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ANNEXURE A

The full list of information published:

- Aggregated/Consolidated municipal 2024/25 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 2024/25;
 - Capital budget 2024/25;
 - Operating budget 2025/26;
 - Capital budget 2025/26;
 - Operating budget 2026/27; and
 - Capital budget 2026/27.
- *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):



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- 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:*
 - Summary of growth in municipal budgets, and



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- Information per province.
- *mSCOA framework assorted results.*



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ANNEXURE B

HIGH LEVEL ANALYSIS OF THE 2024/25 MTREF:

1. The analysis below is restricted to the aggregated budgets by category of the 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 2024/25 budget and MTREF is also published on the National Treasury website.
2. Table 1 below reflects the aggregated operating and capital budget for the 2024/25 MTREF. Total revenue is projected to increase from R587.5 billion in the adjusted budget of the 2023/24 financial year to R622.2 billion in 2024/25 thereafter increases to R702.9 billion by 2026/27. On the contrary, total expenditure is projected to increase from R626.2 billion in the adjusted budget of the 2023/24 financial year to R654.4 billion in 2024/25, thereafter increases to R724.5 billion by 2026/27.
3. It should be noted that the total revenue excludes external loans (borrowing) and internally generated funds used to fund the capital budget. Therefore, the total expenditure is higher than revenue and results in a deficit. However, these funding sources are considered in determining the net surplus/ (deficit).



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Aggregated operating and capital budget

Table 1: Aggregated Operating and Capital budgets, 2023/24 - 2026/27

Description	Original Budget	Adjusted Budget	2024/25 Medium Term Revenue & Expenditure Framework		
	2023/24	2023/24	2024/25	2025/26	2026/27
R thousands					
REVENUE:					
Total Revenue (excluding capital transfers and contributions)	535 991 007	538 533 462	575 037 984	612 176 375	656 565 224
Capital Revenue					
Transfers recognised - capital	46 268 037	48 940 289	47 192 937	46 705 708	46 327 061
Public contributions & donations	-	-	-	-	-
Total Capital Revenue	46 268 037	48 940 289	47 192 937	46 705 708	46 327 061
Total Revenue	582 259 043	587 473 751	622 230 920	658 882 083	702 892 285
EXPENDITURE:					
Total Operating Expenditure ¹	535 942 511	547 583 313	576 947 991	611 489 285	652 161 302
Capital expenditure	76 009 039	78 634 989	77 410 772	75 199 439	72 312 267
Total Expenditure	611 951 550	626 218 302	654 358 763	686 688 724	724 473 569
Surplus / (deficit)	(29 692 507)	(38 744 551)	(32 127 843)	(27 806 640)	(21 581 284)
FINANCING:					
External loans / borrowing	13 127 198	9 637 671	14 006 271	12 898 009	10 565 352
Internally generated funds ²	23 071 143	19 800 890	16 035 380	15 428 984	15 279 807
Total financing	36 198 341	29 438 562	30 041 651	28 326 993	25 845 159
Net surplus / (deficit)	6 505 834	(9 305 989)	(2 086 192)	520 353	4 263 875

¹Includes Taxation

² External loans and internally generated funds are the municipality's own contribution to capital revenue.

- Although external loans (borrowings) and internally generated funds are a funding source for the capital budget, the inclusion thereof would artificially inflate total revenue. Municipalities generate internal funding in two ways; either by historic cash backed reserves (generated in previous financial years through operating activities – revenue) or current year surpluses (generated through current revenue – operating surpluses).
- Municipalities budgeted to fund infrastructure investment through external loans (borrowing) of R37.5 billion and internally generated funding of R46.7 billion over the 2024/25 MTREF. It is noted that the use of borrowing as a funding source slightly increased in the 2024/25 financial year compared to the adopted budget of 2022/23. It appears that borrowing allocations in the adopted budgets are unrealistic given the reduction during the adjustments budget.
- 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



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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.

7. Municipalities are reducing their contribution from internally generated funds towards the capital budget while external loans are also decreasing over the MTREF. However, it is noted that the operating surpluses are projected to increase over the MTREF. It is observed from the previous financial years that municipalities do not realise the surpluses that they budget for as some tend to overstate the revenue. The decision to fund infrastructure from borrowing will assist municipalities to be financially sustainable given the pressures on the operating budgets. However, some municipalities are not able to secure loans due to their poor financial position.
8. It must 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.
9. Municipalities are required to estimate monthly revenue and expenditure as part of the Municipal Budget and Reporting Regulations (MBRR) schedules. These monthly projections are used to monitor the performance during the municipal financial year and are reported on in the quarterly Section 71 publications.
10. Table 2 below reflects the summary of the operating budget by major source of revenue and the main cost drivers over the 2024/25 MTREF, the capital expenditure and how it is funded. Notable is that municipal operating budgets are mainly funded from revenue generated from property rates and service charges. As indicated earlier in the report, the table below only reflects billings. Therefore, municipalities must put effort in collecting billed revenue and ensuring implementation of revenue management measures such as issuing accurate bills and implementing credit control where required.
11. Property rates and service charges represent 68.3 per cent (R1.3 trillion out of R1.8 trillion) of the projected operating revenue over the 2024/25 MTREF. Therefore, failure to collect the projected revenue will result in an increase in the number of municipalities in financial distress as municipalities continue to incur expenditure in line with the budget projections while revenue collection is lower. Municipalities will have to implement cost containment measures and spend in line with the revenue collected to ensure financial sustainability.



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Table 2: Consolidated budget summary for all municipalities for the 2024 MTREF

Description	Current year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework		
	Adopted budget	Adjusted budget	Budget Year 2024/25	Budget Year 2025/26	Budget Year 2026/27
R thousands					
Financial Performance					
Property rates	92 381 804	92 722 181	98 507 278	103 771 105	109 500 284
Service charges	269 222 102	265 456 917	288 293 568	315 008 365	344 940 522
Investment revenue	4 526 463	6 045 300	5 810 151	5 545 705	5 530 768
Transfers recognised - operational	107 619 054	109 849 519	114 889 067	118 498 613	123 975 259
Other own revenue	62 241 585	64 459 544	67 537 919	69 352 588	72 618 391
Total Revenue (excluding capital transfers and contributions)	535 991 007	538 533 462	575 037 984	612 176 375	656 565 224
Employee costs	149 429 644	148 260 495	157 269 425	164 999 453	173 211 033
Remuneration of councillors	5 061 550	5 162 480	5 369 678	5 623 327	5 876 188
Depreciation & asset impairment	38 404 208	38 705 302	39 639 079	41 574 991	43 268 134
Finance charges	10 183 936	11 227 903	11 770 287	12 281 497	13 122 839
Materials and bulk purchases	178 225 461	175 481 149	191 043 676	211 374 015	233 400 052
Transfers and grants	4 320 894	4 932 402	4 471 107	4 046 030	4 177 510
Other expenditure	154 562 708	163 813 582	167 384 739	171 589 973	179 105 547
Total Expenditure	535 942 511	547 583 313	576 947 991	611 489 285	652 161 302
Surplus/(Deficit)	48 496	(9 049 851)	(1 910 007)	687 090	4 403 922
Transfers recognised - capital	48 653 756	50 600 171	48 324 768	48 961 416	48 779 343
Contributions recognised - capital & contributed assets	148 703	244 209	361 328	423 193	666 771
Surplus/(Deficit) after capital transfers & contributions	48 850 955	41 794 529	46 776 089	50 071 699	53 850 035
Share of surplus/ (deficit) of associate	1 616	626 919	681 514	700 620	723 422
Surplus/(Deficit) for the year	48 852 571	42 421 448	47 457 603	50 772 318	54 573 458
Capital expenditure & funds sources					
Capital expenditure	76 009 039	78 634 989	77 410 772	75 199 439	72 312 267
Transfers recognised - capital	46 268 037	48 940 289	47 192 937	46 705 708	46 327 061
Public contributions & donations	-	-	-	-	-
Borrowing	13 127 198	9 637 671	14 006 271	12 898 009	10 565 352
Internally generated funds	23 071 143	19 800 890	16 035 380	15 428 984	15 279 807
Total sources of capital funds	82 466 377	78 378 851	77 234 588	75 032 702	72 172 220

Source: National Treasury Local Government database

12. 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 over the 2024/25 MTREF. Contracted services are also a main cost driver and is included as part of other expenditure. Employee related costs are mainly informed by the percentage increase in the cost-of-living adjustment and filling of vacancies. This expenditure item is projected to increase by 6.1 per cent from R148.3 billion in the 2023/24 adjusted budget to R157.3 billion in 2024/25 and further increases to R173.2 billion in 2026/27. Municipal budgets are under immense pressure due to the high employee related costs and some municipalities are



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struggling to afford their wage bill given the decline in revenue collection, while others have bloated organisational structures.

13. Remuneration of councillors increased by 4 per cent from R5.2 billion in the 2023/24 adjusted budget to R5.4 billion in 2024/25 and further increases to R5.9 billion in 2026/27. The projected increase is informed by the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils.
14. It is notable, that in 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. Municipalities must ensure that there are operational efficiencies to achieve financial sustainability given that the major cost drivers are fixed expenses such as employee related costs and bulk purchases of water and electricity.
15. The performance against the operating budget is not an indication of whether the budget is funded or not funded in terms of Section 18 of the MFMA. A municipal budget is considered to be funded if the projected cash to be collected is sufficient to cover the commitments.

Aggregated operating and capital budget per municipal category

16. Table 3 below indicates the aggregated budgeted revenue (operating and capital) by category of municipality over the 2024/25 MTREF period. In aggregate, the total budgeted revenue for 2024/25 increased by 5.5 per cent from R618.5 billion in 2023/24 to R652.3 billion. The increase in aggregated revenue fluctuates over the 2024/25 MTREF at 5.4 per cent and 6 per cent in 2025/26 and 2026/27 respectively. The increase appears realistic given the current economic climate.



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Table 3: Aggregated Operating and Capital Revenue per category, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	36 131 555	321 660 861	357 792 416	36 836 805	344 769 858	381 606 663	38 642 820	368 933 789	407 576 609	36 965 186	399 147 363	436 112 549
Category B	35 935 075	184 045 647	219 980 721	29 949 585	198 503 376	228 452 941	26 726 158	209 852 503	236 578 661	24 931 551	222 711 863	247 643 415
Category C	10 429 410	30 284 499	40 713 909	10 448 218	31 764 750	42 212 967	9 663 724	33 390 083	43 053 807	10 275 483	34 705 997	44 981 480
Total	82 496 039	535 991 007	618 487 046	77 234 588	575 037 984	652 272 572	75 032 702	612 176 375	687 209 077	72 172 220	656 565 224	728 737 444
Less												
External loans / borrowing	13 127 198	-	13 127 198	14 006 271	-	14 006 271	12 898 009	-	12 898 009	10 565 352	-	10 565 352
Internally generated funds	23 071 143	-	23 071 143	16 035 380	-	16 035 380	15 428 984	-	15 428 984	15 279 807	-	15 279 807
Recalculated revenue¹	46 297 699	535 991 007	582 288 705	47 192 937	575 037 984	622 230 920	46 705 708	612 176 375	658 882 083	46 327 061	656 565 224	702 892 285
% of total revenue²												
Category A	5,8%	52,0%	57,8%	5,6%	52,9%	58,5%	5,6%	53,7%	59,3%	5,1%	54,8%	59,8%
Category B	5,8%	29,8%	35,6%	4,6%	30,4%	35,0%	3,9%	30,5%	34,4%	3,4%	30,6%	34,0%
Category C	1,7%	4,9%	6,6%	1,6%	4,9%	6,5%	1,4%	4,9%	6,3%	1,4%	4,8%	6,2%

¹Revenue excludes capital transfers

²2016 Municipal Demarcation (257 municipalities)

Source: National Treasury Local Government Database

17. Capital revenue is R77.2 billion in 2024/25 representing 11.8 per cent of total revenue of R652.3 billion. The capital expenditure does not balance with the funding due to the incorrect use of the *m*SCOA classification framework by the municipalities.
18. The eight metros (Category A municipalities) account for more than 50 per cent of aggregated revenue raised by local government at 58.5 per cent in the 2024/25 financial year and increases to 59.8 per cent by 2026/27. This supports the notion that metros have a larger fiscal capacity (ability to raise revenue) when compared to other categories of municipalities. The contribution is consistent with the previous projections in the 2023/24 MTREF. This could indicate the challenges of increasing the revenue base due to the changing economic and social environment.
19. The percentage share of aggregated revenue for Category B (local) and Category C (districts) municipalities slightly decreases over the 2024/25 MTREF period. Total revenue raised by Category B municipalities is 35 per cent of aggregated revenue in 2024/25 while Category C municipalities contribute 6.5 per cent.
20. District municipalities are primarily funded from the National Fiscus and are highly grant dependent with some districts being allocated the powers and functions to provide water services. Hence, the growth in the revenue of district municipalities will be closely linked to the changes in transfers from national and provincial government.
21. Table 4 below reflects the total budgeted expenditure by category of municipality over the 2024/25 MTREF period. In aggregate, budgeted municipal expenditure increased by 6.2 per cent from R612 billion in 2023/24 to R649.9 billion in 2024/25. The increases are mainly driven by the operating expenditure at 6.8 per cent while the capital expenditure increased by 1.8 per cent.



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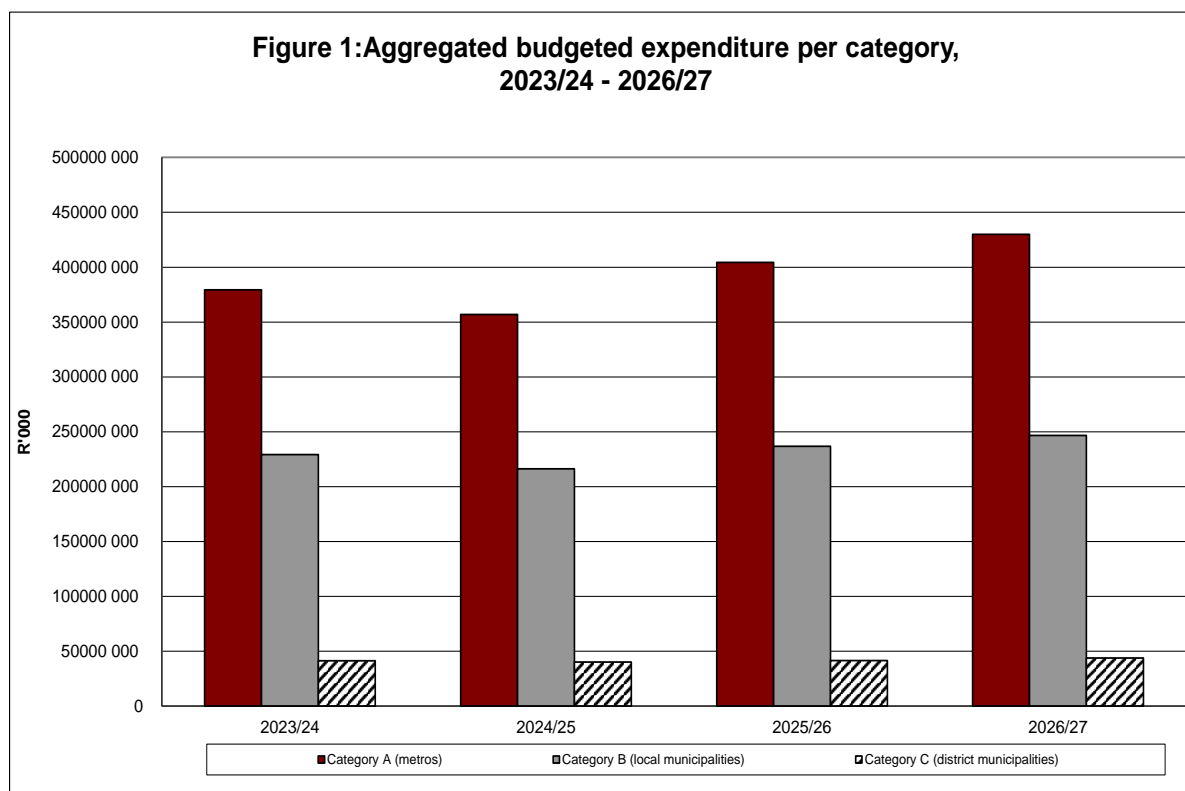
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Table 4: Aggregated Operating and Capital expenditure per category, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A	36 892 844	342 408 498	379 301 342	36 892 844	320 014 553	356 907 397	38 700 540	365 740 106	404 440 647	37 024 638	392 923 141	429 947 780
Category B	30 007 413	199 264 315	229 271 728	30 007 413	186 276 029	216 283 442	26 768 457	209 936 387	236 704 845	24 974 747	221 708 639	246 683 386
Category C	10 510 515	30 844 773	41 355 288	10 510 515	29 651 929	40 162 444	9 730 441	31 823 838	41 554 279	10 312 881	33 426 957	43 739 838
Total expenditure	77 410 772	572 517 586	649 928 359	77 410 772	535 942 511	613 353 283	75 199 439	607 500 331	682 699 770	72 312 267	648 058 737	720 371 004
% of total expenditure¹												
Category A	5,7%	52,7%	58,4%	6,0%	52,2%	58,2%	5,7%	53,6%	58,2%	5,1%	54,5%	59,7%
Category B	4,6%	30,7%	35,3%	4,9%	30,4%	35,3%	3,9%	30,8%	34,7%	3,5%	30,8%	34,2%
Category C	1,6%	4,7%	6,4%	1,7%	4,8%	6,5%	1,4%	4,7%	6,1%	1,4%	4,6%	6,1%

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



22. The operating expenditure is increasing over the 2024/25 MTREF while the capital expenditure is decreasing. This indicates that there will be less investment in infrastructure which negatively impacts on the objective to invest in infrastructure to ensure economic growth.
23. The metros' share of the total local government expenditure budget is 58.2 per cent for the 2024/25 financial year, whereas local municipalities represent 35.3 per cent. District



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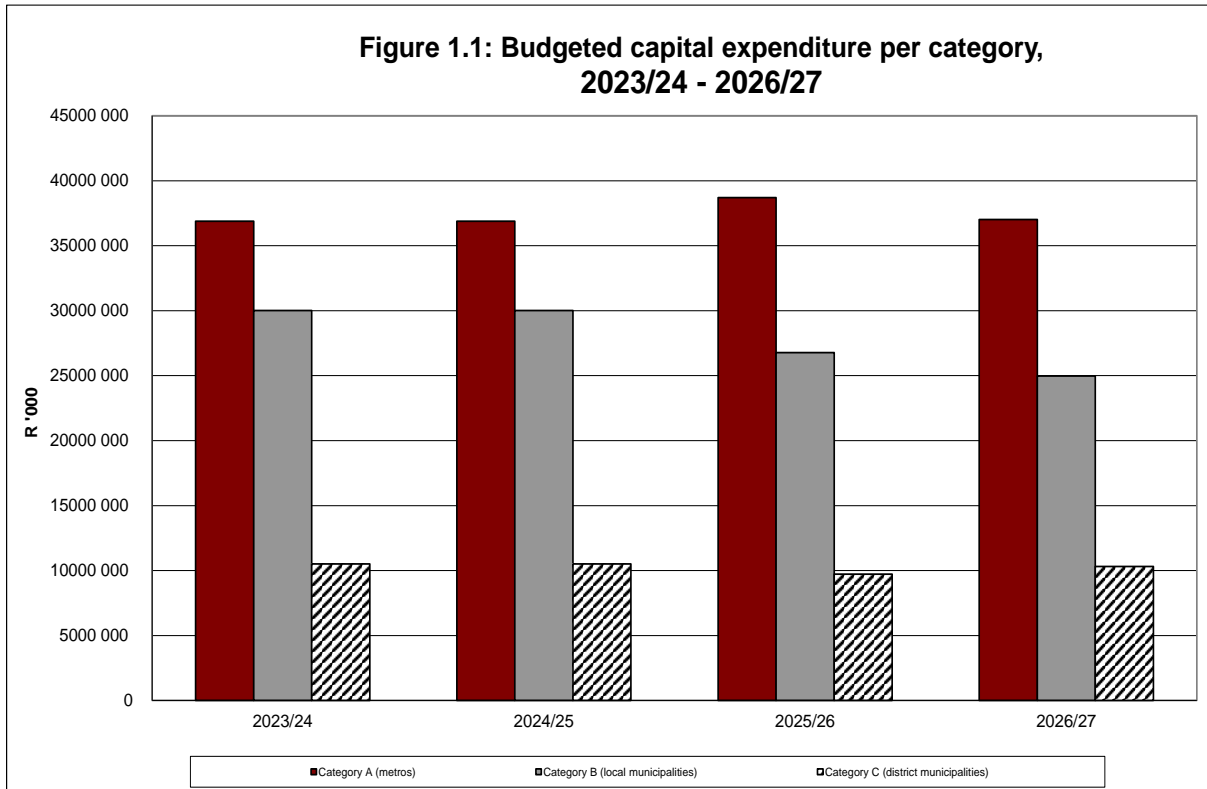
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municipalities represent 6.5 per cent of total expenditure. The metros contribution slightly increases while the local municipalities' decreases over the MTREF period estimated at 59.7 per cent and 34.2 per cent of total expenditure respectively by 2026/27.

24. 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 decrease to 10 per cent in 2026/27. Even though this performance is within the National Treasury norm of spending between 10 and 20 per cent of total expenditure on capital projects, the declining trends highlight the increasing risk of not investing in critical infrastructure while the condition is deteriorating. This eventually impacts negatively on municipalities' ability to deliver basic services.
25. It has been observed over the previous years that the poor implementation of capital budgets results in lower investment than the budgeted allocations. Therefore, the expenditure is less than 10 per cent of total expenditure indicating that municipalities are prioritising current operations over future capacity of municipal services. This is evident in the poor service delivery.
26. Operating expenditure in aggregate represents 88.1 per cent in 2024/25 and increases to 90 per cent by 2026/27. As indicated earlier in the report, the major cost drivers are employee related costs and bulk purchases which contributes to the annual increases. The increase in bulk electricity and water is high and far exceeds inflation. However, municipalities must ensure efficiencies in the system by addressing water and electricity losses to reduce the impact of the increasing operating expenditure on their sustainability.



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Detailed capital expenditure and funding

27. Table 5a below reflects the budgeted capital expenditure by standard classification and how it is funded over the 2024/25 MTREF period. The capital expenditure is further categorised between new assets, renewal and upgrading of existing assets. This enables the assessment of the extent to which municipalities are investing in new infrastructure in relation to ensuring that the existing infrastructure is in a good condition.
28. Municipalities are prioritising infrastructure spending on trading services which comprise electricity, water, wastewater management and waste management. Trading services represent 51.1 per cent of the total capital expenditure of R77.4 billion in 2024/25 and increases to 54.3 per cent by 2026/27. The high spending is on water and wastewater management infrastructure which can be due to the extension of water supply to more households and addressing the dilapidated infrastructure.



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29. Economic and environmental services (including road transport) are the second contributor to capital expenditure at 27.3 per cent in 2024/25. The highest allocation is in road transport due to some municipalities implementing the integrated public transport system funded by the Public Transport Network Grant (PTNG).

Table 5a: Budgeted capital expenditure and funding, 2023/24 - 2026/27

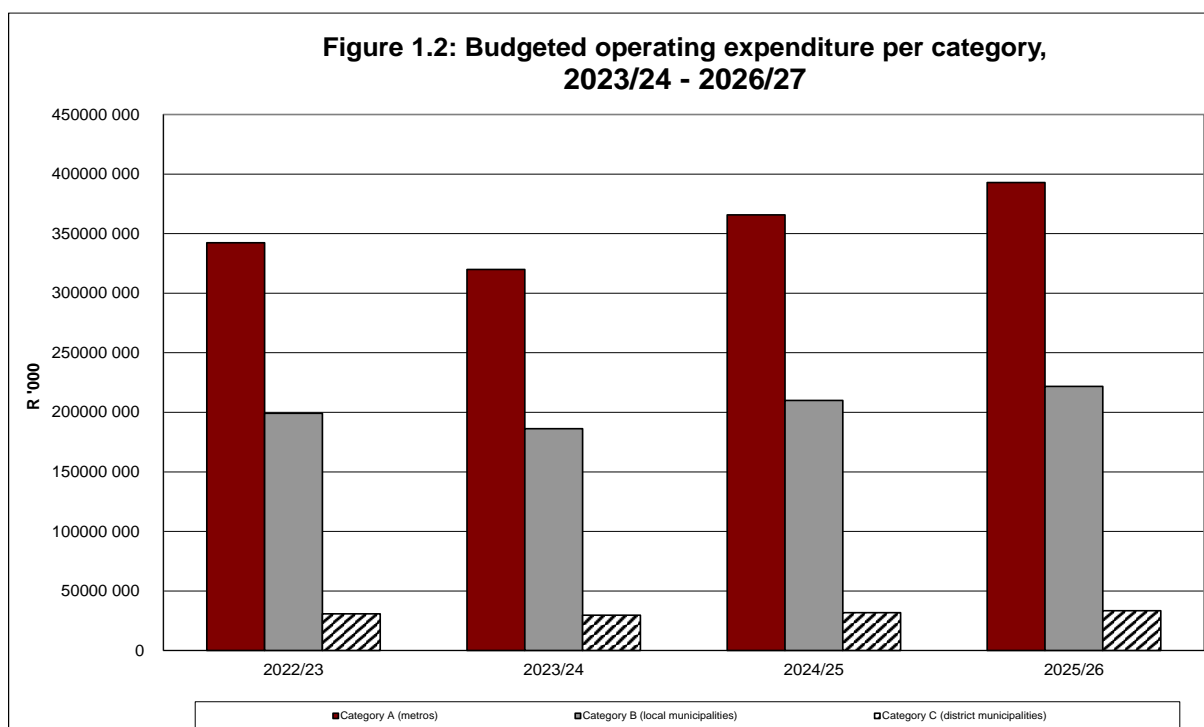
R thousands	Original Budget 2023/24	Adjusted Budget 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
			2024/25	2025/26	2026/27
Capital Expenditure - Standard Classification					
<i>Governance and Administration</i>	6 195 919	6 320 020	6 660 445	5 364 739	4 629 756
Executive & Council	659 370	558 354	905 337	342 571	314 693
Budget & Treasury Office	5 524 998	5 751 667	5 746 383	5 018 161	4 310 796
Corporate Services	11 551	9 999	8 725	4 007	4 266
<i>Community and Public Safety</i>	10 195 064	10 063 358	9 792 728	9 450 323	9 162 689
Community & Social Services	1 612 251	1 444 919	1 496 727	1 279 445	1 262 911
Sport And Recreation	1 485 281	1 557 359	1 668 019	1 245 697	1 285 675
Public Safety	903 544	945 751	910 400	937 910	664 132
Housing	5 967 511	5 920 354	5 416 685	5 707 960	5 685 809
Health	226 477	194 976	300 898	279 311	264 162
<i>Economic and Environmental Services</i>	20 299 373	22 306 190	21 130 520	21 040 541	18 991 563
Planning and Development	4 200 008	4 710 469	4 550 944	4 438 944	4 508 846
Road Transport	15 819 196	17 346 625	16 238 543	16 156 641	14 257 590
Environmental Protection	280 169	249 097	341 033	444 956	225 127
<i>Trading Services</i>	39 026 769	39 683 291	39 528 770	39 058 266	39 271 074
Electricity	9 308 471	9 324 762	8 427 827	8 346 010	8 488 696
Water	17 592 391	17 798 646	18 588 229	18 464 968	18 304 880
Waste Water Management	10 127 182	10 493 890	10 510 303	10 617 635	10 421 231
Waste Management	1 998 725	2 065 992	2 002 412	1 629 653	2 056 267
<i>Other</i>	291 915	283 297	298 309	285 570	257 185
Total Capital Expenditure	76 009 039	78 656 155	77 410 772	75 199 439	72 312 267
<i>Of which</i>					
Total New Assets	46 686 952	48 318 773	47 065 072	44 564 526	43 310 236
Total Renewal of Existing Assets	12 344 261	13 520 445	13 298 985	12 840 130	11 678 741
Total Upgrading of Existing Assets	16 977 826	16 816 937	17 046 716	17 794 783	17 323 289
Total Capital Expenditure	76 009 039	78 656 155	77 410 772	75 199 439	72 312 267
<i>Percentage of total capital expenditure</i>					
New assets	61,4%	61,4%	60,8%	59,3%	59,9%
Renewal of existing assets	16,2%	17,2%	17,2%	17,1%	16,2%
Upgrading of Existing Assets	22,3%	21,4%	22,0%	23,7%	24,0%
Funded by:					
National Government	43 747 208	45 131 917	44 033 092	44 620 890	44 314 746
Provincial Government	1 733 640	2 937 969	2 137 578	1 143 821	1 114 439
District Municipality	15 062	48 700	110 254	57 350	57 312
Other transfers and grants	772 126	893 602	912 013	883 647	840 563
Transfers recognised - capital	46 268 037	49 012 187	47 192 937	46 705 708	46 327 061
Borrowing	13 127 198	9 637 671	14 006 271	12 898 009	10 565 352
Internally generated funds	23 071 143	19 749 917	16 035 380	15 428 984	15 279 807
Total Capital Funding	82 466 377	78 399 775	77 234 588	75 032 702	72 172 220

Source: National Treasury Local Government database



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30. The investment in new infrastructure in 2024/25 is R47.1 billion which represents 60.8 per cent of the aggregated capital budget while 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) respectively. Capital budgets are therefore leaning towards new assets rather than the renewal and upgrading of existing assets. The renewal and upgrading of existing assets represent 39.2 per cent of the capital budget. The allocation has remained constant compared to 38.6 per cent in the 2023/24 adjusted budget. This is below the norm of 40 per cent and should be analysed in relation to the asset condition and the allocation of repairs and maintenance.



31. National Treasury introduced various indicators to measure municipal performance as part of the Municipal Budget and Reporting Regulations (MBRR). One such indicator measures the investment in asset renewal as a percentage of depreciation. This ratio measures the extent to which municipalities are replacing their assets in relation to the use (consumption) thereof.
32. Municipalities allocations for renewal and upgrading of existing assets represent 76.9 per cent of depreciation in 2024/25 which is a decrease compared to 79.1 per cent in the 2023/24 adjusted budgets. The allocation further decreases to 67.3 per cent by 2026/27 while the ideal



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ratio should be 100 per cent (refer to the consolidated A9 schedule). This indicates that municipalities are consuming their assets at a higher rate than they are providing for renewal/upgrading. The impact of this under provision will result in failing infrastructure performance due to obsolescence. This highlights the need for municipalities to reprioritise and focus on renewal and upgrading of existing assets instead of investing in new assets.

33. Ideally, there should be a correlation between investment in renewal and upgrading of existing assets and repairs and maintenance. For example, a municipality that invests significantly in renewal and upgrading of existing assets to ensure that they are in a good condition, will spend less on repairs and maintenance. However, this is not the case in most municipalities. Table 5b below highlights the budgeted repairs and maintenance by asset class.



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Table 5b: Repairs and Maintenance by asset class, 2023/24 - 2026/27

Description	Original Budget 2023/24	Adjusted Budget 2023/24	2024/25 Medium Term Revenue & Expenditure Framework		
			2024/25	2025/26	2026/27
R thousands					
Repairs and Maintenance by Asset Class	34 445 718	33 746 876	33 945 559	35 579 068	37 138 490
<i>Roads Infrastructure</i>	4 397 373	5 085 393	4 988 590	5 234 459	5 378 619
<i>Storm water Infrastructure</i>	585 493	584 481	629 819	662 053	706 000
<i>Electrical Infrastructure</i>	8 112 409	7 587 771	7 315 200	7 644 434	8 039 397
<i>Water Supply Infrastructure</i>	4 788 426	5 005 193	5 055 959	5 311 612	5 660 994
<i>Sanitation Infrastructure</i>	2 913 480	3 643 386	3 764 518	3 986 641	4 210 594
<i>Solid Waste Infrastructure</i>	517 708	542 447	551 299	590 230	603 824
<i>Rail Infrastructure</i>	13 394	11 920	12 879	13 543	14 234
<i>Coastal Infrastructure</i>	69 293	73 557	75 799	75 480	78 462
<i>Information and Communication Infrastructure</i>	243 061	131 937	137 510	142 828	153 672
Infrastructure Total	21 640 637	22 666 085	22 531 572	23 661 280	24 845 797
Community Facilities	1 243 870	1 333 095	1 332 048	1 402 666	1 473 426
Sport and Recreation Facilities	351 548	345 120	392 674	412 478	420 925
Community Assets Total	1 595 417	1 678 216	1 724 722	1 815 144	1 894 351
Heritage Assets	5 737	3 583	3 989	3 294	3 398
Revenue Generating	47 628	53 264	51 088	51 879	54 406
Non-revenue Generating	20 756	31 298	18 107	18 872	19 733
Investment properties	68 384	84 562	69 195	70 752	74 139
Operational Buildings	2 507 528	2 102 337	2 450 368	2 553 729	2 686 216
Housing	263 829	322 382	291 735	301 154	297 736
Other Assets	2 771 357	2 424 720	2 742 103	2 854 883	2 983 952
Biological or Cultivated Assets	19 762	29 049	19 046	19 739	20 645
Servitudes	-	-	-	-	-
Licences and Rights	325 917	316 468	312 828	317 476	329 579
Intangible Assets	325 917	316 468	312 828	317 476	329 579
Computer Equipment	1 121 609	778 953	872 094	872 730	899 073
Furniture and Office Equipment	999 966	944 967	1 028 128	1 052 509	1 104 443
Machinery and Equipment	3 290 541	1 923 950	1 724 740	1 868 148	1 904 205
Transport Assets	2 606 390	2 896 324	2 917 143	3 043 015	3 078 807
Land	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	100	0	200	100	100
Living Resources	-	-	-	-	-

Source: National Treasury Local Government database

34. The budget allocation for repairs and maintenance slightly increased from R33.7 billion in the 2023/24 adjusted budget to R33.9 billion in 2024/25. Repairs and maintenance of infrastructure assets represents 66.4 per cent of the total allocation of which electrical infrastructure has the highest allocation followed by Water and Roads infrastructure.
35. The Municipal Budget and Reporting Regulations (MBRR) contains a performance ratio that measures the percentage of repairs and maintenance in relation to the value of property, plant



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and equipment (PPE). The ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services.

36. Table 5c below reflects the total asset value which is used to measure this ratio. The total asset value increases over the MTREF period from R732.3 billion in 2024/25 to R746.6 billion in 2026/27 while repairs and maintenance as a percentage of PPE is 4.6 per cent for 2024/25 and increases to 4.8 per cent and 5 per cent in 2025/26 and 2026/27 respectively. The performance is below the norm of 8 per cent.
37. Municipalities are not adequately providing for repairs and maintenance while they are not prioritising renewal and upgrading of existing assets. This is evident in the reported service delivery failures due to ageing infrastructure and lack of maintenance. Therefore, investment in existing infrastructure and repairs and maintenance must be informed by the condition of the assets regardless of the provided norms. Some infrastructure assets have deteriorated to the extent that spending 40 per cent of capital expenditure on renewal and upgrading of existing infrastructure is not sufficient to ensure sustainable service delivery. Furthermore, the condition of other assets has deteriorated beyond repairs and maintenance and requires replacement.
38. Asset management must be considered a strategic spending priority for local government and municipalities must aggressively reprioritise non-priority spending to current economic infrastructure. National Treasury will continue to monitor and advise poor performing municipalities on spending against asset management to ensure that it is a spending priority.



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Table 5c: Asset register summary, 2023/24 - 2024/25

Description	Original Budget	Adjusted Budget	2024/25 Medium Term Revenue & Expenditure Framework		
	2023/24	2023/24	2024/25	2025/26	2026/27
R thousands					
ASSET REGISTER SUMMARY - PPE (WDV)					
<i>Roads Infrastructure</i>	157 908 892	153 601 946	145 498 773	147 481 157	148 631 046
<i>Storm water Infrastructure</i>	9 615 546	13 783 910	13 786 136	14 184 757	14 242 040
<i>Electrical Infrastructure</i>	78 094 379	75 537 032	75 062 833	80 030 329	71 806 979
<i>Water Supply Infrastructure</i>	114 389 680	114 233 058	116 712 107	116 303 831	120 748 616
<i>Sanitation Infrastructure</i>	53 351 250	52 938 545	59 734 890	62 798 264	67 265 455
<i>Solid Waste Infrastructure</i>	6 313 295	7 061 069	5 659 403	5 429 188	5 973 355
<i>Rail Infrastructure</i>	789 020	814 879	856 459	847 423	831 836
<i>Coastal Infrastructure</i>	418 143	282 883	827 315	1 026 992	1 105 971
<i>Information and Communication Infrastructure</i>	5 813 041	5 347 149	2 082 833	2 229 206	2 295 810
Infrastructure	426 693 248	423 600 472	420 220 749	430 331 147	432 901 107
Community Assets	113 044 033	116 422 686	73 734 702	76 488 899	73 661 285
Heritage Assets	1 703 719	2 020 811	2 339 446	2 311 298	2 327 566
Investment properties	31 073 025	31 491 678	32 472 238	29 596 627	32 272 158
Other Assets	129 761 462	107 353 837	110 410 899	112 141 880	113 299 763
Biological or Cultivated Assets	391 741	393 570	386 602	399 164	413 520
Intangible Assets	7 269 664	6 254 882	5 375 595	6 501 298	7 058 123
Computer Equipment	2 460 773	2 858 781	7 106 844	7 180 654	10 583 470
Furniture and Office Equipment	3 199 556	3 324 237	5 794 009	5 611 345	5 615 086
Machinery and Equipment	11 788 242	31 458 675	34 292 079	35 322 446	35 486 880
Transport Assets	1 264 901	2 774 562	10 065 390	8 543 588	2 319 235
Land	23 640 617	30 354 131	30 032 508	30 134 317	30 608 993
Zoo's, Marine and Non-biological Animals	18 210	39 355	33 901	34 509	4 559
Living Resources	2 007	33 625	37 822	38 432	38 357
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	752 311 198	758 381 302	732 302 787	744 635 603	746 590 102

Source: National Treasury Local Government database

39. The capital expenditure budget is mainly funded from transfers from national, provincial government, district municipalities and other transfers. The allocations for this funding source against total capital funding are R47.2 billion or 61.1 per cent for 2024/25, R46.7 billion or 62.2 per cent for 2025/26 and R46.3 billion or 64.2 per cent for 2026/27. This is an indication that municipalities rely on grant funding for infrastructure delivery. Therefore, a decline in infrastructure grants from national and provincial government result in lower capital expenditure budgets.
40. Internally generated funding represents 20.8 per cent of total capital funding for 2024/25 and increases over the MTREF to 21.2 per cent by 2026/27. The percentage share indicates an increase; however, the nominal values indicate that municipalities are reducing their



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contribution from their own funding over the 2024/25 MTREF. This is due to most municipalities' fragile financial position. Although, in aggregate municipalities are projecting operating surpluses in the outer years of the MTREF, they will not have reserves to fund the capital budget. This is because of the challenges that they experience in collecting billed revenue. Therefore, increased revenue maximisation and collection effort is critical to enable infrastructure investment.

41. Borrowing represents 18.1 per cent of total capital funding in 2024/25 and decreases in the outer years of the MTREF to 14.6 per cent by 2026/27. Funding from borrowing depends on municipalities' financial position, particularly the ability to repay the borrowing. Therefore, given the deteriorating state of municipal finances, this funding source may be negatively affected subsequently resulting in lower infrastructure investment. It is critical that municipalities ensure financial sustainability through prudent financial management practices which include maximization of revenue collection.

Aggregated operating and capital budget per province

42. Table 6 below reflects aggregated operating and capital revenue for the 2024/25 MTREF per province.

Table 6: Aggregated Operating and Capital revenue per province, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	9 942 551	46 453 372	56 395 924	10 017 978	51 552 660	61 570 638	9 295 627	54 101 410	63 397 036	8 930 269	57 406 679	66 336 948
Free State	3 296 201	25 163 091	28 459 292	3 286 318	27 513 963	30 800 281	3 370 167	28 900 262	32 270 428	3 637 237	30 414 272	34 051 509
Gauteng	21 129 381	195 921 310	217 050 691	14 128 933	207 700 738	221 829 671	14 589 471	222 470 853	237 060 324	14 531 208	240 464 092	254 995 300
KwaZulu-Natal	16 899 157	93 008 826	109 907 983	14 996 675	100 075 631	115 072 306	13 162 723	106 882 977	120 045 700	13 020 024	116 041 526	129 061 550
Limpopo	7 157 260	26 562 393	33 719 653	6 832 646	27 914 239	34 746 885	5 946 106	29 857 748	35 803 854	5 694 299	30 982 350	36 676 649
Mpumalanga	3 634 933	26 746 624	30 381 557	4 255 497	28 775 116	33 030 613	4 212 886	30 592 297	34 805 183	4 331 044	32 764 166	37 095 210
North West	3 075 029	26 448 249	29 523 278	3 896 171	27 166 716	31 062 887	3 622 733	28 309 193	31 931 926	3 873 091	29 676 047	33 549 138
Northern Cape	1 549 886	9 797 362	11 347 247	1 858 881	10 339 137	12 198 018	1 565 413	10 874 485	12 429 898	1 055 194	11 441 295	12 496 489
Western Cape	15 811 641	85 889 781	101 701 422	17 961 490	93 999 783	111 961 274	19 277 576	100 187 151	119 464 727	17 099 854	107 374 798	124 474 652
Total	82 496 039	535 991 007	618 487 046	77 234 588	575 037 984	652 272 572	75 032 702	612 176 375	687 209 077	72 172 220	656 565 224	728 737 444
Less												
External loans / borrowing	13 127 198	-	13 127 198	14 006 271	-	14 006 271	12 898 009	-	12 898 009	10 565 352	-	10 565 352
Internally generated funds	23 071 143	-	23 071 143	16 035 380	-	16 035 380	15 428 984	-	15 428 984	15 279 807	-	15 279 807
Recalculated revenue	46 297 699	535 991 007	582 288 705	47 192 937	575 037 984	622 230 920	46 705 708	612 176 375	658 882 083	46 327 061	656 565 224	702 892 285

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

43. The provincial analysis highlights that Gauteng with 11 municipalities, followed by KwaZulu-Natal with 54 municipalities then Western Cape with 30 municipalities are the highest contributors to local government's aggregated revenue at R221.8 billion, R115.1 billion and R112 billion in 2024/25 respectively. The trend increases over the MTREF period. The



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province that contributes the least is Northern Cape at R12.2 billion in 2024/25. This indicates the socio-economic position of the various provinces.

44. Table 7 below reflects aggregated operating and capital expenditure per province for the 2024/25 MTREF.

Table 7: Aggregated Operating and Capital expenditure budgets per province, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	10 038 790	47 760 487	57 799 278	10 162 200	51 334 604	61 496 804	9 446 119	53 940 041	63 386 160	9 053 666	57 124 504	66 178 170
Free State	3 324 984	25 338 687	28 663 671	3 288 714	26 399 237	29 687 952	3 371 817	27 720 468	31 092 284	3 638 387	28 545 436	32 183 823
Gauteng	14 423 413	193 526 039	207 949 453	14 139 853	206 161 784	220 301 637	14 591 291	219 914 805	234 506 096	14 533 328	236 017 678	250 551 006
KwaZulu-Natal	16 920 947	92 893 527	109 814 474	15 006 751	98 900 261	113 907 012	13 174 856	105 876 967	119 051 823	13 032 732	114 510 263	127 542 995
Limpopo	7 157 260	25 319 257	32 476 517	6 833 346	27 022 350	33 855 696	5 946 106	28 576 061	34 522 168	5 694 299	30 187 467	35 881 767
Mpumalanga	3 697 460	27 555 225	31 252 685	4 259 067	30 519 627	34 778 694	4 212 886	31 326 360	35 539 246	4 331 044	33 311 050	37 642 094
North West	3 081 209	26 608 577	29 689 787	3 899 665	27 154 554	31 054 219	3 623 374	28 344 961	31 968 336	3 873 762	29 521 932	33 395 695
Northern Cape	1 549 910	10 146 112	11 696 022	1 859 581	10 453 177	12 312 758	1 555 413	10 947 624	12 503 037	1 055 194	11 473 900	12 529 094
Western Cape	15 815 064	86 794 600	102 609 664	17 961 595	94 571 992	112 533 587	19 277 576	100 853 044	120 130 620	17 099 854	107 366 508	124 466 362
Total expenditure	76 009 039	535 942 511	611 951 550	77 410 772	572 517 586	649 928 359	75 199 439	607 500 331	682 699 770	72 312 267	648 058 737	720 371 004
Per capita spending												
Eastern Cape	1 435	6 826	8 261	1 452	7 337	8 789	1350	7709	9059	1 294	8 164	9 458
Free State	1 173	8 939	10 112	1 160	9 313	10 473	1189	9779	10968	1 284	10 070	11 353
Gauteng	1 076	14 443	15 519	1 055	15 386	16 441	1089	16412	17501	1 085	17 614	18 698
KwaZulu-Natal	1 529	8 395	9 924	1 356	8 938	10 294	1191	9568	10759	1 178	10 349	11 526
Limpopo	1 234	4 366	5 600	1 178	4 660	5 838	1025	4928	5953	982	5 206	6 187
Mpumalanga	853	6 355	7 208	982	7 039	8 021	972	7225	8196	999	7 683	8 681
North West	822	7 099	7 921	1 040	7 244	8 285	967	7562	8528	1 033	7 876	8 909
Northern Cape	1 298	8 499	9 797	1 558	8 756	10 314	1303	9171	10473	884	9 611	10 495
Western Cape	2 518	13 821	16 340	2 860	15 060	17 920	3070	16060	19130	2 723	17 097	19 820
Total	1 366	9 630	10 996	1 391	10 287	11 678	1351	10916	12267	1 299	11 644	12 944

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

45. Gauteng, KwaZulu-Natal and Western Cape provinces contribute the most to total local government expenditure. This indicates the importance of provinces in driving the country's economy. The total expenditure for Gauteng increases from R220.3 billion in 2024/25 to R250.6 billion in 2026/27 financial year. Operating expenditure for the province increased by 6.5 per cent from R193.5 billion in 2023/24 to R206.2 billion in 2024/25 while capital expenditure decreased by 2 per cent.
46. The operating expenditure by KwaZulu-Natal province increased by 6.5 per cent from R92.9 billion in 2023/24 to R98.9 billion in 2024/25 while the capital expenditure decreased by 11.3 per cent. The Western Cape province's operating expenditure increased by 9 per cent from R86.8 billion in 2023/24 to R94.6 billion in 2024/25 while the capital expenditure increased by 13.6 per cent.
47. Table 7 above indicates that the national aggregate per capita spending is estimated at R10 478 in 2024/25, an increase from R9 866 in 2023/24. Only two provinces will exceed this national average in 2024/25, namely Gauteng at R14 590 and Western Cape at R15 140 per



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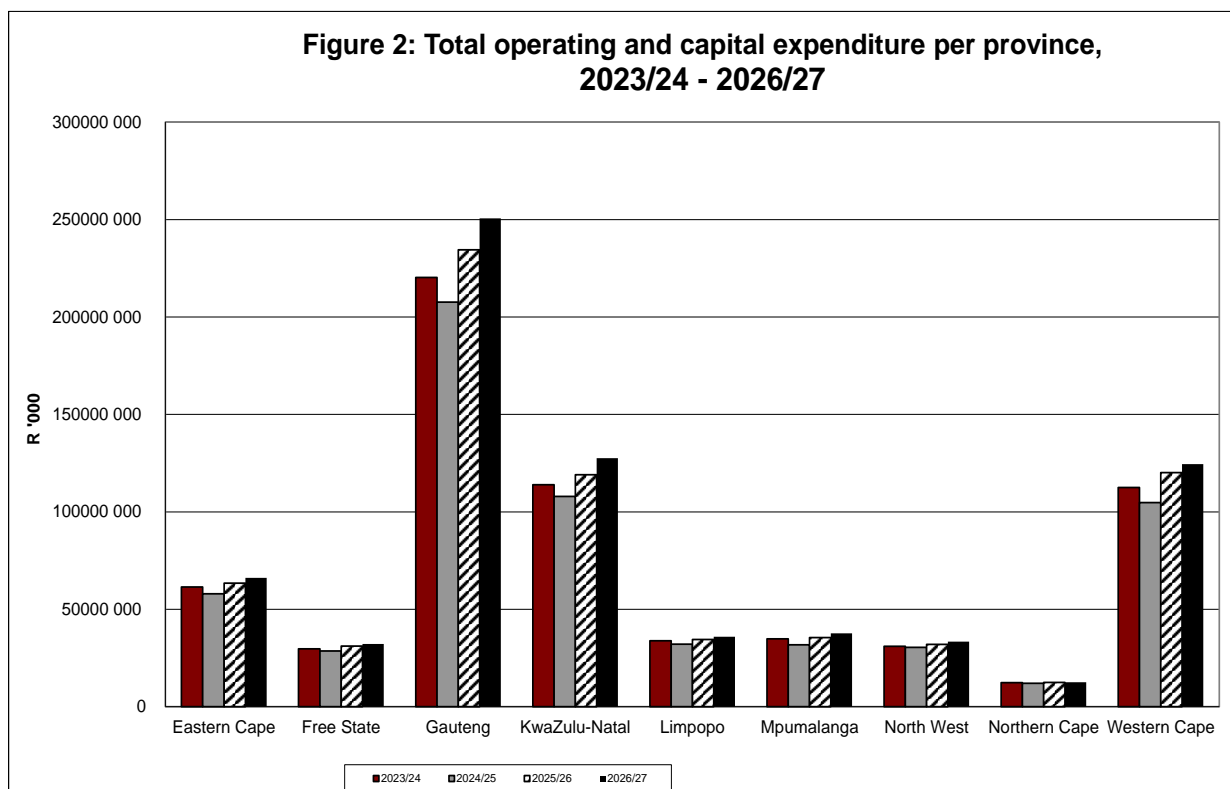
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capita. The trend line suggests increases over the MTREF reaching R11 614 per capita by 2026/27.

48. It should also be noted that this calculation is based on the Census, 2022 released by Statistics South Africa.
49. The high per capita spending in the Gauteng and Western Cape provinces can be attributed to these provinces being 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.
50. The lowest level of per capita spending is in Limpopo estimated to be R5 151 in 2024/25 which increases over the MTREF to R5 459 by 2026/27.





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Aggregated operating and capital budget for metros

51. Table 8 below depicts the metros operating and capital revenue over the 2024/25 MTREF. It further reflects each metro's percentage contribution to aggregate revenue.

Table 8: Aggregated Operating and Capital revenue budgets for metros, 2023/24 - 2026/27

	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
R thousand												
Buffalo City	1 219 326	9 415 557	10 634 883	1 231 115	10 134 811	11 365 926	1 278 343	10 977 642	12 255 985	1 344 194	11 821 178	13 165 372
Cape Town	11 034 869	58 890 332	69 925 201	12 073 295	64 280 886	76 354 181	14 323 678	68 163 692	82 487 371	13 234 996	73 155 466	86 390 462
City of Ekurhuleni	2 767 670	55 326 542	58 094 213	2 910 313	60 672 980	63 583 293	2 938 137	65 273 048	68 211 185	3 287 860	70 781 935	74 069 795
eThekweni	8 143 224	52 562 916	60 706 140	7 680 538	56 060 883	63 741 421	6 728 428	60 594 714	67 323 142	6 169 144	66 811 375	72 980 519
City Of Johannesburg	7 642 206	75 393 870	83 036 076	7 414 826	76 368 851	83 783 677	7 880 921	82 066 562	89 947 483	7 425 162	88 592 255	96 017 417
Mangaung	1 154 487	9 311 433	10 465 920	1 339 880	10 660 125	12 000 006	1 349 993	11 294 536	12 644 529	1 388 596	11 944 918	13 333 514
Nelson Mandela Bay	1 941 550	16 055 280	17 996 830	1 909 285	18 117 063	20 026 348	1 913 325	19 332 662	21 245 987	1 710 929	20 797 583	22 508 512
City Of Tshwane	2 228 222	44 704 931	46 933 153	2 277 553	48 474 259	50 751 812	2 229 995	51 230 933	53 460 928	2 404 305	55 242 654	57 646 959
Total	36 131 555	321 660 861	357 792 416	36 836 805	344 769 858	381 606 663	38 642 820	368 933 789	407 576 609	36 965 186	399 147 363	436 112 549
Less												7,0%
External loans / borrowing	10 576 338	-	10 576 338	11 409 958	-	11 409 958	11 000 000	-	11 000 000	9 000 000	-	9 000 000
Internally generated funds	7 621 589	-	7 621 589	7 226 370	-	7 226 370	8 395 165	-	8 395 165	9 251 682	-	9 251 682
Recalculated revenue	17 933 628	321 660 861	339 594 489	18 200 477	344 769 858	362 970 335	19 247 655	368 933 789	388 181 444	18 713 504	399 147 363	417 860 868
% of total revenue												
Buffalo City	0,3%	2,6%	3,0%	0,3%	2,7%	3,0%	0,3%	2,7%	3,0%	0,3%	2,7%	3,0%
Cape Town	3,1%	16,5%	19,5%	3,2%	16,8%	20,0%	3,5%	16,7%	20,2%	3,0%	16,8%	19,8%
City of Ekurhuleni	0,8%	15,5%	16,2%	0,8%	15,9%	16,7%	0,7%	16,0%	16,7%	0,8%	16,2%	17,0%
eThekweni	2,3%	14,7%	17,0%	2,0%	14,7%	16,7%	1,7%	14,9%	16,5%	1,4%	15,3%	16,7%
City Of Johannesburg	2,1%	21,1%	23,2%	1,9%	20,0%	22,0%	1,9%	20,1%	22,1%	1,7%	20,3%	22,0%
Mangaung	0,3%	2,6%	2,9%	0,4%	2,8%	3,1%	0,3%	2,8%	3,1%	0,3%	2,7%	3,1%
Nelson Mandela Bay	0,5%	4,5%	5,0%	0,5%	4,7%	5,2%	0,5%	4,7%	5,2%	0,4%	4,8%	5,2%
City Of Tshwane	0,6%	12,5%	13,1%	0,6%	12,7%	13,3%	0,5%	12,6%	13,1%	0,6%	12,7%	13,2%

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

52. The aggregated budgeted revenue for all metros increased by 6.7 per cent from R357.8 billion in 2023/24 to R381.6 billion in 2024/25. The revenue is projected to increase over the MTREF to R407.6 billion in 2025/26 and to R436.1 billion in 2026/27, reflecting a total increase of 6.8 and 7 per cent in the two outer years of the MTREF respectively. The above inflation increases in electricity and water tariffs contribute to this increase as metros revenue is mainly raised from service charges.
53. City of Johannesburg, Cape Town, eThekweni and City of Ekurhuleni are the highest contributors to metros aggregated revenue at 22 per cent, 20 per cent and 16.7 per cent in 2024/25 respectively. Buffalo City and Mangaung constitute a small percentage of the total revenue at 3 per cent and 3.1 per cent, respectively. The percentage contributions to aggregated revenue remains relatively constant over the MTREF with decreases projected by Cape Town due to the reduced capital budget in 2026/27.
54. Table 9 below depicts metros operating and capital expenditure over the 2024/25 MTREF. It further reflects each metro's percentage contribution to aggregate expenditure.



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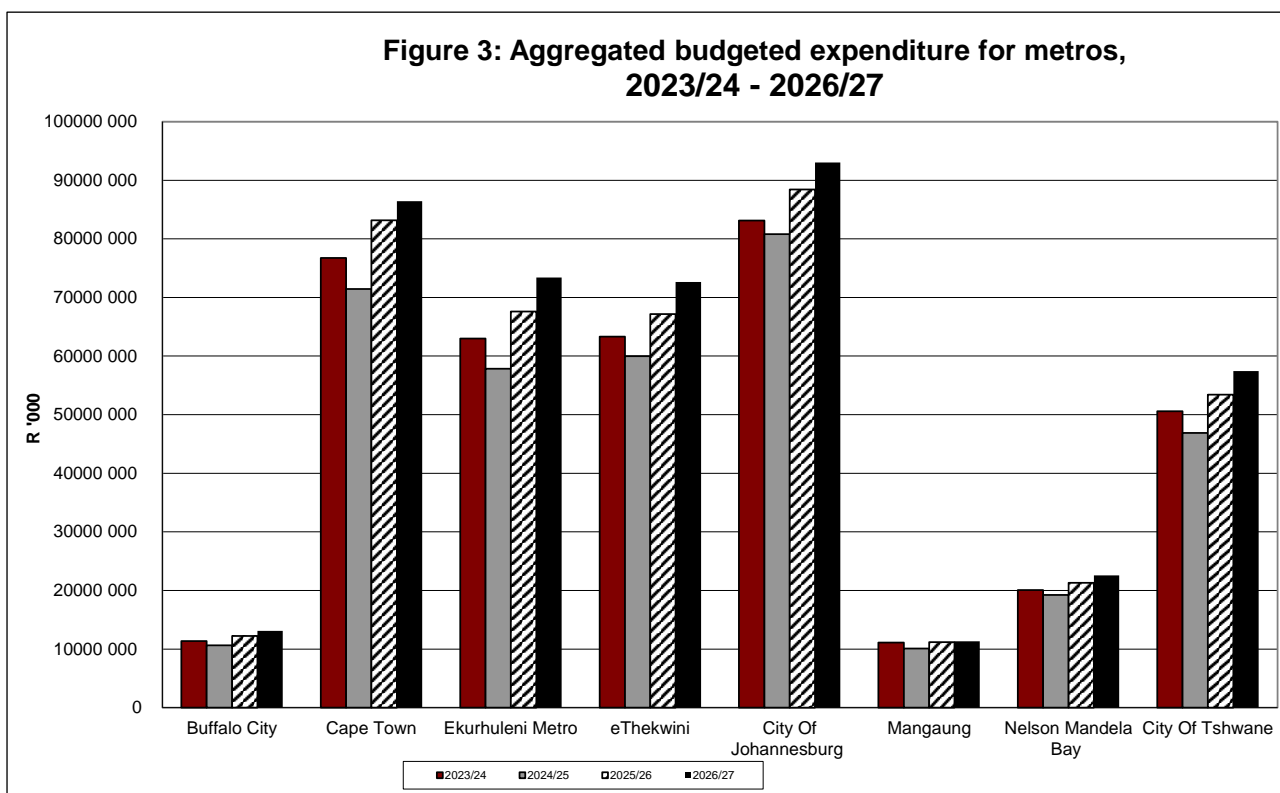
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Table 9: Aggregated Operating and Capital expenditure for metros, 2023/24 - 2026/27

	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
R thousand												
Buffalo City	1 219 326	9 405 342	10 624 668	1 231 115	10 129 615	11 360 730	1 278 343	10 958 387	12 236 730	1 344 194	11 771 018	13 115 212
Cape Town	11 034 869	59 375 921	70 410 790	12 073 295	64 671 270	76 744 565	14 323 678	68 828 434	83 152 112	13 234 996	73 175 851	86 410 847
City of Ekurhuleni	2 767 670	54 927 662	57 695 332	2 910 313	60 073 377	62 983 690	2 938 137	64 645 506	67 583 643	3 287 860	70 125 992	73 413 852
eThekwini	8 143 224	52 289 469	60 432 693	7 680 538	55 634 316	63 314 854	6 728 428	60 451 251	67 179 679	6 169 144	66 482 924	72 652 068
City Of Johannesburg	7 642 206	73 379 686	81 021 892	7 414 826	75 709 916	83 124 742	7 880 921	80 535 858	88 416 779	7 425 162	85 595 417	93 020 579
Mangaung	1 154 487	8 746 025	9 900 511	1 339 880	9 754 653	11 094 534	1 349 993	9 819 799	11 169 792	1 388 596	9 943 043	11 331 639
Nelson Mandela Bay	1 995 957	17 272 542	19 268 499	1 965 324	18 116 061	20 081 386	1 971 046	19 330 659	21 301 705	1 770 381	20 795 580	22 565 961
City Of Tshwane	2 228 222	44 617 907	46 846 129	2 277 553	48 319 289	50 596 842	2 229 995	51 170 212	53 400 207	2 404 305	55 033 317	57 437 622
Total	36 185 962	320 014 553	356 200 515	36 892 844	342 408 498	379 301 342	38 700 540	365 740 106	404 440 647	37 024 638	392 923 141	429 947 780
% of total expenditure												
Buffalo City	0,3%	2,6%	3,0%	0,3%	2,7%	3,0%	0,3%	2,7%	3,0%	0,3%	2,7%	3,1%
Cape Town	3,1%	16,7%	19,8%	3,2%	17,1%	20,2%	3,5%	17,0%	20,6%	3,1%	17,0%	20,1%
City of Ekurhuleni	0,8%	15,4%	16,2%	0,8%	15,8%	16,6%	0,7%	16,0%	16,7%	0,8%	16,3%	17,1%
eThekwini	2,3%	14,7%	17,0%	2,0%	14,7%	16,7%	1,7%	14,9%	16,6%	1,4%	15,5%	16,9%
City Of Johannesburg	2,1%	20,6%	22,7%	2,0%	20,0%	21,9%	1,9%	19,9%	21,9%	1,7%	19,9%	21,6%
Mangaung	0,3%	2,5%	2,8%	0,4%	2,6%	2,9%	0,3%	2,4%	2,8%	0,3%	2,3%	2,6%
Nelson Mandela Bay	0,6%	4,8%	5,4%	0,5%	4,8%	5,3%	0,5%	4,8%	5,3%	0,4%	4,8%	5,2%
City Of Tshwane	0,6%	12,5%	13,2%	0,6%	12,7%	13,3%	0,6%	12,7%	13,2%	0,6%	12,8%	13,4%

Source: National Treasury Local Government Database

Figure 3: Aggregated budgeted expenditure for metros, 2023/24 - 2026/27





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55. Metros aggregated expenditure budget is R379.3 billion in 2024/25 and increases to R429.9 billion by 2026/27. As highlighted earlier in the report, category A (metros) municipalities contribute 58.4 per cent of total municipal expenditure in 2024/25. This highlights the overall importance of the metros in driving economic growth and job creation as they are widely considered the growth engines of the economy.
56. Operating expenditure by metros accounts for more than half (60.2 per cent in average) of total municipal operating expenditure over the 2024/25 MTREF while capital expenditure represents an average of 50.1 per cent of total municipal capital expenditure.
57. Cape Town, eThekweni and City of Johannesburg have the largest capital budgets at 3.2 per cent and 2 per cent of the aggregated budget for metros (operating and capital expenditure) respectively. Buffalo City and Mangaung's capital budgets are relatively low at 0.3 per cent and 0.4 per cent respectively and remain relatively constant over the 2024/25 MTREF when benchmarked against the above-mentioned metros.
58. Table 10 below reflects the amount to be generated by metros through the sale (billing) of core municipal services. The revenue figures include capital transfers.

Table 10: Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2020/21	2021/22	2022/23	Current year 2023/24		2024/25 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2024/25	Budget Year 2022/26	Budget Year 2026/27
R thousands								
Revenue - Functional								
<i>Trading services</i>	220 951 990	217 949 791	261 863 597	328 154 098	326 793 465	352 600 282	381 163 689	415 209 478
Energy sources	124 935 216	121 503 650	140 733 332	178 781 042	174 283 414	191 079 041	210 321 957	233 267 335
Water management	58 711 990	61 581 540	77 221 121	96 358 925	97 885 522	103 587 723	110 076 246	117 763 209
Waste water management	19 054 252	18 201 382	23 960 775	30 942 003	31 792 561	33 846 990	35 377 518	37 204 956
Waste management	18 250 531	16 663 219	19 948 368	22 072 128	22 831 967	24 086 528	25 387 968	26 973 978
Expenditure - Functional								
<i>Trading services</i>	237 721 749	239 230 679	266 934 981	297 720 498	298 905 813	318 098 420	346 711 355	375 651 770
Energy sources	129 749 923	132 093 269	147 940 927	171 973 245	169 400 271	182 334 617	202 670 925	222 920 279
Water management	69 122 569	69 407 975	82 317 522	82 977 282	84 027 803	88 118 319	94 204 442	100 765 342
Waste water management	18 896 465	18 449 945	19 236 329	22 151 982	23 355 965	25 109 395	26 369 589	27 504 935
Waste management	19 952 792	19 279 489	17 440 203	20 617 990	22 121 776	22 536 089	23 466 399	24 461 214
Surplus/(Deficit) for Trading Services	(16 769 760)	(21 280 888)	(5 071 384)	30 433 599	33 504 594	34 924 105	36 711 070	39 557 708

Source: National Treasury Local Government Database

59. The table above indicates that metros are generating surpluses from trading services, however this is distorted as the revenue includes capital transfers while corresponding capital expenditure is excluded.



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60. The major sources of revenue in 2024/25 are energy sources at R191.1 billion, water management at R103.6 billion, wastewater management at R33.8 billion and waste management at R24.1 billion. There is an increase of 9.6 per cent in revenue from energy sources in 2024/25 compared to R174.3 billion in the 2023/24 adjusted budget. The increase is mainly due to the electricity tariff increase approved by the National Electricity Regulator. This highlights that there is no growth in consumption of electricity, instead, the revenue is largely dependent on tariff increases. The impact of load shedding has resulted in consumers using alternative energy sources which has a long-term impact on the energy business.
61. It should also be noted that the 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. This increased revenue does not directly supplement the funding of municipalities as it is offset against the increases associated with bulk purchases.
62. Table 11 below reflects the expenditure incurred by metros on electricity bulk purchases and water consumption. The accounting treatment for water was changed in the *m*SCOA classification framework to align to Generally Recognised Accounting Practice (GRAP) which requires that bulk water purchases be accounted for as inventory. Therefore, the expenditure is recognised when water is consumed through distribution.
63. The reporting in terms of the new accounting treatment regressed in the 2024/25 MTREF with Nelson Mandela Bay not submitting the data for water consumed.

Table 11: Bulk purchases expenditure for metros for functions, 2023/24 - 2026/27

R thousand	Electricity				Water			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
Buffalo City	2 512 494	2 832 586	3 278 435	3 794 461	210 555	208 302	221 925	236 439
Cape Town	14 099 100	15 472 230	16 391 669	17 645 209	4 128 223	5 012 514	5 383 440	5 781 814
City of Ekurhuleni	18 143 097	20 265 459	22 843 225	25 748 884	4 827 759	4 934 187	5 328 922	5 755 235
eThekweni	15 147 655	16 583 698	19 183 935	22 195 812	3 032 283	3 239 413	3 462 282	4 151 463
City Of Johannesburg	16 403 226	15 377 574	17 336 677	19 545 370	5 784 170	5 702 400	6 078 757	6 479 953
Mangaung	2 199 932	2 569 190	2 687 373	2 808 305	527 858	513 300	463 032	423 952
Nelson Mandela Bay	5 632 329	6 338 216	7 143 170	8 050 352	37 994	-	-	-
City Of Tshwane	14 377 613	15 538 834	17 403 494	19 491 914	3 827 369	3 928 963	4 164 701	4 414 583
Total expenditure	88 515 446	94 977 788	106 267 978	119 280 307	22 376 211	23 539 079	25 103 058	27 243 439

Source: National Treasury Local Government Database

64. Metros have budgeted R95 billion for the purchase of bulk electricity in 2024/25, with an annual increase of 11.9 per cent and 12.2 per cent in the outer years of the MTREF. The expenditure on electricity bulk purchases is projected to increase to R119.3 billion by 2026/27.



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65. It may appear as if metros generate a substantial profit from the sale of electricity when the revenue generated from the sale of electricity is compared to the expenditure incurred on bulk electricity purchases. However, it must be noted that bulk is a major cost driver of the electricity function and that the revenue on table 10 includes capital transfers. Therefore, the high increases in cost of bulk purchases and reducing consumption minimises the profits where they are realised. In addition, there are other operational costs which include expenditure on personnel, materials, refurbishment, repairs and maintenance, distribution losses and overhead costs.
66. The 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.

Aggregated operating and capital budget for secondary cities

67. Table 12 below depicts secondary cities (top 19 municipalities) operating and capital revenue over the 2024/25 MTREF.

Table 12: Aggregated Operating and Capital revenue budgets for secondary cities, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total
Secondary cities	15 403 742	78 726 766	94 130 509	9 360 461	84 175 749	93 536 210	8 697 525	90 245 490	98 943 016	7 500 763	97 333 866	104 834 629
Matjhabeng	202 914	4 158 412	4 361 326	200 574	4 171 877	4 372 451	227 994	4 366 447	4 594 441	228 978	4 598 149	4 827 128
Emtuleni	539 963	7 960 575	8 500 537	308 854	8 510 650	8 819 503	390 911	9 234 712	9 625 623	459 922	10 052 976	10 512 897
Mogale City	7 159 623	3 942 644	11 102 267	412 503	4 212 754	4 625 257	447 902	4 449 267	4 897 169	301 133	4 699 122	5 000 255
Msunduzi	768 760	8 120 726	8 889 486	823 982	8 963 903	9 787 885	509 975	9 956 259	10 466 234	593 993	11 170 212	11 764 205
Newcastle	255 338	2 355 468	2 610 806	173 486	2 480 656	2 654 142	154 966	2 677 998	2 832 964	169 238	2 891 032	3 060 270
uMhlathuze	802 941	4 931 451	5 734 392	610 994	5 599 452	6 210 446	617 524	5 965 030	6 582 555	572 573	6 402 328	6 974 901
Polokwane	797 239	4 945 302	5 742 541	820 142	5 302 511	6 122 653	705 190	5 734 409	6 439 599	850 305	6 198 684	7 048 989
Govan Mbeki	123 427	3 087 553	3 210 980	273 653	3 300 378	3 574 031	237 859	3 431 691	3 669 550	211 556	3 615 144	3 826 700
Emalahleni (Mp)	241 269	4 709 690	4 950 958	209 616	4 923 133	5 132 749	182 186	5 340 524	5 522 710	219 365	5 837 088	6 056 454
Steve Tshwete	234 741	2 361 424	2 596 165	211 949	2 514 956	2 726 905	152 564	2 704 039	2 856 603	132 556	2 960 530	3 093 086
City of Mbombela	645 474	4 154 810	4 800 284	656 588	4 464 919	5 121 507	721 573	4 882 900	5 604 473	663 468	5 353 394	6 016 861
Sol Plaatje	249 473	2 719 604	2 969 077	613 729	2 958 278	3 572 007	689 404	3 168 499	3 857 903	146 013	3 393 664	3 539 677
Madibeng	361 808	2 556 367	2 918 175	346 202	2 785 760	3 131 962	357 965	2 992 843	3 350 808	388 506	3 229 322	3 617 828
Rustenburg	614 998	7 967 455	8 582 453	641 611	8 072 586	8 714 197	620 423	8 474 322	9 094 744	630 624	8 880 273	9 510 896
City Of Matlosana	231 469	4 214 556	4 446 025	236 250	4 264 861	4 501 111	197 524	4 442 471	4 639 995	225 287	4 651 598	4 876 885
J B Marks	189 042	2 145 574	2 334 616	230 033	2 231 214	2 461 248	204 794	2 227 313	2 432 107	230 978	2 396 620	2 627 598
Drakenstein	457 423	2 992 382	3 449 805	766 225	3 331 201	4 097 426	577 598	3 644 901	4 222 500	139 619	3 907 914	4 047 533
Stellenbosch	504 800	2 284 927	2 789 727	599 345	2 532 153	3 131 499	586 442	2 752 322	3 338 763	562 080	3 011 611	3 573 691
George	1 023 043	3 117 845	4 140 888	1 224 724	3 554 507	4 779 230	1 114 730	3 799 543	4 914 274	774 569	4 084 204	4 858 773
Less												
External loans / borrowing	1 183 254	-	1 183 254	1 280 396	-	1 280 396	1 207 347	-	1 207 347	1 030 735	-	1 030 735
Internally generated funds	8 603 007	-	8 603 007	2 191 320	-	2 191 320	1 977 354	-	1 977 354	1 653 613	-	1 653 613
Recalculated revenue	5 617 482	78 726 766	84 344 248	5 888 745	84 175 749	90 064 494	5 512 824	90 245 490	95 758 314	4 816 415	97 333 866	102 150 281

¹ Operating revenue excluding capital transfers

Source: National Treasury Local Government Database



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68. The total budgeted revenue for secondary cities is R93.5 billion in 2024/25 excluding borrowing and internally generated funds used for funding the capital expenditure. This represents a decrease of R594.3 million (0.6 per cent) from 2023/24 and increases to R104.8 billion in 2026/27. The increase in revenue in the outer years is 5.8 and 6 per cent.
69. Msunduzi, Emfuleni and Rustenburg are the largest contributors to secondary cities aggregated revenue at R9.9 billion, R8.8 billion and R8.7 billion in 2024/25, respectively.
70. Table 13 below depicts the secondary cities operating and capital expenditure over the 2024/25 MTREF. The total expenditure budget of secondary cities increased by 6.7 per cent from R86.2 billion in 2023/24 to R91.9 billion in 2024/25. It further increases by 4.7 per cent and 5 per cent to R96.3 billion in 2025/26 and R101.1 billion in 2026/27 respectively. The secondary cities budgeted for operating surpluses over the 2024/25 MTREF.
71. Capital expenditure increases from R8.7 billion in 2023/24 to R9.4 billion in 2024/25, however decreases by 7.1 per cent in 2025/26 and 13.3 per cent in 2026/27. This could be due to the deteriorating financial position of municipalities resulting in the inability to contribute own funding towards the capital program and to secure borrowing.

Table 13: Aggregated Operating and Capital expenditure budgets for secondary cities, 2023/24 - 2026/27

R thousand	2023/24			2024/25			2025/26			2026/27		
	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total	Capital	Operating ¹	Total
Top 19 Municipalities	9 360 711	82 564 760	91 925 471	9 360 711	77 410 365	86 771 076	8 697 525	87 593 402	96 290 927	7 500 763	93 629 731	101 130 494
Matjhabeng	200 574	3 423 313	3 623 887	200 574	3 974 219	4 174 793	227 994	3 972 176	4 200 170	228 978	4 165 131	4 394 110
Emfuleni	308 854	8 343 900	8 652 753	308 854	7 634 265	7 943 118	390 911	9 057 712	9 448 623	459 922	9 825 976	10 285 897
Mogale City	412 503	4 103 137	4 515 640	412 503	4 066 603	4 479 106	447 902	4 232 315	4 680 218	301 133	4 402 475	4 703 608
Msunduzi	823 982	8 380 271	9 204 253	823 982	7 703 788	8 527 770	509 975	9 139 220	9 649 195	593 993	9 986 715	10 580 708
Newcastle	173 486	2 617 460	2 790 946	173 486	2 724 589	2 898 076	154 966	2 756 157	2 911 123	169 238	2 926 488	3 095 726
uMhlatuze	610 994	5 589 918	6 200 912	610 994	4 937 024	5 548 018	617 524	5 952 519	6 570 044	572 573	6 389 144	6 961 717
Polokwane	820 142	5 140 213	5 960 355	820 142	4 550 034	5 370 176	705 190	5 569 083	6 274 273	850 305	6 006 974	6 857 278
Govan Mbeki	273 903	3 988 528	4 262 431	273 903	3 019 754	3 293 658	237 859	3 384 471	3 622 330	211 556	3 628 244	3 839 800
Emalahleni (Mp)	209 616	5 110 124	5 319 740	209 616	4 909 490	5 119 106	182 186	5 482 450	5 664 636	219 365	5 991 243	6 210 608
Steve Tshwete	211 949	2 625 444	2 837 393	211 949	2 435 283	2 647 233	152 564	2 791 328	2 943 891	132 556	2 975 312	3 107 868
City of Mbombela	656 588	4 248 686	4 905 274	656 588	3 916 389	4 572 977	721 573	4 593 195	5 314 768	663 468	4 952 837	5 616 305
Sol Plaatje	613 729	2 928 505	3 542 234	613 729	2 691 252	3 304 981	689 404	3 121 201	3 810 605	146 013	3 341 849	3 487 862
Madibeng	346 202	2 699 686	3 045 888	346 202	2 551 637	2 897 839	357 965	2 861 770	3 219 735	388 506	3 024 744	3 413 250
Rustenburg	641 611	7 531 866	8 173 477	641 611	7 349 869	7 991 480	620 423	7 901 791	8 522 214	630 624	8 255 082	8 885 705
City Of Matlosana	236 250	4 262 641	4 498 891	236 250	4 287 708	4 523 958	197 524	4 324 883	4 522 407	225 287	4 319 008	4 544 295
J B Marks	230 033	2 228 844	2 458 877	230 033	2 270 095	2 500 129	204 794	2 420 931	2 625 725	230 978	2 608 139	2 839 118
Drakenstein	766 225	3 328 779	4 095 004	766 225	3 064 960	3 831 186	577 598	3 609 249	4 186 848	139 619	3 894 434	4 034 053
Stellenbosch	599 345	2 511 734	3 111 079	599 345	2 258 349	2 857 694	586 442	2 674 837	3 261 279	562 080	2 917 058	3 479 138
George	1 224 724	3 501 713	4 726 437	1 224 724	3 065 058	4 289 782	1 114 730	3 748 113	4 862 844	774 569	4 018 879	4 793 449

Source: National Treasury Local Government Database

72. Secondary cities that have allocated the least of their aggregated budget to their capital budgets in 2024/25 are Matjhabeng, City of Matlosana, Govan Mbeki, Emalahleni (MP), Emfuleni, Mogale City, Rustenburg, J B Marks, Newcastle, Steve Tshwete and Msunduzi. These municipalities have allocated less than 10 per cent of their total budgets to capital



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projects, which is less than the norm of between 10 and 20 per cent. This indicates lower spending by the secondary cities in infrastructure and holds potential risks to service delivery.

73. George and Stellenbosch have the largest allocations at 25.9 per cent (R1.2 billion of total expenditure budget of R4.7 billion) and 19.3 per cent (R599.3 million of total expenditure budget of R3.1 billion) in 2024/25, respectively.

Growth in Aggregated Operating and Capital Budgets compared to the 2023/24 Budgets

74. Table 14 below provides a comparison between the preliminary outcome for the 2023/24 financial year ended on 30 June 2024 as published in the Section 71 Quarter 4 publication which was released on 11 September 2024, the adopted budget for the 2024/25 financial year and the average growth in municipal budgets over the 2024/25 MTREF period.



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Table 14: Growth in municipal budgets compared to S71 Preliminary Outcome for 2023/24

R thousands	2023/24			2024/25	2025/26	2026/27	% Growth rates: Estimated actual (Nominal)	
	Adopted Budget	Revised Budget	Preliminary outcome	Medium term estimates			2023/24 - 2024/25	2023/24 - 2026/27
Operating Revenue¹								
Property rates	92 381 804	92 722 181	93 725 355	98 507 278	103 771 105	109 500 284	5,1%	5,3%
Service charges	269 222 102	265 456 917	243 850 706	288 293 568	315 008 365	344 940 522	18,2%	12,3%
Other own revenue	174 403 591	180 354 364	177 245 846	188 237 137	193 396 905	202 124 418	6,2%	4,5%
Total Revenue	536 007 497	538 533 462	514 821 908	575 037 984	612 176 375	656 565 224	11,7%	8,4%
Operating Expenditure								
Employee related costs	149 429 644	148 260 495	138 491 710	157 269 425	164 999 453	173 211 033	13,6%	7,7%
Debt impairment	42 882 033	42 880 366	27 507 084	47 777 746	49 017 384	51 229 669	73,7%	23,0%
Bulk purchases	134 073 217	130 860 756	123 532 552	144 283 804	160 769 108	179 560 385	16,8%	13,3%
Other expenditure	209 557 617	220 724 196	211 939 203	223 186 612	232 714 386	244 057 650	5,3%	4,8%
Total Expenditure	535 942 511	542 725 814	501 470 549	572 517 586	607 500 331	648 058 737	14,2%	8,9%
Operating Surplus/(Deficit)	64 986	(4 192 353)	13 351 359	2 520 397	4 676 044	8 506 487		
Capital Funding								
External loans	13 127 198	9 637 671	7 501 253	14 006 271	12 898 009	10 565 352	86,7%	12,1%
Internal contributions	23 071 143	19 800 890	15 360 656	16 035 380	15 428 984	15 279 807	4,4%	(0,2%)
Transfers and subsidies	46 268 037	48 940 289	37 071 215	47 192 937	46 705 708	46 327 061	27,3%	7,7%
Other	-	-	-	-	-	-	-	-
Total funding	82 466 377	78 378 851	59 933 123	77 234 588	75 032 702	72 172 220	28,9%	6,4%
Capital Expenditure								
Water	17 549 370	17 633 837	14 752 329	18 777 377	19 101 765	19 463 267	27,3%	9,7%
Electricity	8 778 991	9 042 084	7 365 070	7 992 290	7 577 816	7 949 159	8,5%	2,6%
Housing	2 890 457	2 903 727	1 138 861	2 445 496	2 233 043	2 343 089	114,7%	27,2%
Roads, pavements, bridges and storm water	17 596 412	19 868 054	15 352 932	17 394 986	17 602 106	15 442 879	13,3%	0,2%
Other	29 193 810	29 187 286	22 127 515	30 800 622	28 684 708	27 113 872	39,2%	7,0%
Total expenditure	76 009 039	78 634 989	60 736 707	77 410 772	75 199 439	72 312 267	27,5%	6,0%

¹Excluding capital transfers and contributions

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

75. Total operating expenditure increased by 14.2 per cent in 2024/25 compared to the preliminary outcome for 2023/24 while operating revenue increased by 11.7 per cent. The revenue increase rate is lower than the expenditure, which is the case over the MTREF. This could be indicative that municipalities may realise operating deficits at the end of the financial year. This approach is not sustainable as municipalities continue to spend more than their revenue generating capability resulting in increasing operating deficits and financial distress.
76. Employee related costs increased by 13.6 per cent and bulk purchases by 16.8 per cent. 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



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Council resolutions will have to be addressed through cost efficiencies in areas such as overtime and travelling allowances.

77. Debt impairment is expected to increase by 73.7 per cent in 2024/25 and an average of 23 per cent over the last two years of the MTREF. This is an indication that municipalities are expecting lower revenue collection levels in the 2024/25 financial year. It is observed from the previous financial years that municipalities tend to understate the provision for debt impairment when budgeting and reporting during the year. It is only during the audit that the correct figures are reported.
78. Capital expenditure budgets increased by 27.5 per cent from 2023/24 to 2024/25 and an average of 6 per cent over the outer years of the MTREF. Capital projects will have to be properly and effectively managed to ensure implementation as planned given the persistent trends in underspending of capital budgets. The increases in the capital funding reflects the reporting challenges as a result of the *m*SCOA classification framework where the funding is less than expenditure.

Changes to Baseline

79. Table 15 below highlights the extent to which municipalities have changed the budget allocations in the 2024/25 MTREF compared to the two outer years of the 2023/24 MTREF. The deviation to the changes to baseline for operating and capital budgets is limited to 5 per cent and 10 per cent respectively.



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Table 15: Changes to baseline for 2024 MTREF

	2024/25			2025/26			2026/27	% change to baseline		% share of total change to baseline	
	2023/24 Medium term estimates	2024/25 Draft Medium term estimates	Changes to baseline	2024/25 Medium term estimates	2025/26 Draft Medium term estimates	Changes to baseline		2024/25 Medium term estimates	2024/25	2025/26	2024/25
R thousands											
Operating Revenue¹											
Property rates	97 935 808	98 507 278	571 471	103 302 614	103 771 105	468 491	109 500 284	0,6%	0,5%	6,0%	5,7%
Service charges	296 788 958	288 293 568	(8 495 390)	326 719 761	315 008 365	(11 711 397)	344 940 522	(2,9%)	(3,6%)	(89,6%)	(143,2%)
Other own revenue	182 338 548	188 237 137	5 898 589	191 760 167	193 396 905	1 636 738	202 124 418	3,2%	0,9%	62,2%	20,0%
Total Revenue	577 063 314	575 037 984	(2 025 330)	621 782 543	612 176 375	(9 606 168)	656 565 224	(0,4%)	(1,5%)	(21,4%)	(117,5%)
Operating Expenditure											
Employee related costs	157 658 863	157 269 425	(389 438)	165 936 414	164 999 453	(936 961)	173 211 033	(0,2%)	(0,6%)	(2,6%)	(6,5%)
Debt impairment	45 116 335	47 777 746	2 661 411	47 295 703	49 017 384	1 721 681	51 229 669	5,9%	3,6%	18,0%	12,0%
Bulk purchases	151 491 361	144 283 804	(7 207 558)	170 512 948	160 769 108	(9 743 839)	179 560 385	(4,8%)	(5,7%)	(48,8%)	(67,9%)
Other expenditure	217 111 162	223 186 612	6 075 450	229 006 880	232 714 386	3 707 506	244 057 650	2,8%	1,6%	41,1%	25,8%
Total Expenditure	571 377 721	572 517 586	1 139 865	612 751 945	607 500 331	(5 251 614)	648 058 737	0,2%	(0,9%)	7,7%	(36,6%)
Operating Surplus/(Deficit)	5 685 593	2 520 397	(3 165 195)	9 030 598	4 676 044	(4 354 554)	8 506 487				
Capital Funding											
External loans	14 544 757	14 006 271	(538 487)	17 159 042	12 898 009	(4 261 033)	10 565 352	(3,7%)	(24,8%)	(5,2%)	(44,8%)
Internal contributions	20 680 152	16 035 380	(4 644 771)	20 544 324	15 428 984	(5 115 340)	15 279 807	(22,5%)	(24,9%)	(45,0%)	(53,8%)
Transfers and subsidies	47 011 000	47 192 937	181 937	48 523 936	46 705 708	(1 818 228)	46 327 061	0,4%	(3,7%)	1,8%	(19,1%)
Other	-	-	-	-	-	-	-	-	-	-	-
Total funding	82 235 909	77 234 588	(5 001 321)	86 227 302	75 032 702	(11 194 601)	72 172 220	(6,1%)	(13,0%)	(48,4%)	(117,8%)
Capital Expenditure											
Water	19 417 041	18 777 377	(639 664)	18 941 003	19 101 765	160 762	19 463 267	(3,3%)	0,8%	(7,6%)	2,4%
Electricity	9 128 175	7 992 290	(1 135 885)	9 426 545	7 577 816	(1 848 729)	7 949 159	(12,4%)	(19,6%)	(13,4%)	(27,8%)
Housing	2 729 306	2 445 496	(283 809)	2 509 365	2 233 043	(276 321)	2 343 089	(10,4%)	(11,0%)	(3,4%)	(4,2%)
Roads, pavements, bridges and storm water	16 380 300	17 394 986	1 014 687	17 854 614	17 602 106	(252 508)	15 442 879	6,2%	(1,4%)	12,0%	(3,8%)
Other	27 814 572	30 800 622	2 986 050	30 521 186	28 684 708	(1 836 478)	27 113 872	10,7%	(6,0%)	35,3%	(27,7%)
Total expenditure	75 469 393	77 410 772	1 941 379	79 252 713	75 199 439	(4 053 275)	72 312 267	2,6%	(5,1%)	23,0%	(61,0%)

¹Excluding capital transfers and contributions

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

80. Operating revenue for 2024/25 decreased by R2 billion (0.4 per cent) and operating expenditure increased by R1.1 billion (0.2 per cent) compared to the projections in the 2023/24 MTREF while the decrease for 2025/26 is R9.6 billion (1.5 per cent) for operating revenue and R5.3 billion (0.9 per cent) for operating expenditure. This indicates that the operating budget is multi-year as the deviation to the changes to baseline is less than 5 per cent.
81. Bulk purchases decreased compared to the 2023/24 MTREF. This expenditure item is mainly caused by the increases in bulk electricity tariffs as there is no growth in consumption. Overall, there is an increase in operating expenditure while municipalities projected a decrease in employee related costs compared to the 2023/24 MTREF.
82. Capital expenditure increased by R1.9 billion (2.6 per cent) and decreased by R4.1 billion (5.1 per cent) in 2024/25 and 2025/26 respectively compared to the 2023/24 MTREF. As mentioned earlier in the report, the capital expenditure is not fully aligned with the capital funding due to mSCOA reporting challenges. The capital budget for the 2024/25 MTREF is multi-year as the deviation is lower than 10 per cent.



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Analysis in the mSCOA framework

83. 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 (Integrated Urban Development Framework) and MTSF (Medium Term Strategic Objectives) as well as their own strategic objectives. In this way a link between measurable outputs and outcome indicators can be established.
84. Municipalities submit their adopted budgets by the latest 30 June each year. Accompanying the adopted budgets are the lists of the capital and operational projects that will be implemented in the coming municipal financial year. These projects are all linked at the prescribed project level and a unique project number that is used to ringfence the costs associated to the project per municipality.
85. The project detail data file links each project to four specific strategic objectives of which two are prescribed (MTSF and the IUDF) and two objectives that are unique to the municipality and describe their focus areas for the coming year.
86. The 2024/25 MTREF budgets were analysed to determine how they align to the MTSF and the IUDF using the different dimensions available in the *mSCOA* framework. The figure below indicates spending per IUDF strategic objectives, and reflects that 37 per cent and 29 per cent of the municipal budgets for the 2024/25 financial year will be spent on governance and inclusion and access respectively while 32 per cent will be spent on growth.

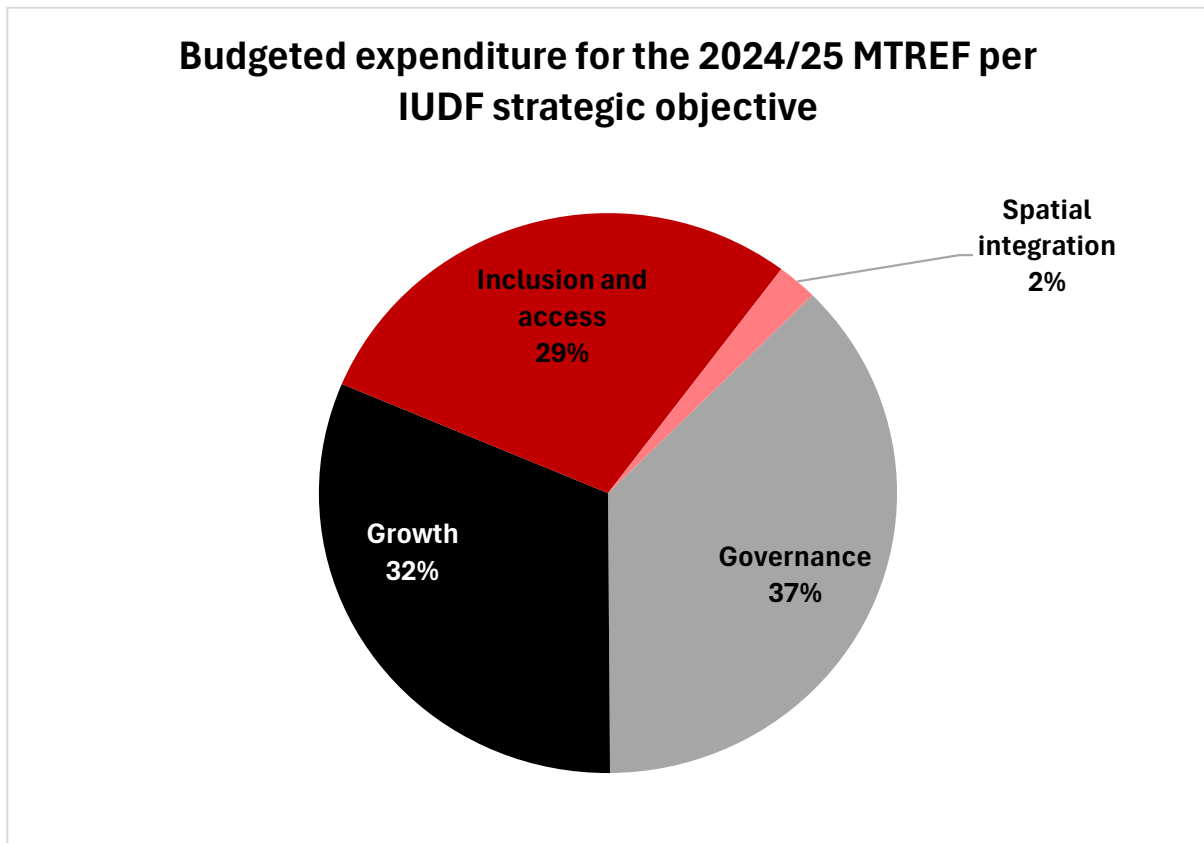


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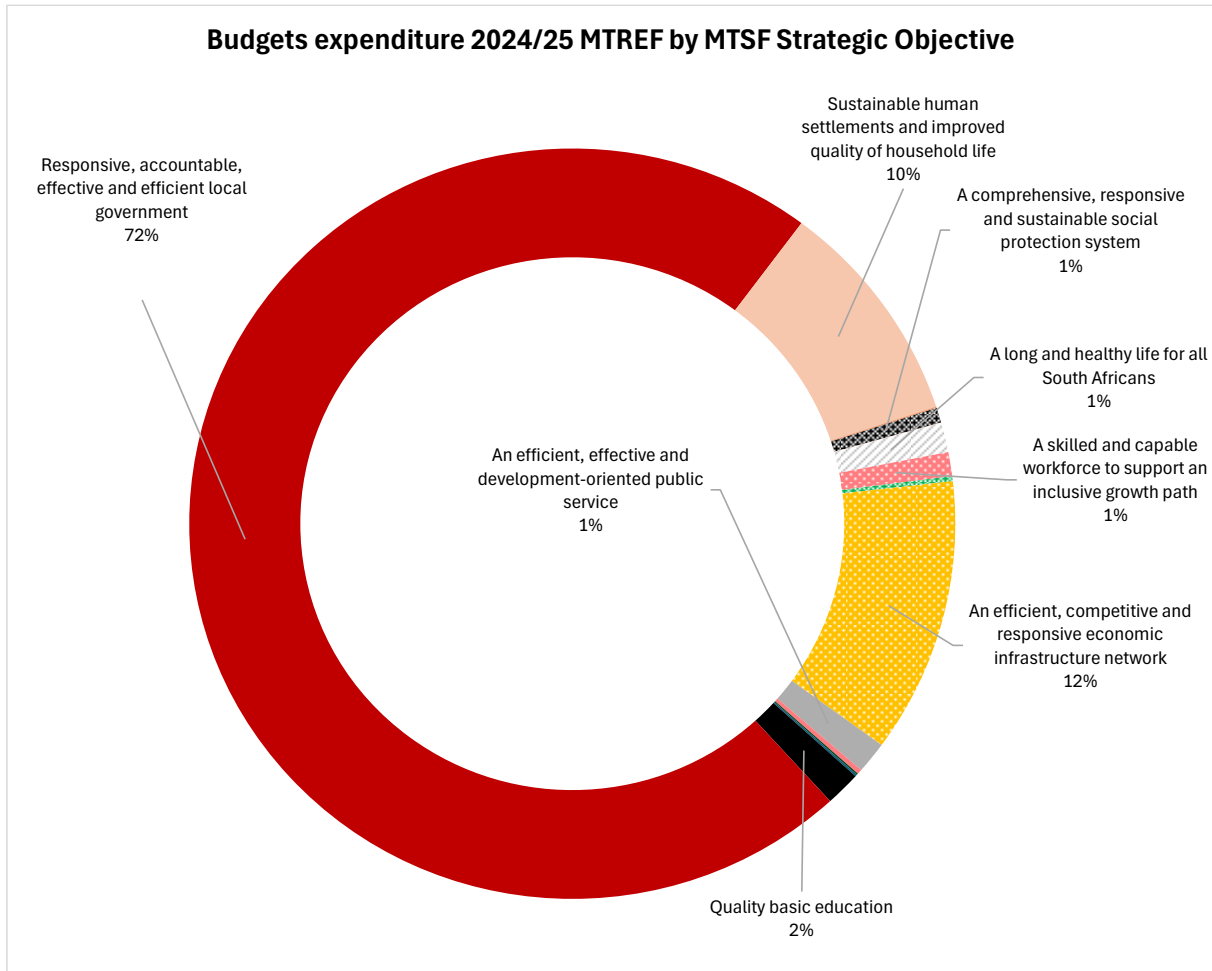
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87. The figure below indicates spending per MTSF strategic objectives and reflects that 72 per cent of the municipal budgets for 2024/25 will be spent on responsive, accountable, effective and efficient local government and 12 per cent on an efficient, competitive and responsive economic infrastructure network while 10 per cent will be spend on sustainable human settlements and improved quality of household life.



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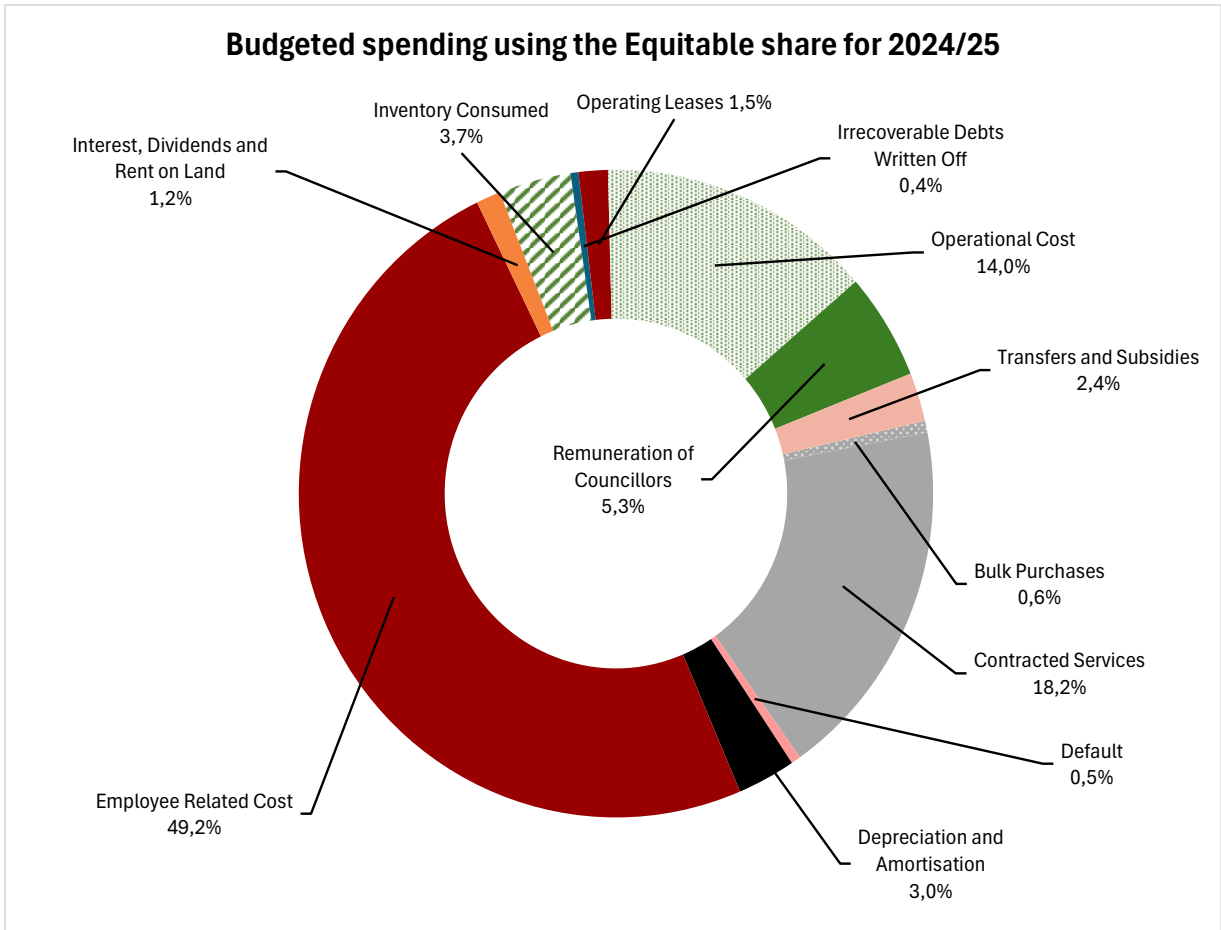
Utilisation of the Local Government Equitable share

88. The spending of conditional grants is regularly reported in the quarterly Section 71 publications, the *m*SCOA classification framework has made it possible to trace what the municipalities are budgeting to spend their Local Government Equitable Share (LGES) on.
89. The LGES is an unconditional transfer that supplements the revenue that municipalities can raise themselves. This means that while the funding is intended to increase coverage of the provision of free basic services to the poor, the responsibility for determining how the additional LGES funds will be spent is that of individual municipal councils.



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90. The expenditure that is funded through the Equitable share is determined by linking two of the *m*SCOA segments namely the Fund and Expenditure segments. The figure below indicates that 49.2 per cent of the equitable share allocation for 2024/25 will be spent on employee related costs.



91. More detail is available on the MFMA website.



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ANNEXURE C

Figure 1: Aggregated budgeted expenditure per category, 2023/24 - 2026/27

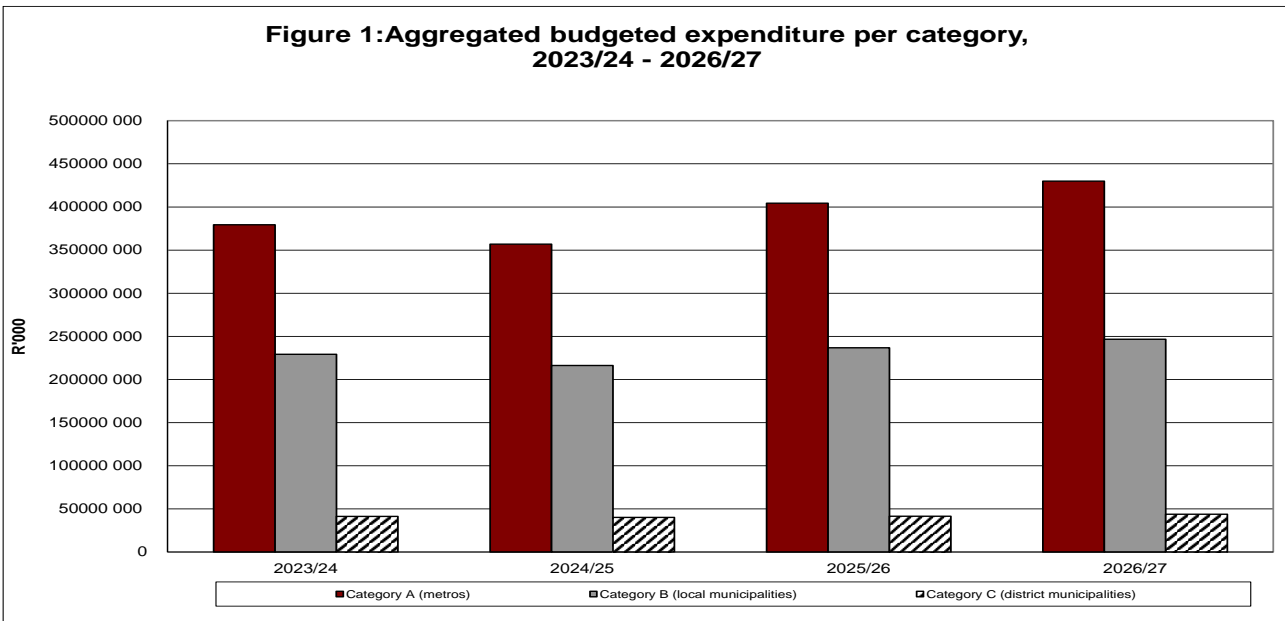
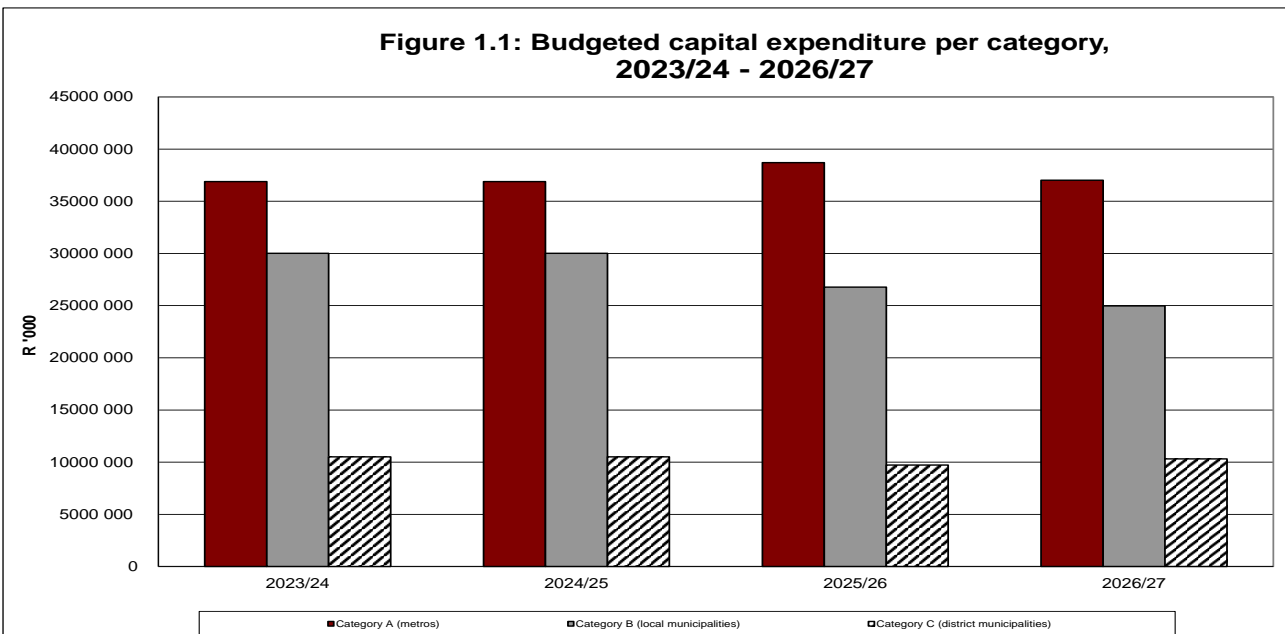


Figure 1.1: Budgeted capital expenditure per category, 2023/24 - 2026/27





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Figure 1.2: Budgeted operating expenditure per category, 2023/24 - 2026/27

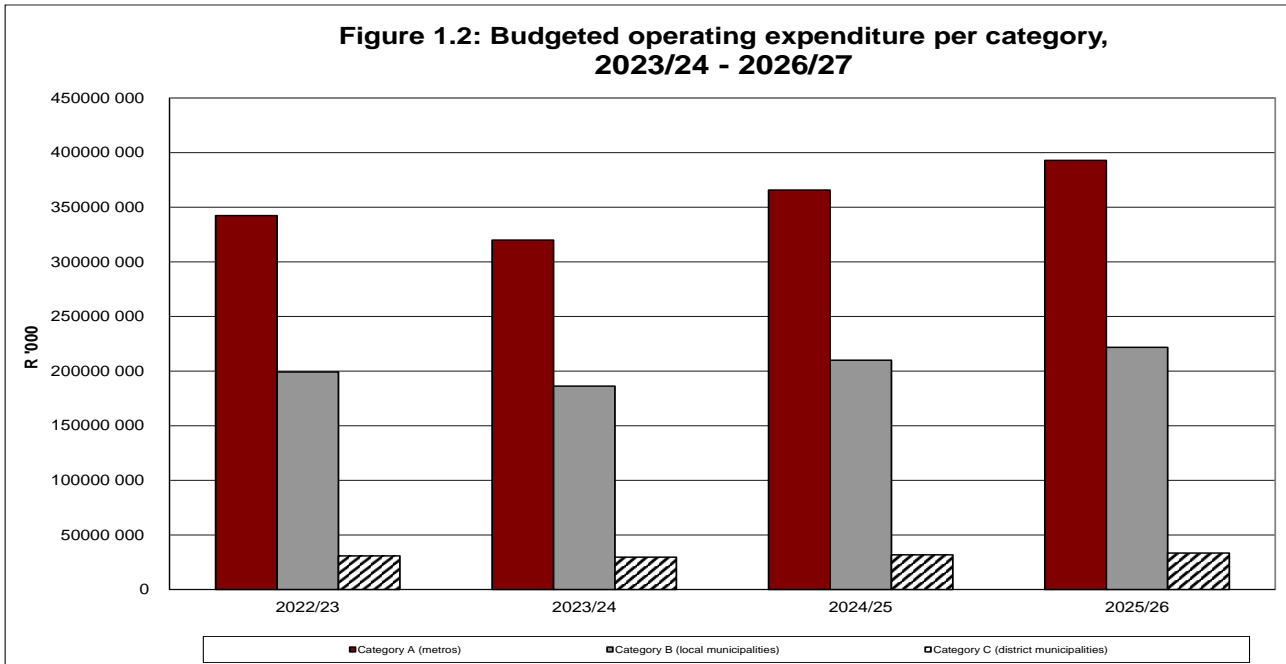
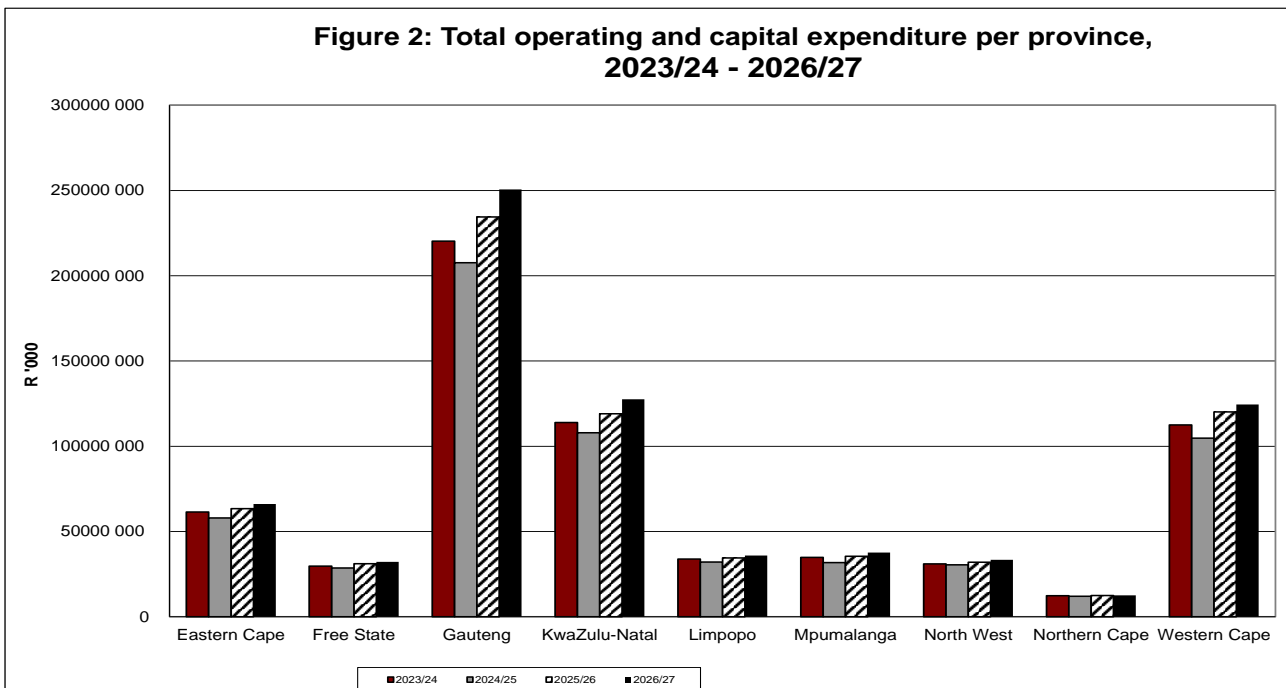


Figure 2: Total operating and capital expenditure per province, 2023/24 - 2026/27





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Figure 2.1: Budgeted capital expenditure per province, 2023/24 - 2026/27

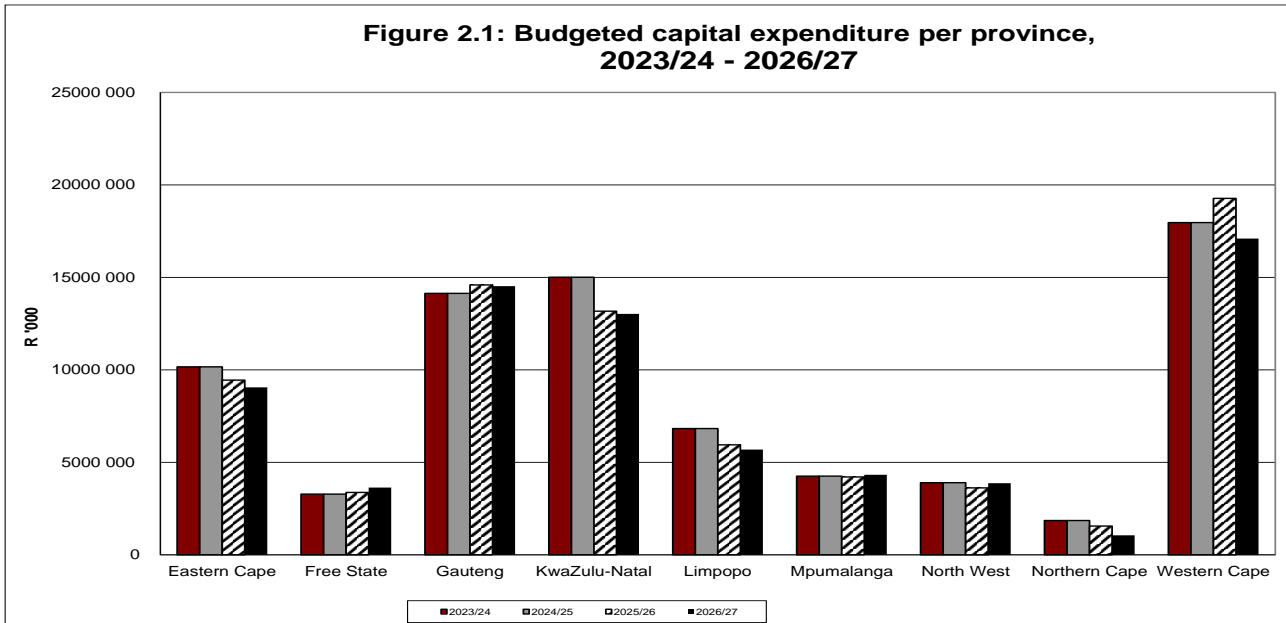
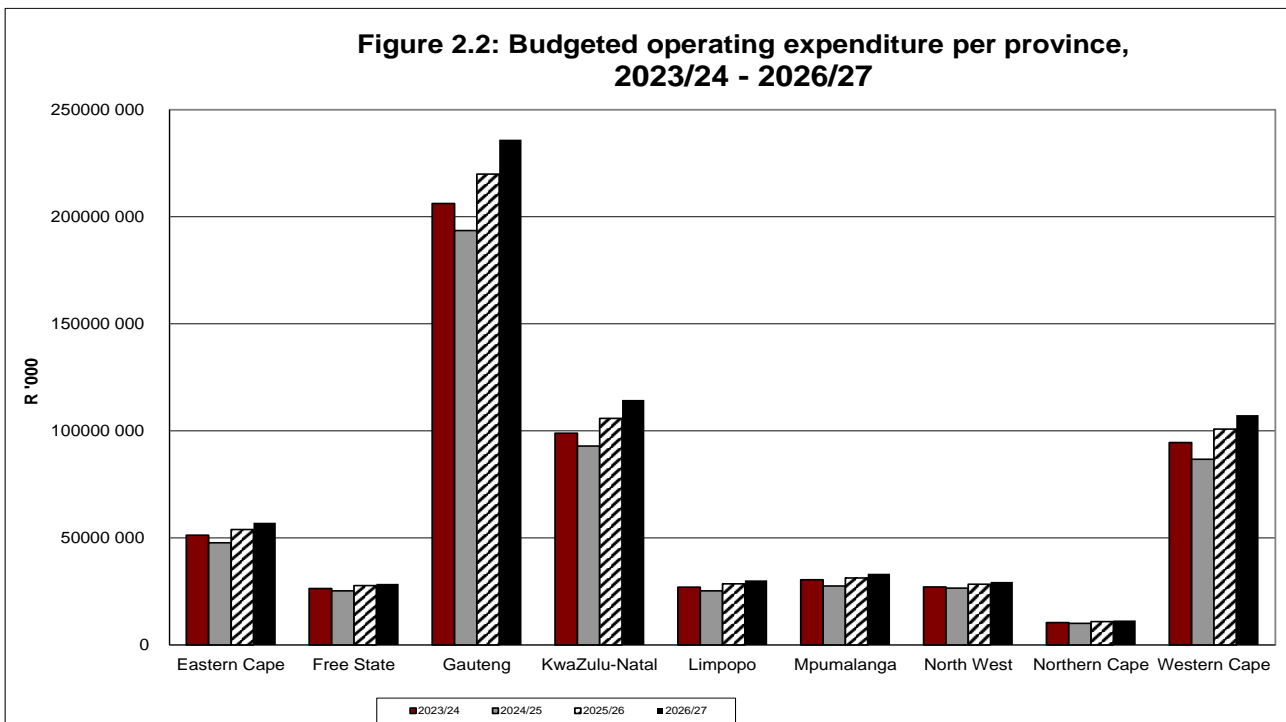


Figure 2.2: Budgeted operating expenditure per province, 2023/24 - 2026/27





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Figure 3: Aggregated budgeted expenditure for metros, 2023/24 - 2026/27

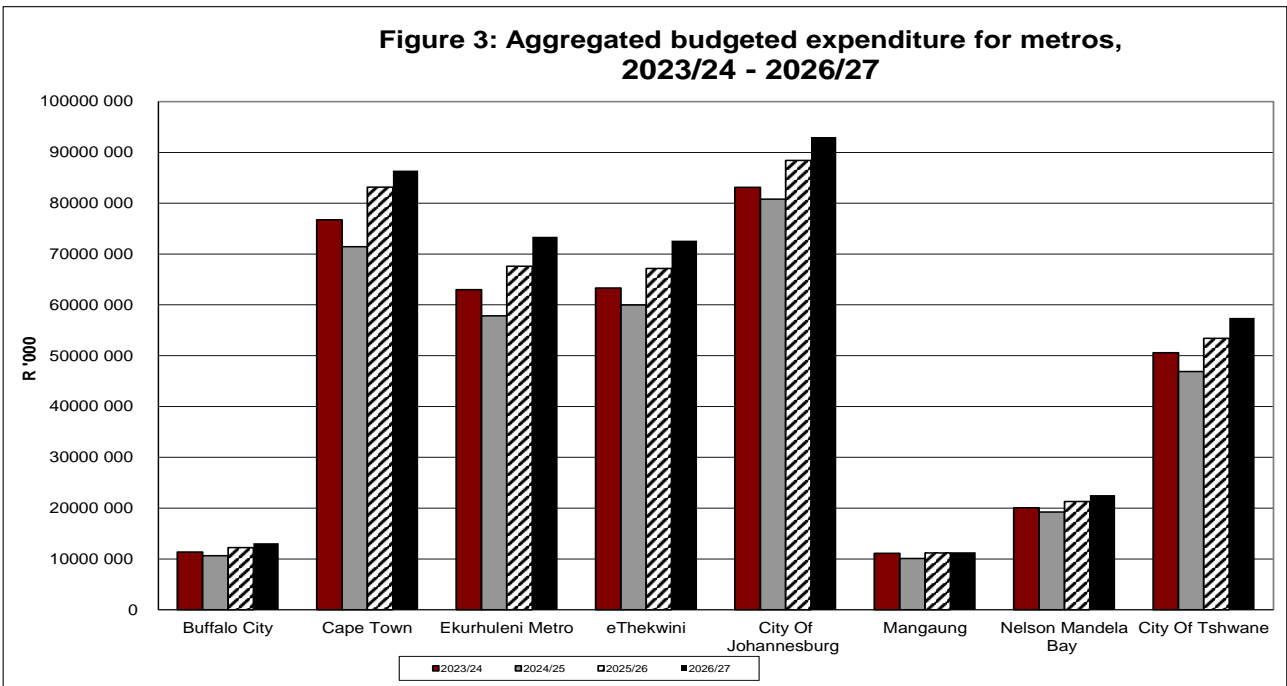
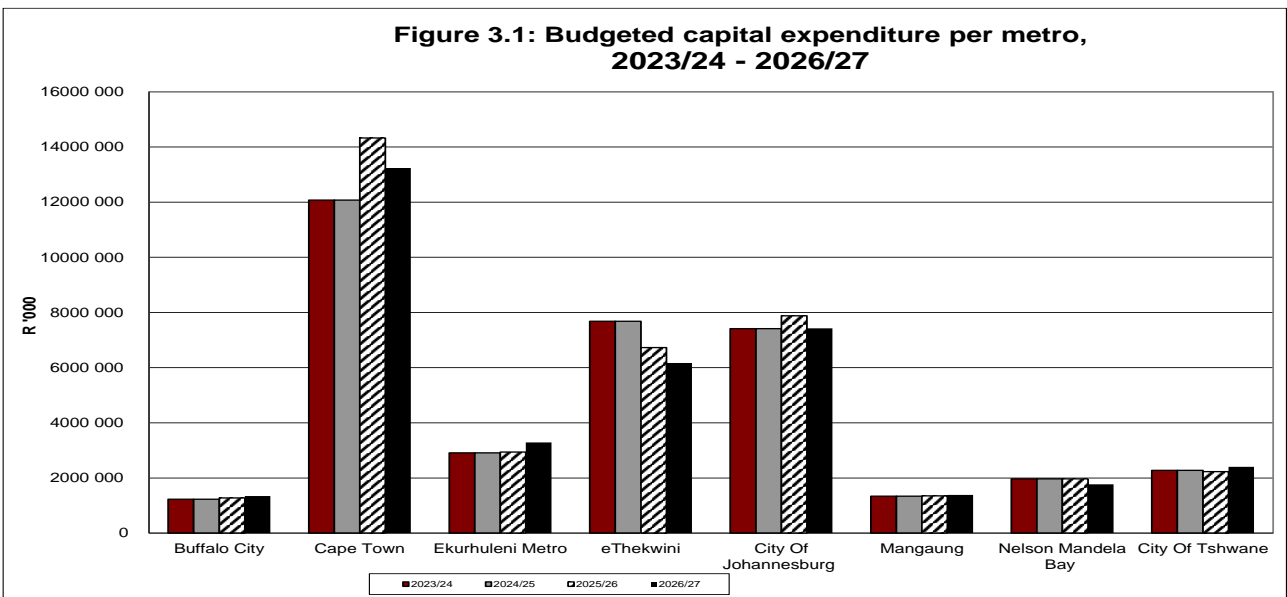


Figure 3.1: Budgeted capital expenditure per metro, 2023/24 - 2026/27



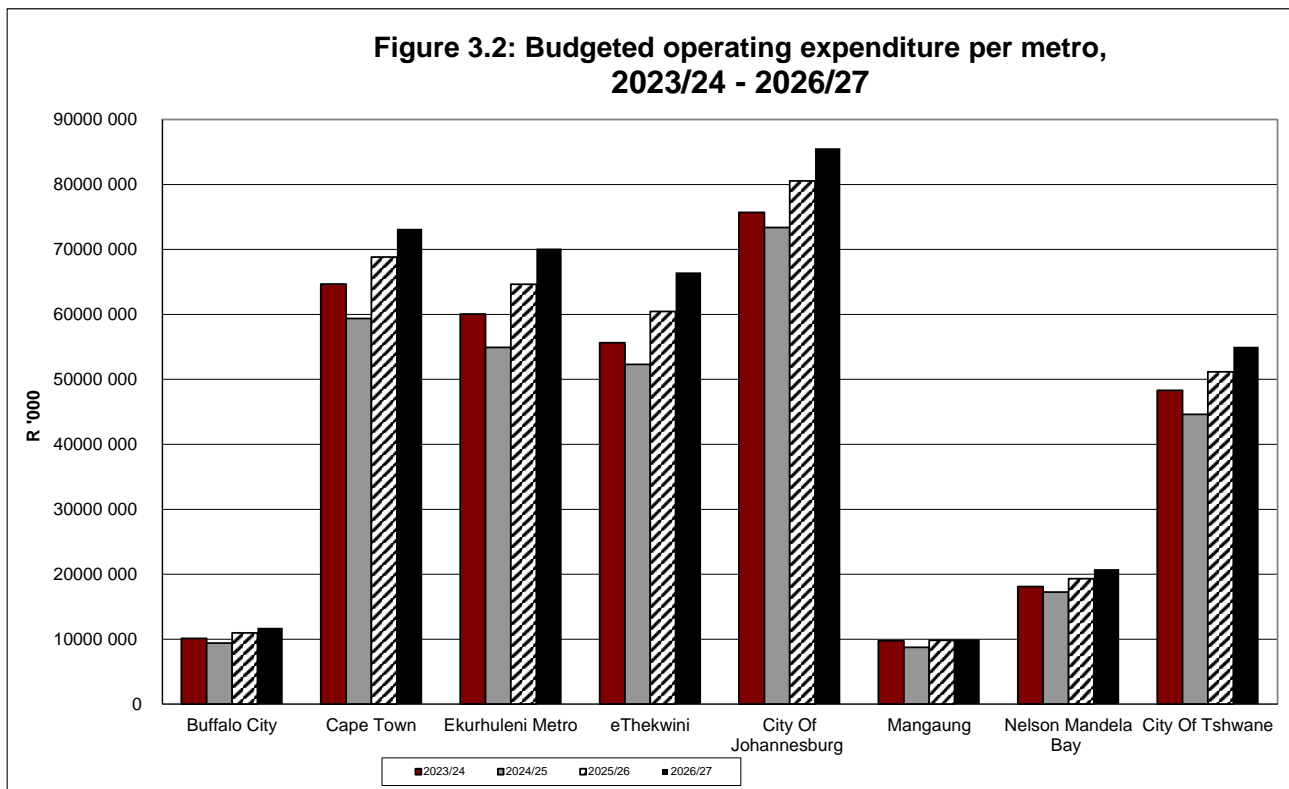


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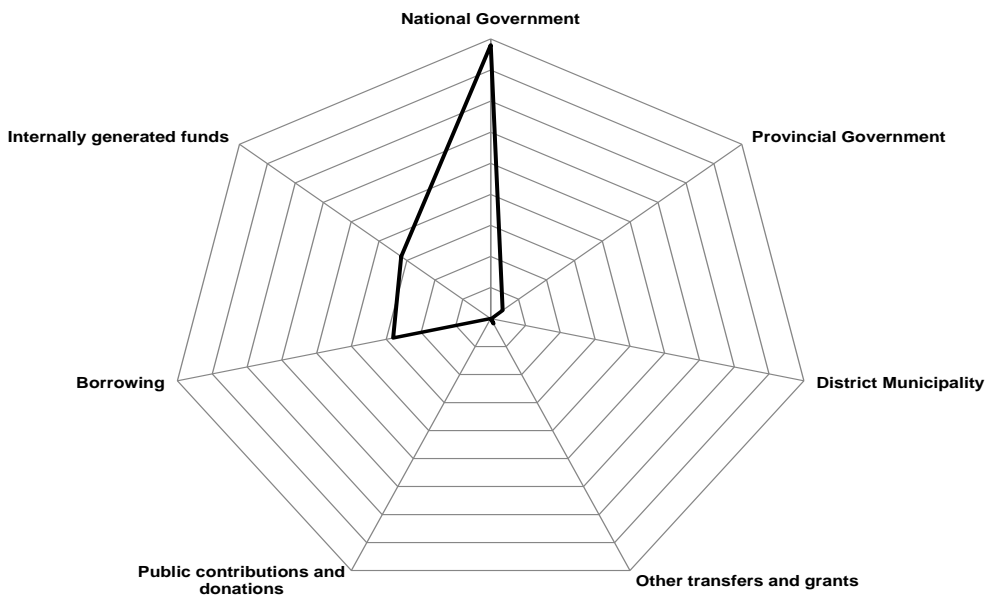
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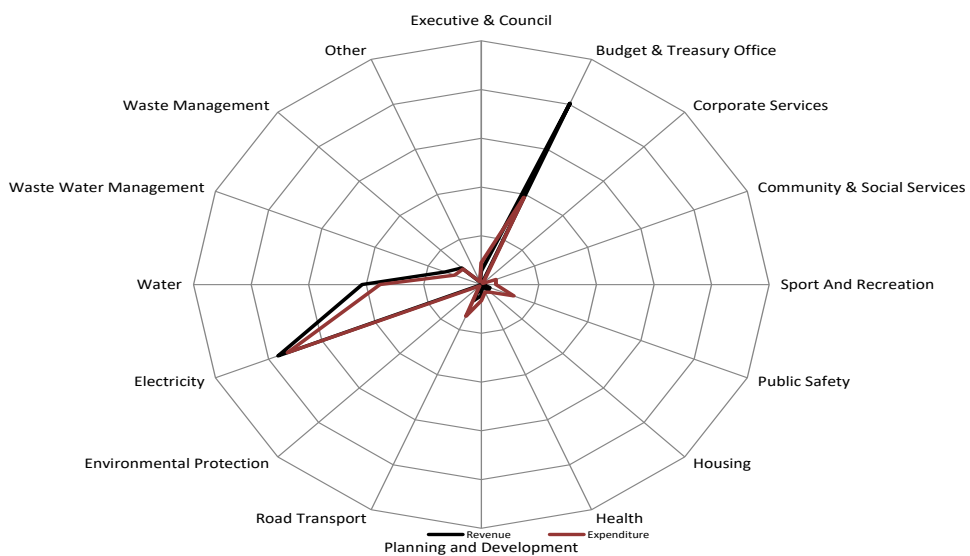
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Capital funding contributions, 2024/25

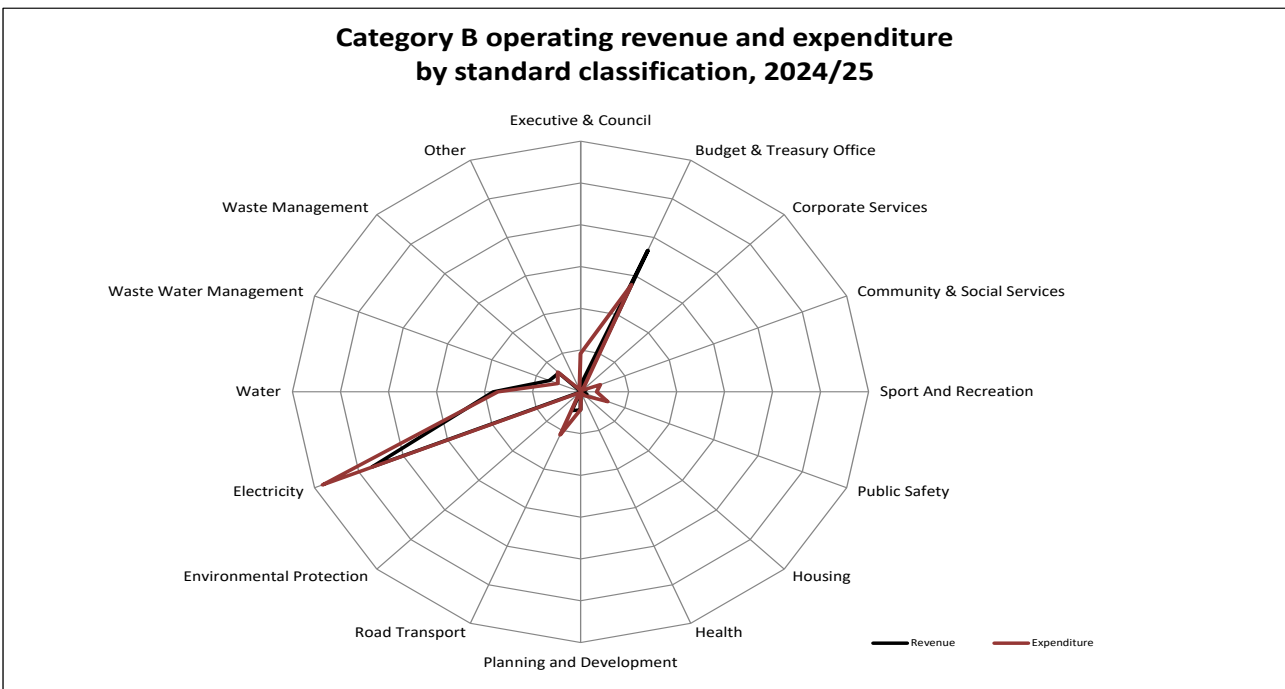
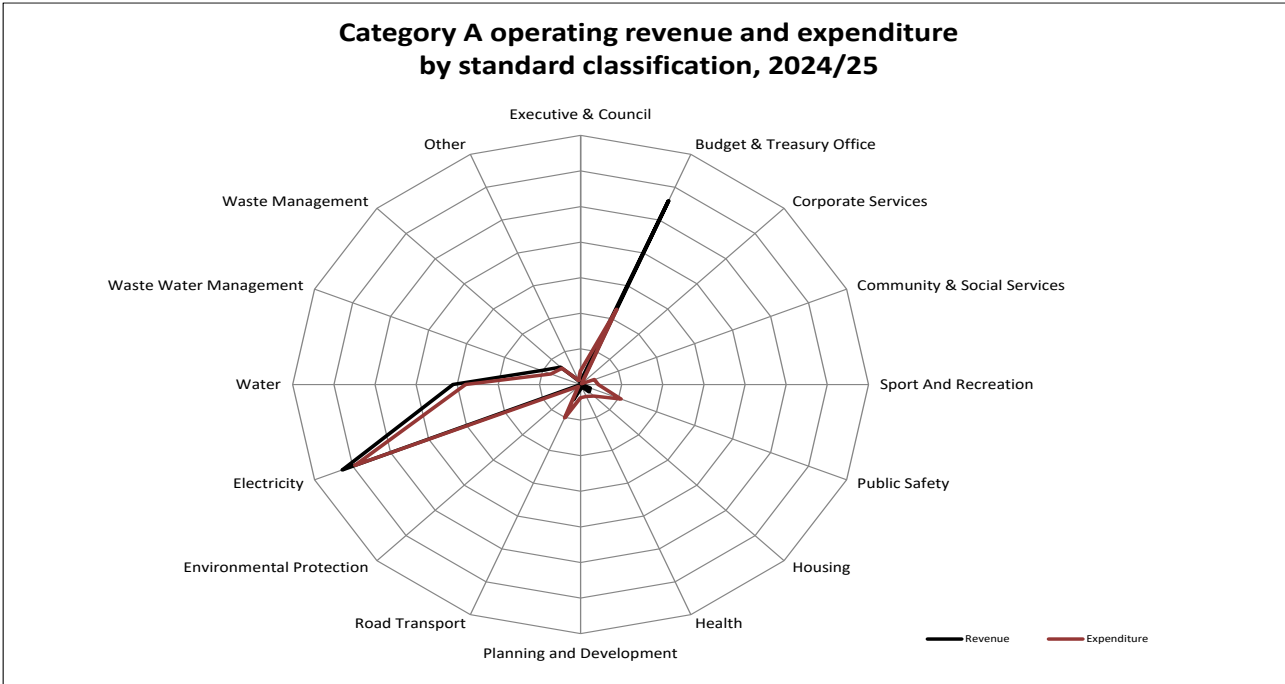


Aggregated operating revenue and expenditure by standard classification, 2024/25





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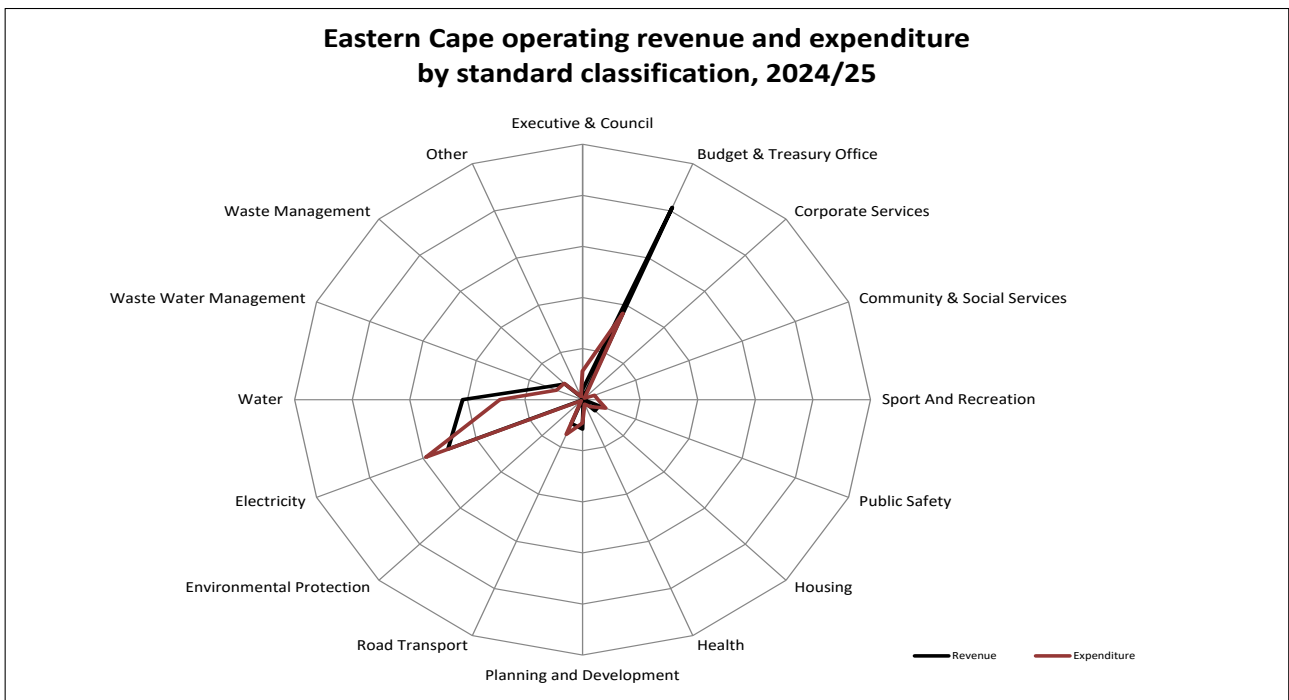
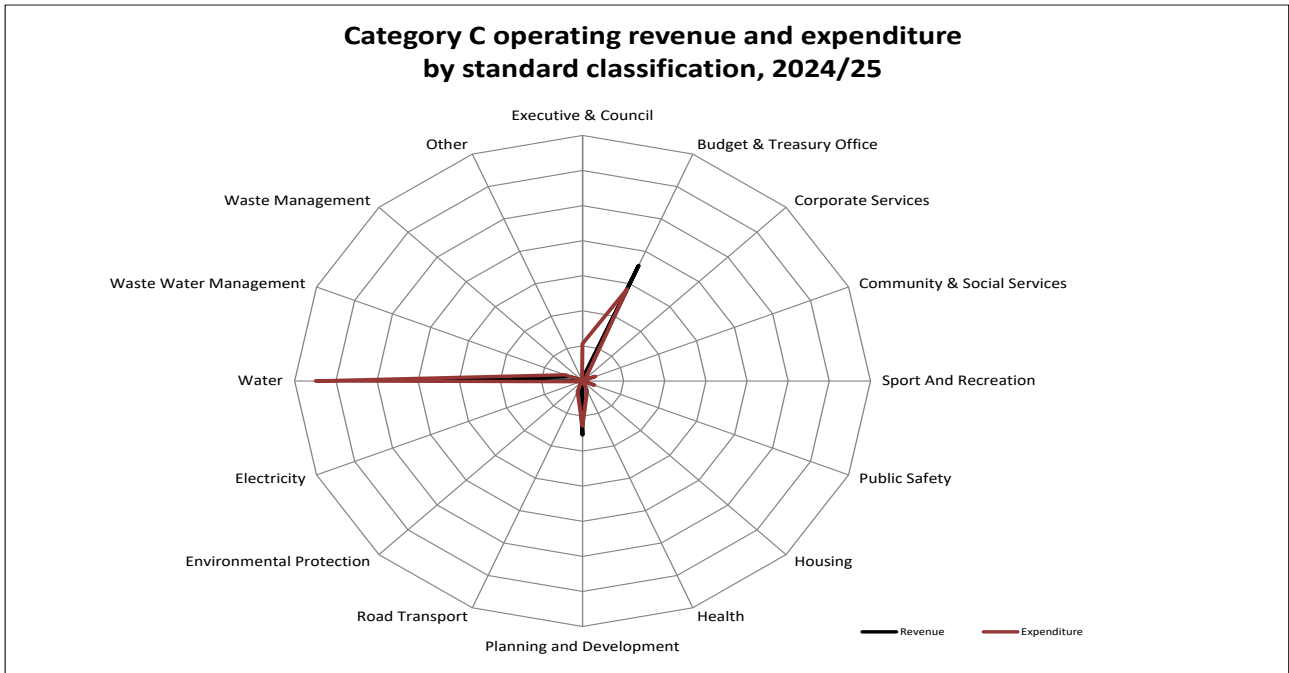


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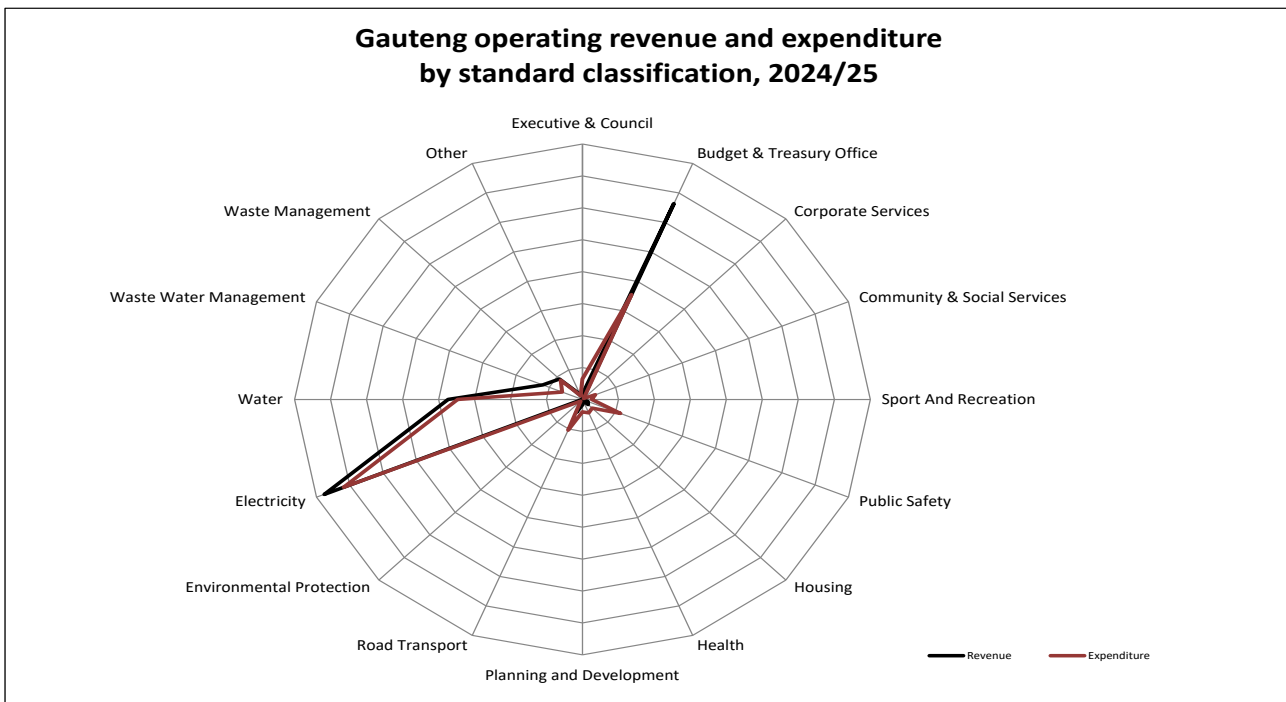
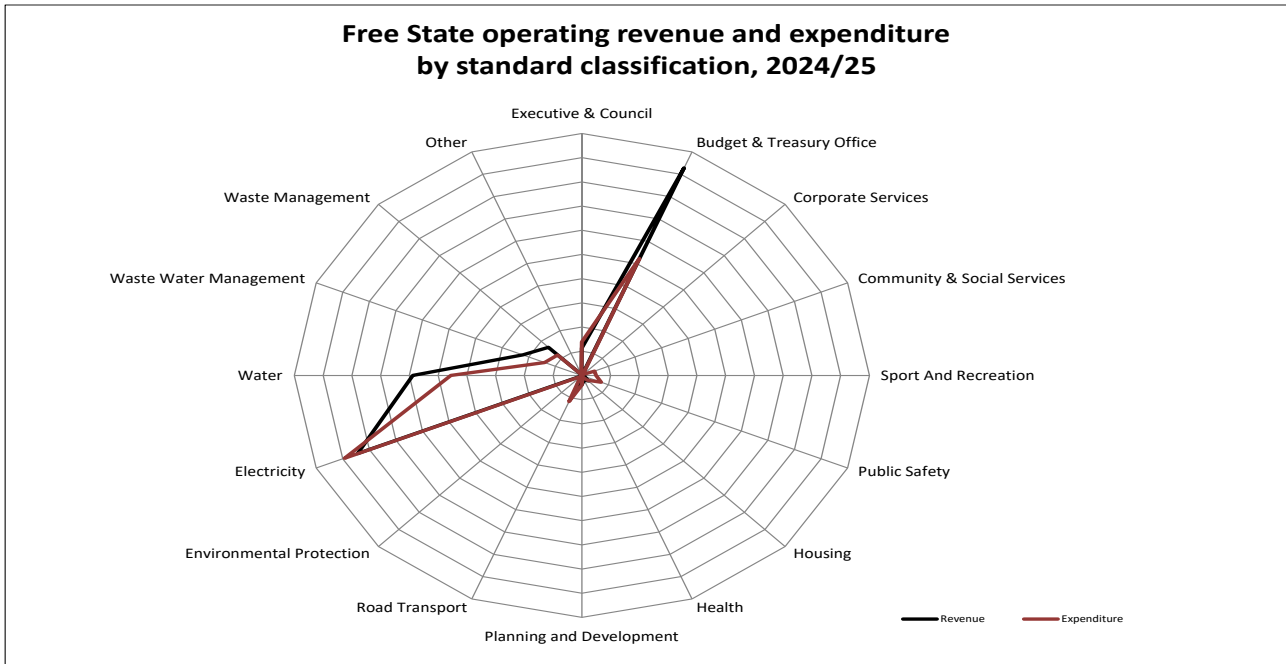


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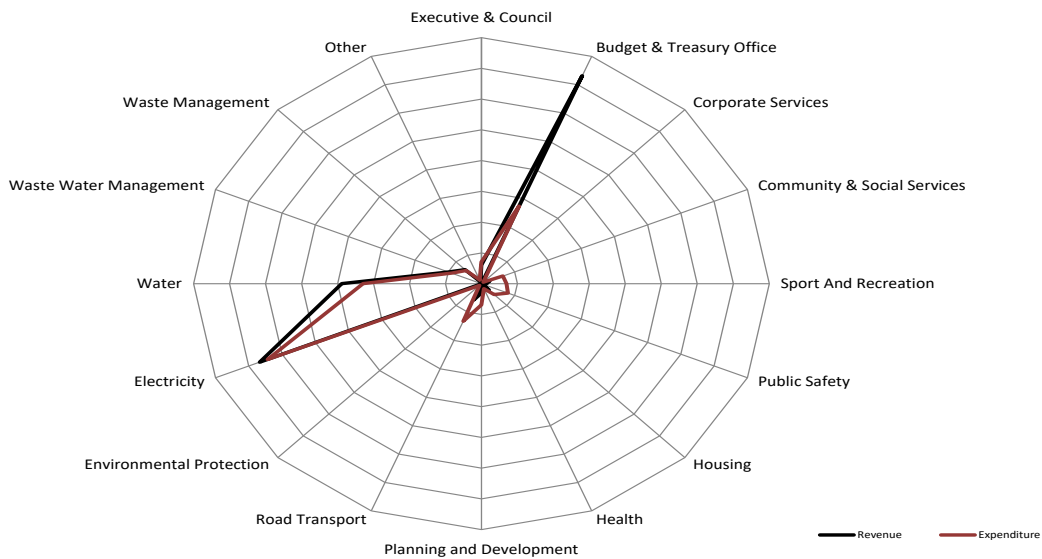
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KwaZulu-Natal operating revenue and expenditure by standard classification, 2024/25



Limpopo operating revenue and expenditure by standard classification, 2024/25





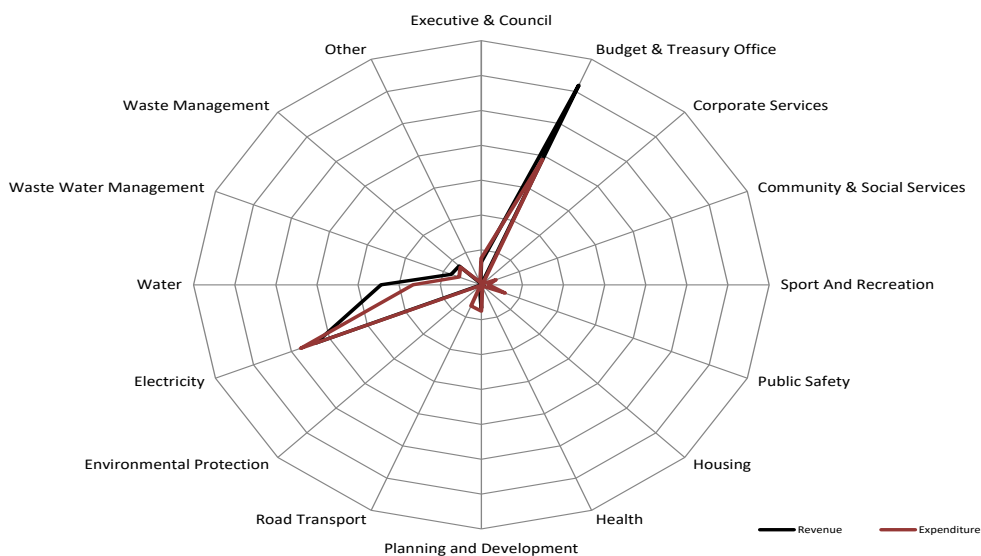
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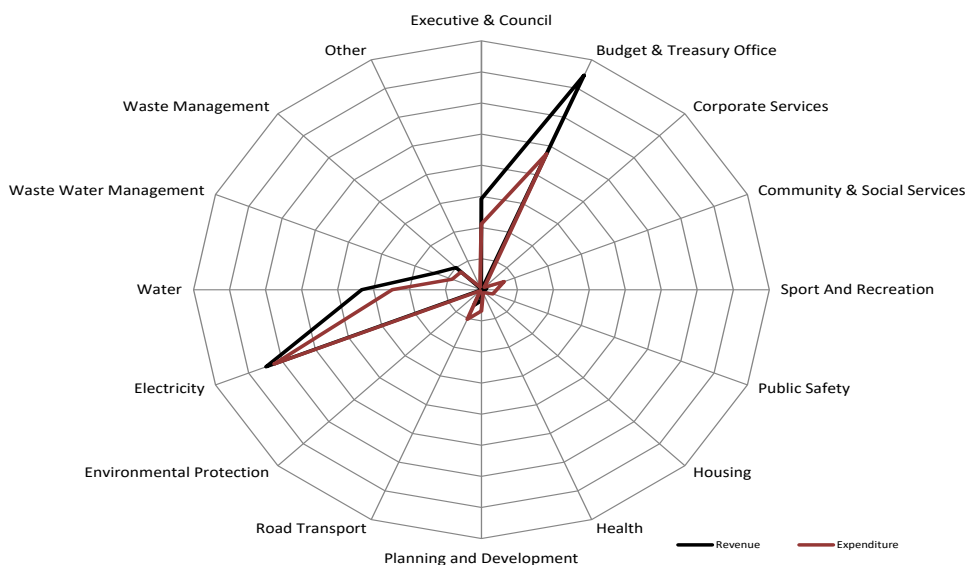
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Mpumalanga operating revenue and expenditure by standard classification, 2024/25



Northern Cape operating revenue and expenditure by standard classification, 2024/25





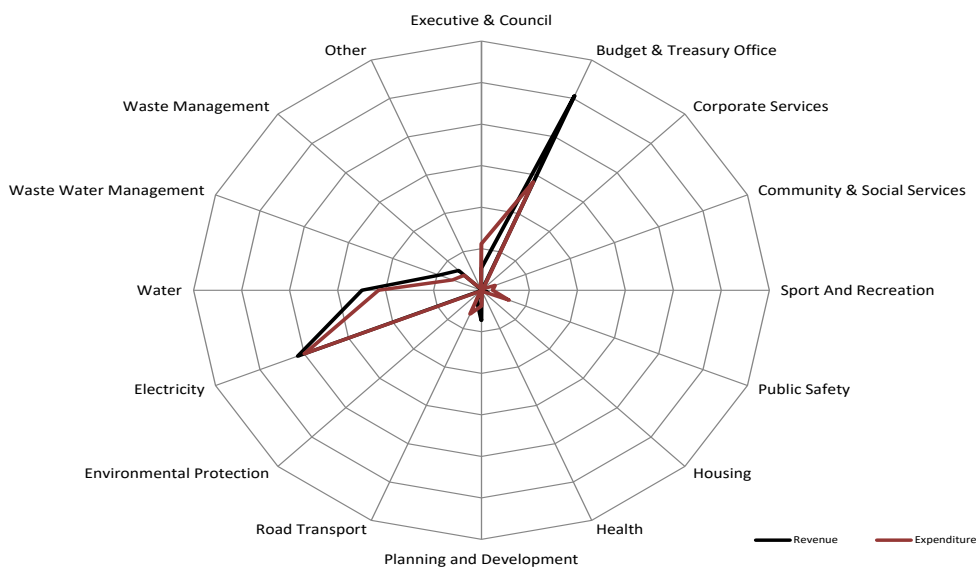
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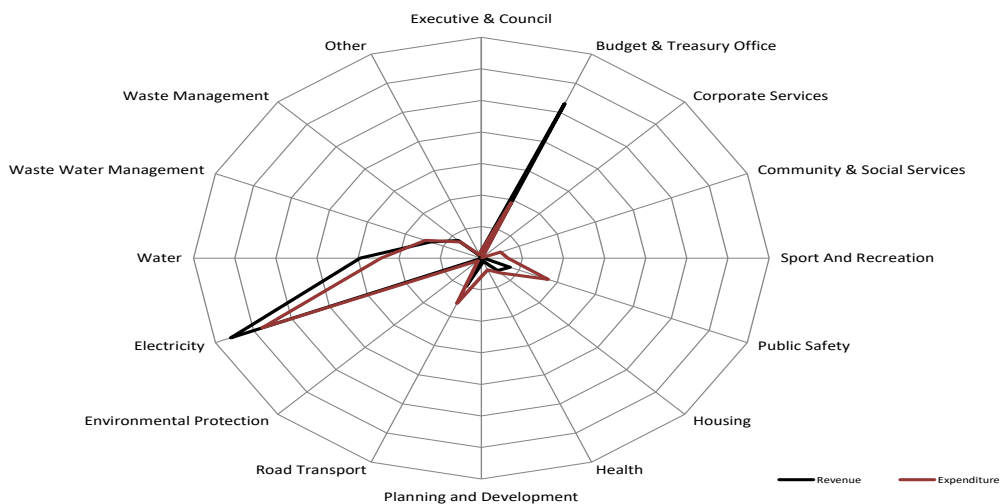
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North West operating revenue and expenditure by standard classification, 2024/25



Western Cape operating revenue and expenditure by standard classification, 2024/25





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