of underspending within the government is understudied in South Africa. In recently published underspending briefs, the Parliamentary Budget Office (PBO) has undertaken a longitudinal analysis at the national and provincial governments level to provide Parliament with insight and context of underspending of government budgets. Given that the national and provincial governments underspending was analysed, this brief provides an analysis of government spending at local government level, with a particular focus at the metropolitan municipalities level. The brief further provides analysis of for some of the key reasons for underspending.

1.1 Metropolitan municipalities in context

Local government (LG) plays a critical role as the first line of interaction between citizens and government. The PBO has in previous analyses and briefs caution against the unsustainable nature of the business model adopted by many local governments (LGs). The existing revenue streams for the current business model comprise taxes (property, income, sales, and excise taxes), user fees, and intergovernmental transfers. The municipalities are primarily responsible for generating the majority of their tax revenue from within their municipal boundaries. This model results in insufficient funding and, as a consequence, leads to the provision of inadequate levels and quality of free basic services. Municipalities in South Africa have been plagued by declining service delivery, leaving many communities without access to essential services such as clean water, sanitation, power, and waste removal.¹

The frustration with the declining service delivery is often cited as a crucial reason for the high number of service delivery protests in South Africa. According to Municipal IQ, service delivery protests are back to pre-COVID-19 levels, with 193 protests recorded nationwide in 2022. Poor service delivery disproportional impacts different households (along racial, gendered and geographic lines) because it is predicated upon a set of distributive relations across different social groups.

The COVID-19 highlighted the centrality of (social) reproduction and the gendered nature of household duties such as cooking, cleaning, water and fuel collection, childcare and elder care. Women and girls undertake unpaid work in these vital household duties, which is not accounted for, and thus unrecognised, in Gross Domestic Product (GDP) calculations. Insufficient and poor-quality basic services mean that women and girls spend more time on these duties.

Chapter 7 of the South African Constitution created the function of metropolitan municipalities. These are classified as Category A municipalities by the Constitution, meaning they have "exclusive municipal executive and legislative authority in its area".² Given their size and population density as cities, the metropolitan municipalities are charged with important governance duties on a larger scale. They are responsible for offering services, constructing

¹ Mamokhere, John. 2022. "Understanding the Complex Interplay of Governance, Systematic, and Structural Factors Affecting Service Delivery in South African Municipalities". *Commonwealth Youth and Development* 20 (2):28 pages. <https://doi.org/10.25159/2663-6549/12230>.

² Chapter 7 of the Constitution of South Africa

and maintaining infrastructure, and planning municipal affairs. They also play a crucial part in realising the objective of "developmental local government," which was first stated in the 1998 White Paper on Local Government, given the growing levels of urbanisation in South Africa. In 2020, metropolitan municipalities had a combined population of 25 million.³

The significance of the metros within South Africa's local government system is shown by their combined annual expenditure budgets. As per the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF), in the fiscal year 2022/23, metros contributed 58.3 per cent of total municipal revenue. By 2024/25, this percentage is expected to increase to 59.5 per cent which is lower than the earlier predictions in the 2021/22 MTREF. More than 50 per cent of the local government revenue is collected in the eight metro areas. The National Treasury notes that "[t]his supports the notion that metros have a larger fiscal capacity (ability to raise revenue) when compared to other categories of municipalities". For the 2022/23 fiscal year, metros were projected to account for 58.1 per cent of the overall budget for local government spending, while local municipalities made up 35.3 per cent and districts only made up 6.6 per cent.⁴

2. METHODOLOGY

The PBO employed a mixed method approach, encompassing both quantitative and qualitative methods, to assess potential underspending within selected metropolitan municipalities and to uncover the underlying reasons why underspending was observed.

This brief focuses on four specific metros: Buffalo City Metropolitan Municipality (BCMM), City of Cape Town Metropolitan Municipality (CCT), City of Johannesburg Metropolitan Municipality (CoJ), and eThekweni Metropolitan Municipality (EMM). This analysis spans from 2012/13 to 2021/22, using data from the annual integrated reports of these municipalities.

2.1 Sample selection

This brief evaluates the expenditure of four metros (BCMM, CCT, CoJ, and EMM). The sample size comprises of four out of the eight metros in the country. These four represent diverse regions across South Africa. They are also among the most populous and economically significant metros in the country.

2.2 Quantitative analysis

The Metros' data was sourced from the income and expenditure sections in the annual reports of the respective municipalities. The budget deviations are calculated by comparing adjusted appropriations against the audited expenditure outcomes from 2012/13 to 2021/22. Adjusted appropriations consider virements, rollovers, unspent funds, and unforeseen and unavoidable expenditure, which is why the revised budgets were utilised. Budget deviations are expressed as a percentage of the total adjusted appropriation.

The PBO's focus was on underspending exceeding two per cent of the budget allocation. The underlying assumption is based on the underspending literature that, it is normal for the government to experience some level of underspending due to unforeseen circumstances, like the provisions made for over-expenditure. However, it is worth noting that the Municipal

³ Statistics South Africa. 2021. Mid-year population estimates, 2020.

⁴ National Treasury. 2022. Media statement: Local government adopted operating and capital budgets for 2022/23 MTREF.

https://www.treasury.gov.za/comm_media/press/2022/2022120501%20Media%20Statement%20-%20Local%20government%20adopted%20budgets.pdf

Financial Management Act (MFMA) and related circulars do not specify a two per cent threshold.

3. ETHEKWINI METROPOLITAN MUNICIPALITY

3.1 Overview

eThekwini region is home to 3.9 million residents, making up 34.7 per cent of KZN Province's total population. While population growth from 2008 to 2018 was slightly below the national average, eThekwini exhibits a diverse demographic profile, with a significant proportion under the age of 35 years old. It is worth noting that up to 8 802 households are headed by children and young people between the ages of 15 and 19, and 42.14 per cent of households are headed by women. Despite this metro's contribution to nearly 60 per cent of KZN's GDP, a substantial portion of its residents live below the poverty line.⁵

The eThekwini Metro's economy is diverse, with strengths ranging from manufacturing, logistics, real estate, and finance to tourism, leisure, sports, arts, and culture⁶. However, the economic downturn associated with the COVID-19 pandemic, the July 2021 unrest disturbances and the April floods had cumulative negative impacts on the EMM's economy.⁷ About 7 900 jobs are estimated to have been lost because of the flooding, with most of these positions falling into the low-skilled/semi-skilled group.⁸

One of the metro's primary goals is to keep the city clean and crime-free. According to the metro, realising these goals is also important for bringing more businesses to the inner city. South African Police Services crime statistics reveal that the Durban Central police station is among the top 30 stations in terms of severe crime registered between April and June 2023. In addition, in the first quarter of 2023 Umlazi, Durban Central, and Inanda police stations are among the top 30 in terms of major offences registered, including sexual assault, rape, and murder.

3.2 Revenue Overview

Table 1 presents a comprehensive overview of EMM's revenue outcomes compared to their adjusted budget revenues for the fiscal years 2012/13 to 2021/22.

Table 1: Deviation in adjusted versus audited revenue of EMM (2012/13-2021/22)

Year	Audited Revenue R'000	Adjusted Budget Revenue R'000	Actual/Budget %
2012/13	R22 704 656	R23 509 205	97%
2013/14	R24 423 514	R25 020 182	98%
2014/15	R26 872 826	R26 794 956	100%
2015/16	R29 042 739	R29 490 490	98%
2016/17	R30 571 172	R31 527 702	97%
2017/18	R33 059 394	R33 009 968	100%
2018/19	R34 843 218	R36 731 581	95%
2019/20	R38 011 576	R39 710 677	96%
2020/21	R39 465 112	R40 182 369	98%
2021/22	R42 558 303	R44 129 869	96%

Note: Per cent denotes a proportion of audited revenue against the adjusted budget

⁵ About eThekwini 2020. [Online] <https://www.durban.gov.za/pages/government/about-ethekwini>

⁶ Department of CoOperative Governance and Traditional Affairs. (2020). eThekwini Metropolitan KZN: Profile. [Online]. Available from: https://www.cogta.gov.za/ddm/wp-content/uploads/2020/07/Metro-Profile_EtheKwini.pdf. [Accessed September 2023].

⁷ eThekwini Metropolitan Municipality. 2021/22. Annual Report. [Online]. Available from: <https://dag.durban.gov.za/storage/Documents/Performance%20Monitoring%20and%20Evaluation/Annual%20Reports/Final%20Annual%20Report%20-%202021%20-%202022.pdf>. [Accessed September 2023].

⁸ eThekwini Municipality. 2022. Employment in Durban increased by 2% in the first quarter of 2022. [online]. Available from: <https://www.durban.gov.za/news/Employment+in+Durban+increased+by+2%+in+the+first+quarter+of+2022>. [Accessed September 2023].

Note: This table excludes capital transfers and contributions
Source: PBO calculations using EMM's annual reports.

Table 1 shows revenue for the period between 2012/13 and 2021/22. In 2021/22, the municipality generated revenue of R42.6 billion, which was 96 per cent of the budgeted revenue of R44.1 billion. This follows a trend of achieving approximately 95 to 100 per cent of budgeted revenue over the years, with 2014/15 and 2017/18 notably achieving 100 per cent.

The revenue sources for eThekweni include property rates, services charges investment revenue and other own revenue⁹. The municipality also receives transfers from other sphere of government. From 2012/12 until 2021/22, property rates consistently exceeded 100 per cent, indicating efficient collection and potentially appreciating property values. Service charges, remaining above 90 per cent, proved to be a reliable source of income. Investment revenue peaked in 2012/13 but gradually decreased over the period examined. Transfers recognised for operational purposes remained steady at around 100 per cent. "Other Own Revenue" exhibited minor fluctuations but generally stayed close to 100 per cent, indicating diversification of income sources for the municipality.

3.3 Spending trends (2012/13 to 2021/22)

Table 2 presents an overview of EMM's expenditure outcomes in comparison to the adjusted budget for the fiscal years spanning from 2012/13 to 2021/22.

Table 2: Deviation in adjusted versus audited expenditure of EMM (2012/13-2021/22)

Year	Audited Expenditure R'000	Adjusted Budget R'000	Under/ (Over) spending R'000	% of Under/ (Over) Spending
2012/13	R21 572 851	R23 589 390	R2 016 539	9%
2013/14	R24 477 520	R24 669 746	R192 226	1%
2014/15	R26 703 196	R26 942 594	R239 398	1%
2015/16	R28 117 379	R29 995 518	R1 878 139	6%
2016/17	R31 344 780	R31 191 363	(R153 417)	-0.5%
2017/18	R33 734 445	R32 791 640	(R942 805)	-3%
2018/19	R35 097 778	R36 651 938	R1 554 160	4%
2019/20	R40 197 027	R39 600 226	(R596 801)	-2%
2020/21	R41 410 004	R41 664 858	R254 854	1%
2021/22	R43 711 284	R45 984 891	R2 273 607	5%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Note: This excluded conditional grants

Source: PBO calculations using EMM's annual reports.

Table 2 provides differences between audited expenditure and adjusted budget figures for the EMM over a ten-year period, spanning from 2012/13 to 2021/22. This data highlights notable fluctuations in the municipality's financial performance during this decade, with a positive percentage indicating underspending and a negative percentage signifying overspending. There is an average underspending of 2 per cent across the entire period. In the earlier years, from 2012/13 to 2016/17, the EMM consistently underspent relative to their adjusted budget. The highest under-expenditure occurred in 2012/13 at 9 per cent.

However, in 2016/17, a significant shift occurred as the municipality began to overspend, with a modest deviation of -0.5 per cent. There was over-expenditure from 2017/18 to 2021/22, with the most substantial over-expenditure being 3 per cent in 2017/18. In more recent years, there was a gradual return to under-expenditure, which reached a high of 5 per cent in 2021/22.

⁹ Other own revenue refers to revenue generated from user fees for facilities and fines, including traffic fines, by-law contraventions, and overdue service payments.

Table 3: Percentage deviation in adjusted versus audited spending outcomes of the EMM (2012/13- 2021/22)

Year	Employee Cost	Remuneration of Councillors	Finance Costs	Material and Bulk Purchases	Transfers and Grants	Other Expenditure	Total Expenditure
2012/13	3%	0%	23%	4%	38%	17%	9%
2013/14	-3%	0%	22%	3%	4%	15%	1%
2014/15	3%	-8%	19%	2%	10%	15%	1%
2015/16	-4%	1%	36%	2%	4%	22%	6%
2016/17	-2%	0%	38%	3%	20%	9%	0%
2017/18	-2%	0%	2%	2%	10%	10%	-3%
2018/19	4%	1%	0%	2%	19%	9%	4%
2019/20	1%	1%	-3%	3%	26%	15%	-2%
2020/21	0%	1%	-2%	1%	1%	2%	1%
2021/22	2%	1%	-2%	-10%	19%	27%	5%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using EMM's annual reports.

An examination of some of the expenditure items between 2012/13 and 2021/22 indicates a number of spending patterns and disparities. Employee costs displayed a fluctuating trajectory, encompassing variations from a 4 per cent underspending in 2015/16 to a 4 per cent overspending in 2018/19. Meanwhile, the remuneration of councillors remained relatively consistent, with deviations staying within 1 per cent each year.

Finance costs experienced significant fluctuations, with deviations spanning from a 3 per cent overspending in 2019/20 to a notable 38 per cent underspending in 2015/16. Material and bulk purchases, for the most part, remained stable, except for a substantial underspending of 10 per cent in 2021/22. Transfers and grants exhibited considerable variations, with yearly deviations falling between 1 per cent and 38 per cent. Other expenditure underwent substantial changes, with discrepancies ranging from 2 per cent to 27 per cent. Overall, total expenditure displayed an average underspend of 2 per cent across the entire period.

3.4 Financial Summary: Deficit / Surplus Analysis

Table 4 presents a financial summary of EMM's adjusted revenue in comparison to the audited expenditure for the financial years from 2012/13 to 2021/22. The surplus or deficit given is the amount before recognising capital transfers from other spheres of government.

Table 4: Deviation in audited revenue versus audited expenditure of EMM (2012/13-2021/22)

Year	Audited Revenue R'000	Audited Expenditure R'000	Surplus/Deficit R'000	% Surplus/Deficit
2012/13	R22 704 656	R21 572 851	R1 131 805	5%
2013/14	R24 423 514	R24 477 520	(R54 006)	0%
2014/15	R26 872 826	R26 703 196	R169 630	1%
2015/16	R29 042 739	R28 117 379	R925 360	3%
2016/17	R30 571 172	R31 344 780	(R773 608)	-2%
2017/18	R33 059 394	R33 734 445	(R675 051)	-2%
2018/19	R34 843 218	R35 097 778	(R254 560)	-1%
2019/20	R38 011 576	R40 197 027	(R2 185 451)	-5%
2020/21	R39 465 112	R41 410 004	(R1 944 892)	-5%
2021/22	R42 558 303	R43 711 284	(R1 152 981)	-3%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using EMM's annual reports

In summary, eThekweni's difference between audited revenue and expenditure has shown variations. In 2012/13, it achieved a surplus of R1.1 billion, representing 5 per cent surplus. However, it had a deficit of R54 million or 0 per cent in 2013/14. There was a steady upward trend in surpluses, reaching R925 million or 3 per cent in 2015/16. Subsequently, eThekweni had of R774 million in 2016/17 and R675 million in 2017/18, both at -2 per cent. Deficits continued until 2021/22 with the municipality recording an accounting deficit of R1.1 billion.

3.5 Reasons for underspending

Data from the EMM annual reports show that underspending is mainly driven by:

- **Supply chain management procurement process**
 - Delays in the appointment of contractors for various departments in 2012/13
 - Procurement processes: for example, in 2013/14, the retrofit project could not start as procurement processes were not finalised
 - Advertising and branding were delayed due to procurement processes
- **Delays in project implementation/completion**
 - Implementation of Integrated Rapid Public Transport Network projects was delayed from 2013/14 to 2016/17 because:
 - Several projects were still in the planning phase in 2013/14
 - In 2014/15 and 2015/16, construction work was disrupted by taxi and minibus industry tabling demands
 - A court order in 2015/16 caused delays in awarding contracts
 - Environmental Impact Assessment amendments delayed the construction of the Bridge City Depot project
- **Compensation of employees**
 - Unfilled vacant posts from the years 2015/16 and 2020/21
 - In 2019/20 positions were not filled as anticipated due to delays in job grading for some positions, as well as resignations experienced in the same year
- **Late disbursement of funds**
 - For example, in 2016/17, funding for Community Resident Unit upgrade projects municipal and human settlements programmes was received late in the year.
- **Process delays**
 - In 2012/13, there were delays in finalising planning and designs of the infrastructure

4. BUFFALO CITY METROPOLITAN MUNICIPALITY

4.1 Overview

The Buffalo City Metropolitan Municipality (BCMM) provides several services including water, electricity, and human settlements services. In 2020, the metro experienced water shortages due to severe ongoing droughts, poor rains and poor maintenance of water infrastructure, which worsened water supply. The City currently provides waste collection services to urban and sub-urban areas, including formal and informal settlements.¹⁰ However, demand for these services is increasing because of migration to the city. The increasing number of informal settlements, the establishment of villages, and land invasion put pressure on existing resources for service provision.¹¹ Furthermore, research gathered by the Asivikelane campaign demonstrates that residents residing in BCMM's informal settlements encounter several service

¹⁰ Infrastructure news. 2020. Day zero looming for Buffalo City. [Online]. Available from: <https://infrastructurenews.co.za/2020/01/06/day-zero-looming-for-buffalo-city/>. [Accessed September 2022].

¹¹ BCM Annual Report 2021/22. [Online]. Available from: https://lg.treasury.gov.za/supportingdocs/BUF/BUF_Annual%20Report%20Draft_2022_Y_20230213T102312Z_sandiswal.pdf. [Accessed September 2023].

delivery challenges. The main issues with waste removal occur because the metro does not provide waste removal services in some areas and residents do not receive refuse bags, which makes it difficult for them to dispose of their waste. As a result, residents often resort to burning their waste, increasing health risks associated with air pollution.¹²

The metro is faced with a myriad of economic challenges, including amongst others unemployment and poverty. Stats SA's Quarterly Labour Force Survey indicates that the unemployment rate in Buffalo City has increased to 30.1 per cent in the second quarter of 2023 compared to 29 per cent in the previous quarter¹³. According to the findings on the incidence of poverty by metro, BCMM has significantly higher proportions of subjectively poor households compared to other metros.¹⁴

4.2 Revenue Overview

Table 5 presents a comprehensive overview of BCMM's revenue outcomes in comparison to their adjusted budget revenues for the fiscal years 2012/13 to 2021/22.

Table 5: Deviation in adjusted versus audited revenue of BCMM (2012/13-2021/22)

Year	Audited Revenue R'000	Adjusted Budget Revenue R'000	Actual/Budget %
2012/13	R3 920 899	R3 938 521	100%
2013/14	R4 472 161	R4 422 766	101%
2014/15	R4 830 292	R4 871 758	99%
2015/16	R5 447 791	R5 688 930	96%
2016/17	R5 258 604	R5 916 767	89%
2017/18	R5 482 475	R5 954 496	92%
2018/19	R6 001 064	R6 559 498	91%
2019/20	R6 707 864	R7 148 400	94%
2020/21	R7 762 840	R7 783 411	100%
2021/22	R8 249 592	R8 378 053	98%

Note: Per cent denotes a proportion of audited revenue against adjusted budget

Note: 2016/17 budget figures based on 2016/17 MTREF projections

Note: This table excludes capital transfers and contributions

Source: PBO calculations using BCMM's annual reports.

BCMM's decade-long trend in audited revenue compared to budgeted revenue shows deviations in the actual-to-budget percentage over the years. In 2012/13 and 2020/21, revenue was 100 per cent of that budgeted. However, there were variations in subsequent years with audited revenues exceeding budget in 2013/14, 2017/18, and 2019/20 and falling short in 2015/16, 2016/17, 2018/19, and 2021/22. Sources of revenue for the metro includes property rates, services charges, investment revenue and other own revenue. Property rates averaged 98 per cent from 2012/13 to 2015/16, but then experienced a sharp decline in 2016/17 to a 76 per cent collection rate. In the later years, property rates gradually recovered. Service charges remained relatively stable, with occasional fluctuations above 100 per cent. Investment revenue exceeded budgeted amounts in 2012/13, 2014/15, and 2018/19, but was significant underperformance of 76 per cent in 2016/17. Investment revenue recovered somewhat in the subsequent years. Transfers recognised for operational purposes generally closely matched the budgeted percentages with minor fluctuations. Other own revenue

¹² Afesis-Corplan. 2022. Asivikwane Campaign representing informal settlements communities in Buffalo City Metro Municipality. [Online]. Available from: <https://asivikwane.org/wp-content/uploads/2022/05/submission-on-buffalo-city-audit-2022-23-budget.pdf>.

¹³ Stats SA. 2023. Quarterly Labour Force Survey: Quarter 2. [Online]. Available from: https://www.statssa.gov.za/?page_id=1854&PIN=P0211&SCH=73572. [Accessed September 2023].

¹⁴ Stats SA. 2019. Subjective Poverty in South Africa. Findings from the General Household Survey in 2019. [Online]. Available from: <https://www.statssa.gov.za/publications/03-10-25/03-10-252019.pdf>. [Accessed September 2023].

showed moderate fluctuations, with no distinct upward or downward trend, indicating relative stability.

4.3 Spending Trends (2012/13 to 2021/22)

Table 6 presents a comprehensive overview of BCMM's expenditure outcomes in comparison to their adjusted budgets for the fiscal years 2012/13 to 2021/22.

Table 6: Deviation in adjusted versus audited expenditure of the BCMM (2012/13- 2021/22)

Financial Year	Total Actual (R'000)	Total Budget (R'000)	Under/(Over) Spending (R'000)	% of Under/(Over) Spending
2012/13	R3 944 702	R4 034 665	R89 963	2%
2013/14	R4 528 391	R4 469 325	(R59 066)	-1%
2014/15	R4 724 174	R4 890 428	R166 254	3%
2015/16	R5 464 435	R5 688 008	R223 573	4%
2016/17	R5 587 616	R5 883 208	R295 592	5%
2017/18	R6 062 994	R5 952 934	(R110 060)	-2%
2018/19	R6 837 416	R7 055 541	R218 125	3%
2019/20	R7 830 445	R8 085 196	R254 751	3%
2020/21	R8 153 784	R9 226 730	R1 072 946	12%
2021/22	R9 201 070	R9 540 446	R339 376	4%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Please note that 2016/17 annual report was not available. The 2016/17 MTEF data was used for budget figures.

Note: This excluded conditional grants

Source: PBO calculations using BCMM's annual reports.

Table 6 shows that there has been a significant deviation in the budget performance of the BCMM over the 10-year period. On average, the annual underspending has been around 3 per cent. The most notable year of overspending occurred in 2020/21, where the municipality exceeded the budget by a substantial 12 per cent. In 2014/15 and 2016/17, the metro documented overspending, but at lower percentages of 3 per cent and 5 per cent, respectively.

Table 7: Percentage deviation in adjusted versus audited spending outcomes of the BCMM in adjusted versus audited expenditure of the BCMM (2012/13- 2021/22)

Year	Employee Related Costs	Remuneration of councillors	Finance Costs	Bulk Purchases	Contracted Services	Other	Total Expenditure
2012/13	7%	5%	34%	1%	37%	7%	2%
2013/14	-1%	8%	-2%	0%	29%	5%	-1%
2014/15	1%	9%	-2%	0%	-16%	2%	3%
2015/16	6%	-1%	1%	0%	5%	5%	4%
2016/17	-6%	5%	14%	-2%	85%	10%	5%
2017/18	0%	0%	0%	6%	26%	-6%	-2%
2018/19	-1%	2%	1%	0%	31%	9%	3%
2019/20	3%	1%	0%	0%	4%	15%	3%
2020/21	0%	0%	0%	4%	50%	20%	12%
2021/22	0%	1%	0%	0%	16%	21%	4%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Note: Positive percentages represent underspending

Source: PBO calculations using BCMM's annual reports.

Table 7 shows that over the 10-year period, BCMM has had a consistent trend of underspending across various expenditure categories, with an average annual underspending rate of approximately 3 per cent. Notable trends include employee-related costs, remuneration of councillors, and contracted services, which consistently demonstrated positive percentages. Finance costs displayed consistent underspending from 2012/13 to 2013/14, followed by variations in subsequent years. Bulk purchases demonstrated significant

underspending in 2017/18 and 2018/19, while other expenditures maintained positive percentages throughout the period.

4.4 Financial Summary: Deficit / Surplus Analysis

Table 8 presents a financial summary of BCMM's adjusted revenue and audited expenditure for the financial years 2012/13 to 2021/22. The surplus or deficit is before recognising capital transfers from other spheres of government.

Table 8: Deviation in audited revenue versus audited expenditure of BCMM (2012/13-2021/22)

Year	Audited Revenue R'000	Audited Expenditure R'000	Surplus/Deficit R'000	% Surplus/Deficit
2012/13	R3 920 899	R3 944 702	(R23 803)	-1%
2013/14	R4 472 161	R4 528 391	(R56 230)	-1%
2014/15	R4 830 292	R4 724 174	R106 118	2%
2015/16	R5 447 791	R5 464 435	(R16 644)	0%
2016/17	R5 258 604	R5 587 616	(R329 012)	-6%
2017/18	R5 482 475	R6 062 994	(R580 519)	-10%
2018/19	R6 001 064	R6 837 416	(R836 352)	-12%
2019/20	R6 707 864	R7 830 445	(R1 122 581)	-14%
2020/21	R7 762 840	R8 153 784	(R390 944)	-5%
2021/22	R8 249 592	R9 201 070	(R951 478)	-10%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using BCMM's annual reports

The financial summary for the Buffalo City Metropolitan Municipality from 2012/13 until 2021/22, shows a fluctuating fiscal performance. In 2012/13 and 2013/14, the municipality faced small deficits of -1 per cent, with revenues falling slightly short of expenditures. The year 2014/15 marked a positive turn with a 2 per cent surplus of R106 million. However, the municipality struggled in subsequent years, experiencing deficits of -6 per cent to -14 per cent, culminating in a significant R951.4 million deficit in 2021/22.

4.5 Reasons for Underspending

Data from the BCMM annual reports shows that underspending is mainly caused by:

- **Delays in project implementation/ completion**
 - Delayed recruitment processes and implementation of the Expanded Public Works Programme in 2012/13
 - Contracts were issued but services could not be rendered: for example, the termination of a contractor that was appointed for the Qumza Highway project in 2017/18
 - In 2020/21, the Settlers Way project was awarded later than anticipated
- **Process delays**
 - For example, in 2012/13 late approvals of Environmental Impact Assessments delayed housing projects
- **Supply chain management**
 - Appointment of service providers: For example, from 2013/14 to 2014/15, the metro delayed appointing service providers to complete the Post Dam Bridge project and Transport Facilities and Taxi rank project

- **Unexpected savings**
 - The employee costs, depreciation & asset impairment, finance charges, bulk purchases and transfers, and subsidies were below the 2015/16 budgeted expenditure
- **Scarce skills**
 - The contributing factor towards the metro's underspending from 2017/18 to 2018/19 was the scarcity of targeted graduates with B. Degrees in Civil and Electrical Engineering during the recruitment process
- **COVID-19 pandemic**
 - The following are linked with under-expenditure in 2021/22 due to the COVID-19 pandemic:
 - Delays in the completion of the Infrastructure Skills Development Grant Program by existing interns
 - Delays in the appointment of new intake interns whilst waiting for others to complete the program
 - Lack of relevant and effective development interventions resulted in low expenditure

5. CITY OF CAPE TOWN METROPOLITAN MUNICIPALITY

5.1 Overview

The City of Cape Town (CoCT) provides water and sanitation services to over 4.2 million people through water and sewer connections that supply nearly 600 000 domestic properties, as well as basic services such as public water points and shared toilet facilities to approximately 230 000 informal settlement households. However, the city is growing rapidly, and these figures increase year after year due to population growth and migration¹⁵.

The growing number of households from 1.07 million in 2011 to 1.46 million in 2021 has led to a growing number of informal dwellings in the city. The CoCT strives to provide all households in informal settlements with full access to basic services. However, the city still experiences a small number of informal settlements located on private property or below the 50-year flood line, which impacts the City's ability to provide services at the required ratios and distances from households¹⁶.

The CoCT implements various safety and security programs to ensure the safety of its citizens. The city runs the following programs: safety technology, holistic crime prevention, policing service, neighborhood safety, safety volunteer, disaster risk assessment, and women and girls' resilience. According to the 2022 State of Cape Town Report, the crime rate in Cape Town remains continuously higher than the national and metro average rates. According to South African Police Service crime data for 2021, the police precincts with the highest number of murder cases are in Cape Town. The murder rate in Cape Town has risen marginally, from 66 per cent in 2019/20 to 67 per cent in 2021/22.¹⁷

¹⁵ OECD. No date. Water security in Cape Town, South Africa. [Online]. Available from: <https://www.oecdilibrary.org/sites/4d68297a-en/index.html?itemId=/content/component/4d68297a-en>. [Accessed September 2023].

¹⁶ COCT Five Year Integrated Development Plan 2022-2027. [online]. Available from: https://resource.capetown.gov.za/documentcentre/Documents/City%20strategies%2C%20plans%20and%20frameworks/IDP_2022-2027.pdf. [Accessed September 2023].

¹⁷ SAPS South African crime stats report 2020/21.

5.2 Revenue Overview

Table 9 presents a comprehensive overview of the CoCT's revenue outcomes in comparison to the adjusted budget revenue for the fiscal years spanning from 2012/13 to 2021/22.

Table 9: Deviation in adjusted versus audited revenue of CoCT (2012/13-2021/22)

Year	Audited Revenue R'000	Adjusted Budget Revenue R'000	Actual/Budget %
2012/13	R24 063 984	R24 094 799	100%
2013/14	R26 231 678	R25 881 541	101%
2014/15	R29 471 996	R29 236 780	101%
2015/16	R35 220 581	R35 204 819	100%
2016/17	R38 404 450	R38 018 111	101%
2017/18	R39 480 429	R38 858 896	102%
2018/19	R42 949 234	R42 819 451	100%
2019/20	R44 846 608	R43 360 360	103%
2020/21	R45 615 905	R44 903 060	102%
2021/22	R48 833 000	R45 081 274	108%

Note: Per cent denotes a proportion of audited revenue against adjusted budget

Note: This table excludes capital transfers and contributions

Source: PBO calculations using CoCT's annual reports.

Over the 2012/13 to 2021/22 period, the CoCT has demonstrated a positive trend in its revenue performance. The municipality raised an average of 102 per cent over the period. In 2021/22, revenue was R48.8 billion against a budgeted revenue of R45 billion resulting in over performance of 108 per cent. Sources of revenue for the municipality include property rates, service charges, government grants and subsidies and fuel levy, amongst others. Property rates performed well, with actual collection matching or slightly exceeding budgeted figures, reflecting the stability and reliability of property tax collection. Service charges followed a similar trend, with actual collection stable and close to budgeted amounts. Investment revenue showed fluctuations but generally stayed close to budgeted values, with actual collection ranging from 89 per cent to 102 per cent.

5.3 Spending Trends (2012/13 to 2021/22)

Table 10 presents a comprehensive overview of CoCT's expenditure outcomes in comparison to the adjusted budget for the fiscal years spanning from 2012/13 to 2021/22.

Table 10: Deviation in adjusted versus audited expenditure of CoCT (2012/13- 2021/22)

Year	Audited Expenditure R'000	Adjusted Budget R'000	Under/ (Over) spending R'000	% of Under/ (Over) Spending
2012/13	R23 411 365	R23 981 470	R570 105	2%
2013/14	R25 848 242	R26 556 704	R708 462	3%
2014/15	R26 616 002	R28 530 829	R1 914 827	7%
2015/16	R30 849 784	R32 814 660	R1 964 876	6%
2016/17	R33 023 629	R35 713 011	R2 689 382	8%
2017/18	R34 120 608	R36 412 741	R2 292 133	6%
2018/19	R36 508 453	R37 888 245	R1 379 792	4%
2019/20	R40 533 144	R40 484 871	(R48 273)	0%
2020/21	R43 737 603	R44 836 283	R1 098 680	2%
2021/22	R45 899 641	R43 342 088	(R2 557 553)	-6%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Note: This excluded conditional grants

Source: PBO calculations using CoCT's annual reports.

Over of a ten-year period, the trend analysis reveals several notable patterns. The average percentage of underspending throughout this period was 3 per cent. The underspending during the period from 2012/13 to 2017/17 was primarily caused by compensation of employees and debt impairment as well as accounting for depreciation and amortisation. Noteworthy trends include in 2016/17 and 2014/15, there was underspending by 8 per cent and 7 per cent, respectively. Additionally, in 2020/21, there was overspending of 6 per cent. The years 2015/16 and 2017/18 saw a substantial increase in underspending, with 6 per cent underspending for both these periods.

Table 11: Percentage deviation in adjusted versus audited spending outcomes of the CoCT (2012/13- 2021/22)

Year	Employee Related Costs	Debt Impairments	Depreciation & Amortization	Finance Costs	Bulk Purchases	Contracted Services	Other	Total Expenditure
2012/13	3%	8%	-1%	2%	2%	0%	4%	2%
2013/14	9%	-47%	16%	6%	0%	1%	1%	3%
2014/15	8%	10%	8%	14%	0%	9%	10%	7%
2015/16	3%	6%	6%	6%	6%	-2%	22%	6%
2016/17	8%	8%	8%	8%	14%	0%	13%	8%
2017/18	0%	33%	6%	38%	6%	2%	6%	6%
2018/19	-3%	31%	4%	36%	4%	-1%	4%	4%
2019/20	-7%	28%	0%	33%	0%	-4%	0%	0%
2020/21	-4%	30%	2%	35%	2%	-2%	2%	2%
2021/22	-13%	24%	-6%	29%	-6%	-11%	-6%	-6%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using CCT's annual reports.

Table 11 shows that over the past 10 years, there has been a consistent trend in average total expenditure percentage, which has remained relatively stable at around 3 per cent at the CoCT. However, when analysing the data with a focus on percentages deviating by 2 per cent or more, several notable trends emerge. Employee-related costs experienced fluctuations, but they generally increased over the period. Debt impairments exhibited significant fluctuations in over and under spending, with a sharp decline in 2013/14, followed by an upward trend in overspending. Finance costs saw a substantial increase in 2017/18, which continued to rise over the years. Bulk purchases, while relatively stable, saw a substantial increase in overspending in 2016/17.

Depreciation and amortisation costs, after a variation in the early years, also showed a steady upward trend. Contracted services had its highest per centage underspending in 2014/15 and then remained relatively steady. The 'Other' category saw a significant underspending of 22 per cent in 2015/16, and this continued over the years. These trends indicate that while overall expenditure remained constant, specific expenditure categories experienced significant deviations and growth. Careful management and analysis of these categories may be required to maintain financial stability and efficiency.

5.4 Financial Summary: Deficit / Surplus Analysis

Table 12 presents financial summary of CoCT's adjusted revenue in comparison to the audited expenditure the financial years spanning from 2012/13 to 2021/22. The surplus or deficit is before recognising capital transfers from other spheres of government.

Table 12: Deviation in audited revenue versus audited expenditure of CoCT (2012/13-2021/22)

Year	Audited Revenue R'000	Audited Expenditure R'000	Surplus/Deficit R'000	% Surplus/Deficit
2012/13	R24 063 984	R23 411 365	R652 619	3%
2013/14	R26 231 678	R25 848 242	R383 436	1%
2014/15	R29 471 996	R26 616 002	R2 855 994	11%
2015/16	R35 220 581	R30 849 784	R4 370 797	14%
2016/17	R38 404 450	R33 023 629	R5 380 821	16%
2017/18	R39 480 429	R34 120 608	R5 359 821	16%
2018/19	R42 949 234	R36 508 453	R6 440 781	18%
2019/20	R44 846 608	R40 533 144	R4 313 464	11%
2020/21	R45 615 905	R43 737 603	R1 878 302	4%
2021/22	R48 833 000	R45 899 641	R2 933 359	6%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using CoCT's annual reports

In 2012/13, the municipality achieved a 3 per cent surplus of R652 million, and this positive trend continued with a 1 per cent surplus in 2013/14. Notably, in 2014/15, the surplus increased significantly to 11 per cent, amounting to R2.8 billion, and continued to rise in subsequent years. Overall, the municipality achieved surpluses between 2012/13 until 2021/22.

5.5 Reasons for Underspending

Data from the CoCT annual reports shows that underspending is mainly driven by:

- **Non-implementation of programmes**
 - In 2014/15, there were no bids for the Bloemhof stores upgrade (R6,4 million) tender. No construction was possible in 2014/15 resulting in the underspend on the project
 - In 2019/20, projects funded by the Budget Facility for Infrastructure (BFI) grant were not ready for implementation
 - Non-implementation of the component bulk water augmentation scheme was delayed due to non-responsive tenders received therefore the tender was re-advertised
- **Delays in project implementation**
 - For example, the Plattekloof N1 reinforcement (R15.1 million) building tender was awarded, but the builder defaulted. This contract was later canceled.
 - Termination of tender due to poor contractor performance from 2014/15 to 2019/20: For example: The street lighting (city-wide) project was marginally behind schedule due to poor contractor performance in 2014/15.
 - From 2017/18 to 2020/21 illegal land invasions delayed human settlements and social services projects
 - In 2018/19 underspending was caused by project tenders that were put on hold, construction delays, and termination of contracts.
 - In 2021/22 the Coastal Park materials recovery facility project was delayed due to the later-than-anticipated finalisation of the construction tender award to allow for negotiations that ensured value for money.
- **Process delays**
 - For example: Informal settlements, water, and waste projects had underspending because of environmental assessment process delays in 2016/17
 - Delays in the appointment of service providers in the years 2014/15 to 2021/22

- For example: The Sir Lowry Pass Village was behind schedule due to delays in the appointment of a contractor in 2014/15
- Underspending and delays in the implementation of projects were due to administrative processes not being in place
- **Supply chain management processes**
 - Delayed supply chain management process due to legal and audit concerns resulted in a lower-than-expected expenditure on the myCiti bus delivery
 - Underspending was due to protracted procurement processes from 2014/15 to 2019/20
 - In 2016/17, the amendments to the supply chain management regulations regarding local content caused procedural changes, late delivery of material, and unforeseen construction delays
 - Tender awarding delays in 2017/18 to 2018/19
- **COVID-19 pandemic**
 - Delays were experienced because of suppliers not delivering their IT equipment on time from abroad, which delayed contractor installation in 2019/20 and 2020/21
 - In 2019/20 COVID-19 delayed the construction of a suite in the stadium project
 - COVID-19 negatively impacted the supply chain which meant that required equipment could not be purchased
 - Fleet items could not be delivered by June 2021, due to pandemic-related delays in the production and shipping of vehicles from Germany
- **Violence and protests**
 - From 2013/14 to 2020/21, community protests, vandalism, and gang-related disruptions impacted spending on multiple projects:
 - For example: Protest action on bigger back yard and community residential unit upgrade projects resulting in shutdowns marring consistent projects.
 - The urbanisation project, Fisantekraal Garden Cities project, and rental upgrade project were behind schedule due to gang violence and community challenges in these areas
 - Under expenditure on grant-funded housing development projects as many factors influenced the rate of construction, including vandalism and protests
- **Unexpected savings**
 - Actual expenditure was less than anticipated for certain procured items: For example: The procurement of a printing machine in 2020/21. The initial machine went out of production and the alternative came at a lower price
 - Cost savings materialised with the completion of projects in 2020/21 and 2021/22

6. CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY

6.1 Overview

Service delivery is at the core of the mandate of the CoJ. Therefore, the City has prioritised getting the basics right, ensuring that every community has access to quality services. The City's constitutional mandate is to ensure that all households have adequate access to basic

services. However, the increase in the number of people living in Johannesburg stretches the City's ability to deliver services and infrastructure.¹⁸

Provision of basic services to the community of Johannesburg is comparatively high with the majority of households (including formal and informal) enjoying access to piped water (98.8%), sanitation (96.4%), and electricity (92.3%). Access to formal housing, on the other hand, remains an issue, and the shortage of houses leads to the rise of informal settlements, causing many people to live in inadequate conditions. There continues to be a shortage, particularly in informal settlements where less than half of the households have access to basic sanitation. This backlog is worsened by the high population growth and the spread of informal settlements arising from land invasions.¹⁹

Poverty alleviation and eliminating inequalities created during apartheid lie at the centre of development policy in the post-apartheid CoJ. This commitment is reflected in the various anti-poverty policies and programmes developed and implemented to meet the objectives of the democratic government. However, more people continue to live in poverty as the growing economy attracts people from more depressed areas, increasing the number of the poor and unemployed.²⁰ According to the Citizen Report (2020-2021), an estimated 2.81 million individuals, or around 50.6 per cent of the city's population, were poor (using the upper poverty line) in 2020. This is a 2 per cent increase from 2019.²¹

Unemployment remains stubbornly high and continues to rise. This is exacerbated by the steady economic growth, which has affected the creation of employment opportunities in the city and the country²². Unemployment in the city is currently at 33.5 per cent and youth unemployment is estimated to be over 46.6 per cent. Youth unemployment is a critical challenge facing the city. The main cause of youth unemployment is slow formal sector growth. Even though over 65.5 per cent of young people have completed matric, only 9 per cent have post-matric qualifications as a result, the majority of youth are working in wholesale, retail & trade, and private households due to their lack of skills.²³

6.2 Revenue Overview

Table 13 presents a comprehensive overview of CoJ's revenue outcomes in comparison to the adjusted budget revenue for the fiscal years spanning from 2012/13 to 2021/22.

¹⁸ City of Johannesburg. 2020. Annual Report. [Online]. Available from: <https://www.joburg.org.za/documents/Pages/Key%20Documents/Annual%20Report/Annual-Report-1219-9922.aspx>. [Accessed September 2023].

¹⁹ COGTA. 2020. City of Johannesburg Metro Profile. [Online]. Available from: https://www.cogta.gov.za/ddm/wp-content/uploads/2020/08/Take2_DistrictProfile_JHB1606-2-2.pdf. [Accessed September 2023].

²⁰ City of Johannesburg. 2020. District Development Model: Metro One Plan. [Online]. Available from: <file:///C:/Users/Intinzi/Downloads/City%20of%20Johannesburg%20District%20Development%20Model%20One%20Plan.pdf>. [Accessed September 2023].

²¹ COJ. 2020/21. Citizen Report. [Online]. Available from: https://www.joburg.org.za/documents/Documents/202021%20Integrated%20Annual%20Report/CoJ%20AR%202020_2021_CITIZENS%20REPORT_03%20March%202022.pdf. [Accessed September 2023].

²² COGTA. 2020. City of Johannesburg Metro Profile. [Online]. Available from: https://www.cogta.gov.za/ddm/wp-content/uploads/2020/08/Take2_DistrictProfile_JHB1606-2-2.pdf. [Accessed September 2023].

²³ Stats SA. 2023. Quarterly Labour Force Survey: Quarter 2. [Online]. Available from: https://www.statssa.gov.za/?page_id=1854&PPN=P0211&SCH=73572. [Accessed September 2023].

Table 13: Deviation in adjusted versus audited revenue of CoJ (2012/13-2021/22)

Year	Audited Revenue R'000	Adjusted Budget Revenue R'000	Actual/Budget %
2012/13	R34 827 611	R36 477 447	95%
2013/14	R34 917 044	R36 315 000	96%
2014/15	R39 496 450	R38 927 348	101%
2015/16	R43 927 215	R46 588 380	94%
2016/17	R45 422 444	R48 983 695	93%
2017/18	R47 919 616	R47 671 279	101%
2018/19	R55 310 389	R56 366 976	98%
2019/20	R58 357 912	R60 185 190	97%
2020/21	R61 517 899	R63 933 221	96%
2021/22	R62 621 369	R65 161 604	96%

Note: Per cent denotes a proportion of audited revenue against adjusted budget

Note: Budget revenue for 2013/14 and 2014/15 are based on 2013/14 MTERF projections

Note: This table excludes capital transfers and contributions

Source: PBO calculations using CoJ's annual report

For the period 2012/13 to 2021/22, the CoJ's revenue collection averaged 97 per cent. In 2012/13, the actual revenue was 95 per cent of the budget, indicating a slight shortfall. The following year, it improved to 96 per cent. In 2014/15, actual revenue even exceeded the budget at 101 per cent. However, in the subsequent years, there was a decline, reaching a low of 93 per cent in 2016/17. From 2017/18 onwards, the municipality managed to maintain revenues close to budget, with percentages around 96-98 per cent. Property tax collection over the years fluctuated between 92 and 111 per cent. In 2021/22 property tax collection amounted to R13.5 billion or 100 per cent of the budgeted property tax revenue. Service charges was 93 per cent on average of the 10year period, reaching R36.5 billion in 2021/22.

6.3 Spending Trends (2012/13 to 2021/22)

Table 14 presents a comprehensive overview of CoJ's expenditure outcomes in comparison to the adjusted budget for the fiscal years spanning from 2012/13 to 2021/22.

Table 14: Deviation in adjusted versus audited expenditure of CoJ (2012/13- 2021/22)

Year	Audited Expenditure R'000	Adjusted Budget R'000	Under/ (Over) spending R'000	% of Under/ (Over) Spending
2012/13	R31 473 837	R32 068 692	R594 855	2%
2013/14	R31 559 966	R32 068 692	R508 726	2%
2014/15	R37 892 757	R34 572 785	-R3 319 972	-10%
2015/16	R40 155 635	R42 969 543	R2 813 908	7%
2016/17	R43 762 471	R45 293 150	R1 530 679	3%
2017/18	R44 777 407	R46 884 675	R2 107 268	4%
2018/19	R48 437 911	R51 116 883	R2 678 972	5%
2019/20	R54 697 096	R56 563 145	R1 866 049	3%
2020/21	R57 680 767	R60 801 510	R3 120 743	5%
2021/22	R61 587 382	R64 026 727	R2 439 345	4%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Note: This excluded conditional grants

Source: PBO calculations using CoJ's annual reports.

According to Table 14, over the course of the ten years, the CoJ's financial performance has exhibited a trend characterised by an average annual underspending of about 3 per cent. However, it's important to note that several years saw substantial deviations from this average, indicating periods of more significant financial fluctuations. For instance, in the 2014/15 fiscal

year, there was a remarkable overspending of 10 per cent. Conversely, in the 2015/16 fiscal year, there was a 7 per cent underspending. While the average annual underspending over the decade stands at 3 per cent, it's clear that the municipality has encountered periods of both more cautious budgeting and instances of more robust financial activity.

Table 13: Percentage deviation in adjusted versus audited spending outcomes of the CoJ (2012/13- 2021/22)

Year	Employee Related Costs	Debt Impairments	Depreciation & Amortization	Finance Costs	Bulk Purchases	Contracted Services	Other	Total Expenditure
2012/13	4%	-50%	-9%	7%	3%	37%	-2%	2%
2013/14	3%	-52%	-12%	8%	18%	10%	-2%	2%
2014/15	-9%	-22%	-16%	-12%	-7%	-27%	-1%	-10%
2015/16	7%	16%	14%	-3%	5%	36%	-15%	7%
2016/17	7%	-21%	19%	-4%	1%	36%	-10%	3%
2017/18	3%	-8%	20%	-3%	1%	N/A	10%	4%
2018/19	4%	-45%	21%	-1%	2%	N/A	21%	5%
2019/20	1%	-37%	23%	10%	-1%	N/A	21%	3%
2020/21	6%	-27%	8%	14%	2%	N/A	18%	5%
2021/22	6%	-10%	13%	2%	-2%	N/A	8%	4%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Note: Negative percentages indicate overspending and positive percentages denote underspending

Source: PBO calculations using CoJ's annual reports.

Table 13 above shows several trends in expenditure items. Employee related costs predominantly signify continuous underspending, with the most substantial underspending of 7 per cent observed in 2015/16 as well as 2016/17. Debt impairments, depreciation & amortization, finance costs, and bulk purchases all exhibit negative percentages, reflecting underspending. Notably, debt impairments saw the most significant underspending of 52 per cent in 2013/14. Conversely, contracted services display positive percentages, indicating overspending, with the most pronounced overspending of 37 per cent in 2012/13. However, it's crucial to note that there was no contracted services expenditure data available from 2017/18 onwards. Other costs also show overspending, with the largest overspending of 21 per cent occurring in 2018/19. Total expenditure generally reflects underspending, with the most substantial overspending of 10 per cent seen in 2016/17.

6.4 Financial Summary: Deficit / Surplus Analysis

Table 14 presents financial summary of CoJ's adjusted revenue in comparison to the audited expenditure the financial years spanning from 2012/13 to 2021/22. The surplus or deficit is before recognising capital transfers from other spheres of government.

Table 14: Deviation in audited revenue versus audited expenditure of EMM (2012/13-2021/22)

Year	Audited Revenue R'000	Audited Expenditure R'000	Surplus/Deficit R'000	% Surplus/Deficit
2012/13	R34 827 611	R31 473 837	R3 353 774	11%
2013/14	R34 917 044	R31 559 966	R3 357 078	11%
2014/15	R39 496 450	R37 892 757	R1 603 693	4%
2015/16	R43 927 215	R40 155 635	R3 771 580	9%
2016/17	R45 422 444	R43 762 471	R1 659 973	4%
2017/18	R47 919 616	R44 777 407	R3 142 209	7%
2018/19	R55 310 389	R48 437 911	R6 872 478	14%
2019/20	R58 357 912	R54 697 096	R3 660 816	7%
2020/21	R61 517 899	R57 680 767	R3 837 132	7%
2021/22	R62 621 369	R61 587 382	R1 033 987	2%

Note: Per cent denotes underspending as a proportion of total adjusted budget

Source: PBO calculations using CoJ's annual reports

The financial summary for the City of Johannesburg between 2012/13 and 2021/22 demonstrates a generally positive fiscal performance in terms of surplus. In 2012/13 and 2013/14, the municipality achieved 11 per cent surpluses, with R3.3 billion and R3.4 billion, respectively. The trend continued in 2014/15 with a 4 per cent surplus of R1.6 billion and the municipality maintained consistent surpluses ranging from 4 per cent to 14 per cent from 2016/17 to 2021/22.

6.5 Reasons for underspending

Data from the CoJ annual reports shows that underspending is mainly driven by:

- **Non-implementation of projects**
 - For example: The non-implementation of SANAS Calibration Meteorological weather due to supply chain management not approving the central adjudication committee report as they argued that the department was attempting to circumvent the SCM policy in 2016/17
 - The river cleanup projects which formed part of Jozi@work were canceled
- **Delays in the implementation of projects**
 - Contracted service services were under budget in 2012/13 and 2016/17
 - The underspending was mainly related to delays experienced in the implementation of the BRT project
 - Delay in the implementation and rollout of the auto-safe equipment and pre-negotiations with the taxi industry
 - Fewer consultants were utilized for specialised services in 2016/2017
 - The underspending in 2017/18 is attributed to the late start of projects. For example: Elias Motswaledi Local Municipality projects and some projects being stopped because of housing issues to relocate informal settlements
- **Process delays**
 - Delays with regards to concluding service level agreements in 2016/17
 - Delays in processing year-end telephone journals in 2018/19
 - The training course scheduled for May and June 2019 could not take place because of delays in obtaining a quotation for seven days' request for quote (RFQ).
 - The procurement of branded collateral could not be finalized due to delays on the communications panel that was recently renewed in 2020/21
- **SCM procurement processes**
 - Supply chain delays experienced in appointing contractors for various departments 2012/13
 - The Building Retrofit Project could not start as the procurement processes had not been finalised
 - Delays in procurement processes for advertising and branding in 2018/19
- **Unfilled vacant posts**
 - Under expenditure was a result of unfilled vacant posts from 2015/16 to 2020/21 due to job grading for some positions and resignations
- **COVID-19 pandemic**
 - The benchmarking exercise to Cape Town could not be undertaken due to the resurgence of COVID-19

- **Employee related costs**

- For example: Underspending on Basic Salaries and leave provisions

- **Unexpected savings**

- In 2012/13, the under-expenditure was related to savings on expenditure on the revenue step change project
- Yellow plant contract which came to an end during the financial year. The current extension of the old contract was at lower rates than budgeted in 2016/17
- Underspending of R1 million (5%) was a result of savings achieved on some of the capital projects when compared to the budget initially allocated in 2017/18

7. CONCLUDING REMARKS

This report provided underspending analysis of four metropolitan municipalities. The analysis did not include conditional grants analysis. Overall, the analysis does not show significant levels of underspending in metropolitan municipalities. The reasons for the underspending that exists highlight some systemic issues in the public financial management system that need to be tackled. The adequacy of budgets is also an important consideration. The reoccurring reasons for underspending include delays in project implementation/completion, supply chain management procurement process, unexpected savings, vacant posts and scarcity of skills and process delays. What also emerges from our analysis is that there is notable underspending on capital projects.

While our report shows that there is some underspending taking place, it is important to understand its extent and its root causes. The PBO has undertaken a longitudinal analysis in order to provide Parliament with insight and context of underspending of government budgets. Our concern remains that underspending is being used to justify the reduction in government budget baselines, despite our earlier evidence that shows that these budget reductions may have contributed to the underspending itself (i.e. COE baselines) and that reducing spending budgets undermines much-needed service delivery and economic development (i.e. when capital budgets are taken away).