



national treasury

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MEDIA STATEMENT

LOCAL GOVERNMENT ADOPTED OPERATING AND CAPITAL BUDGETS FOR 2024/25 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 2024/25 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 2024/25 financial year and over the medium-term period. In addition, the information is presented per category of municipality and province. Highlights include:

- The aggregated budgeted revenue for 2024/25 is R652.3 billion, which is expected to increase to R687.2 billion in 2025/26 and R728.7 billion in 2026/27;
- Total municipal expenditure in 2024/25 is estimated to be R649.9 billion, increasing to R682.7 billion in 2025/26 and R720.4 billion in 2026/27. Total expenditure for 2024/25 is 6.2 per cent higher than the adopted budget for 2023/24 financial year;
- It is notable that aggregate municipalities will realise operating deficits on the operating budgets in the 2024/25 financial year as the total operating expenditure increases at a higher rate than the revenue projections. This is an indication that municipalities are living beyond their means and a first sign of financial challenges. However, the situation is projected to improve in the outer years of the 2024/25 MTREF as operating surpluses will be realised;
- A net deficit of R2.1 billion is projected in the 2024/25 financial year after considering revenue from external loans and internally generated funds. This is an improvement compared to a deficit of R9.3 billion in the 2023/24 adjusted budget and will result in a net surplus of R520.4 million in 2025/26 and R4.3 billion in 2026/27;
- The main cost drivers are employee related costs and materials and bulk purchases, representing 26.9 per cent and 34.5 per cent of the operating expenditure respectively. Municipalities are experiencing a two-fold impact of the high electricity and water tariff increases; lower sales levels owing to changes in consumption patterns and increased bad debt as a result of affordability pressures;



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- Capital expenditure increased by 1.8 per cent to R77.4 billion in 2024/25 compared to the original budget for the 2023/24 financial year. The percentage of capital expenditure, to total expenditure is declining over the MTREF period. Capital expenditure represented 12.4 per cent of the total expenditure in 2023/24 and is projected to decrease to 11.9 per cent in 2024/25 and further to 10 per cent in 2026/27;
- Trading services represent 51.5 per cent of the total capital expenditure of R77.4 billion in 2024/25; increases to 51.9 per cent in 2025/26 and to 54.3 per cent in 2026/27;
- The 2024/25 capital expenditure budget reflects a R47.1 billion investment in new infrastructure which is 60.8 per cent of the total aggregated capital budget. Investment in the renewal and upgrading of existing assets is much lower at R13.3 billion (17.2 per cent) and R17 billion (22.0 per cent) of the total capital budget respectively; and
- Reporting on operational repairs and maintenance figures has been institutionalised as part of Section 71 in-year reporting. Municipalities allocated R33.9 billion to repairs and maintenance of assets in 2024/25. This will increase to R35.6 billion in 2025/26 and to R37.1 billion in 2026/27.

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 the 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>. A new development that facilitates transparency is the GoMuni portal which can be accessed at https://lg.treasury.gov.za/ibi_apps/signin by clicking on the public access tab.

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 2024/25 MTREF budgets in the prescribed A1 Schedules as per the regulations.



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In addition, with the implementation of the Municipal Standard Chart of Accounts (*mSCOA*) on 1 July 2017, municipalities must now prepare their budgets at the posting level over all segments as prescribed in the *mSCOA* classification framework. All financial systems must have the facility to produce the A1 Schedule directly from their financial systems from the *mSCOA* classification framework. Therefore, municipalities must put controls in place to ensure alignment of the adopted A1 Schedule to the financial system and the *mSCOA* data strings submitted to National Treasury. This publication is therefore based solely on the new regulated framework in terms of *mSCOA*.

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 2023/24 Medium Term Revenue Expenditure Framework (MTREF).

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 2024/25, 2025/26 and 2026/27 financial years for all municipalities and are summarised in a variety of ways including analysis
- s 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 *mSCOA* data strings to the National Treasury by the latest 12 July 2024. 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 it 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 2024/25 MTREF publication covers 257 municipalities.

Please note Annexure A and B.