



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LOCAL GOVERNMENT REVENUE AND EXPENDITURE: FIRST QUARTER LOCAL GOVERNMENT SECTION 71 REPORT FOR THE PERIOD: 1 JULY 2023 – 30 SEPTEMBER 2023

National Treasury has released the local government revenue and expenditure report for the first quarter of the 2023/24 financial year. This report covers the performance against the adopted budgets of local government for the first quarter of the municipal financial year ending on 30 September 2023 and includes spending against conditional grant allocations for the same period.

The Section 71 report facilitates transparency in reporting, better in-year management as well as the oversight of the financial performance of municipalities against their adopted budgets. This report is therefore a management tool that serves as an early warning mechanism for councils, provincial legislatures and municipal management to monitor and improve municipal performance timeously. The improvement of the credibility of the data strings is a priority for national and provincial treasuries and the submitted data strings are analysed monthly and errors are communicated to municipalities for correction.

KEY TRENDS:

Aggregate trends

1. As at 30 September 2023, aggregate spending by municipalities was 20.7 per cent or R122.9 billion of the total adopted expenditure budget of R592.7 billion. Aggregated billing and other revenue was 25.3 per cent or R152.1 billion of the total adopted revenue budget of R600.5 billion.
2. Capital expenditure amounts to R9.3 billion or 12.6 per cent of the adopted capital budget of R74 billion.
3. The adopted operating expenditure budget amounts to R518.7 billion, of which R13.6 billion (21.9 per cent) was spent by 30 September 2023.
4. Municipalities adopted a budget of R154.5 billion in respect of salaries and wages (including remuneration of councillors), representing a R7.9 billion or a 5.4 per cent increase from the adopted budget of R146.6 billion for the 2022/23 municipal financial year.
5. Aggregate municipal consumer debts amounted to R306.7 billion (compared to R289.8 billion reported in the first quarter of 2022/23) as at 30 September 2023. A total amount of R4.9 billion or 1.6 per cent has been written off as bad debt.



MEDIA STATEMENT

6. Debt owed to municipalities in the category of below 90 days, amounts to R49.7 billion. This should not be interpreted as the National Treasury suggesting that the balance must be written-off by municipalities.
7. The creditors' age analysis shows that R101.4 billion is owed by municipalities as at 30 September 2023, an increase of R15.1 billion compared to the R86.2 billion reported in the first quarter of 2022/23.
8. Analysis of the collection rates indicates that while municipalities have budgeted for an 83.1 per cent collection rate, aggregated actual collection performance against billed is only 56.1 per cent. The underperformance of actual collections against billed revenue holds a significant risk for the liquidity position of most municipalities as the planned expenditure is based on a higher performance level.

Conditional Grants

Infrastructure Conditional Grants Expenditure as at 30 September 2023

9. As at the end of the first quarter, R12.9 billion or 26 per cent in infrastructure grants had been transferred to municipalities.
10. Indirect grants (Infrastructure and capacity) allocated to municipalities increased from R7.5 billion in the 2021/22 financial year to R8.3 billion in the 2023/24 financial year.

A summary of key aggregated information is included in the tables in **Annexure A**.

Further details on this report can be accessed on the National Treasury's website: www.treasury.gov.za.



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NOTE TO EDITORS:

- This information is published in terms of Sections 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and 30(3) of the Division of Revenue Act, 2023 (Act No. 5 of 2023) (DoRA). The budgeted figures shown are based on the 2023/24 adopted budgets approved by municipal councils.
- In terms of the process, Municipal Managers and Chief Financial Officers were required to sign and submit data to the National Treasury by 26 October 2023. Any queries on the figures in these statements should be referred to the relevant Municipal Manager or Chief Financial Officer. Queries on conditional grants may be referred to the national department responsible for administering the grant.
- 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. Therefore, the revenue estimates are seldom underpinned by realistic or realisable revenue assumptions resulting in municipalities not being able to collect this revenue, and as a result 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 first quarter publication covers 257 municipalities on financial information and conditional grant information.

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