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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LOCAL GOVERNMENT REVENUE AND EXPENDITURE: SECOND QUARTER LOCAL GOVERNMENT SECTION 71 REPORT FOR THE PERIOD: 1 JULY 2024 – 31 DECEMBER 2024

National Treasury has published a report on local government revenue and expenditure for the second quarter of the 2024/25 financial year. This report covers the performance against the adopted budgets of local government for the second quarter of the municipal financial year ending on 31 December 2024 and includes spending against conditional grant allocations for the same time frame. In addition, National Treasury in its second quarter publication included the non-financial performance of MFMA Circular No. 88 Metro Indicators for the second quarter of 2024/25 Financial Year.

The Section 71 report promotes transparency in reporting, enhances in-year management and the oversight of the financial performance of municipalities against their adopted budgets. This report, therefore, functions as a management tool that serves as an early warning mechanism for councils, provincial legislatures, and municipal management, allowing for effective monitoring and timely improvement of municipal performance. Improving the credibility of the Municipal Standard Chart of Accounts (*mSCOA*) data strings is a priority for national and provincial treasuries and the submitted data strings are analysed monthly and errors are communicated to municipalities for correction.

KEY TRENDS:

Aggregate trends

- As at 31 December 2024, aggregate spending by municipalities was 44.2 per cent or R287.5 billion of the total adopted expenditure budget of R649.9 billion. Aggregated billing and other revenue was 49.9 per cent or R325.5 billion of the total adopted revenue budget of R652.3 billion.
- Capital expenditure amounts to R14.3 billion or 18.4 per cent of the adopted capital budget of R77.4 billion.
- The adopted operating expenditure budget amounts to R572.5 billion, of which R273.2 billion (47.7 per cent) was spent by 31 December 2024.
- Municipalities adopted a budget of R162.6 billion in respect of salaries and wages (including remuneration of councillors), representing a R8.1 billion or a 5.2 per cent increase from the adopted budget of R154.5 billion for the 2023/24 municipal financial year. The budget for salaries and wages constitutes 28.4 per cent of the total adopted operating expenditure budget of R572.5 billion. As at 31 December 2024, R76.7 billion or 47.1 per cent of the adopted salary budget was spent.



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5. Aggregate municipal consumer debtors was R405.1 billion (compared to R338.2 billion reported in the second quarter of 2023/24) as at 31 December 2024. A total amount of R2.6 billion or 0.7 per cent has been written off as bad debt. The largest component of this debt relates to households and represents 71.9 per cent or R291.1 billion (72.7 per cent or R245.8 billion in the same period in 2023/24 financial year).
6. The government debt accounts for 5.6 per cent or R22.7 billion (6.5 per cent or R22.1 billion reported in the same period in 2023/24) of the total outstanding debtors.
7. The total creditors owed by municipalities were reported at R128 billion, an increase from R104.3 billion reported in the same period in 2023/24. Provinces with the highest percentage of outstanding municipal creditors in the category greater than 90 days include Mpumalanga at 93.9 per cent, Free State at 92 per cent, Northern Cape at 91.8 per cent, and Limpopo at 86.1 per cent. An increase in outstanding creditors could be an indication that municipalities are experiencing liquidity and cash challenges and consequently are delaying the settlement of outstanding debt.
8. Analysis of the collection rates indicates that while municipalities have a year-to-date budgeted collection rate of 88.8 per cent, aggregated actual collection performance against billed is 83.7 per cent. The metros budgeted (YTD) for a 92.4 per cent collection rate and collected 87.9 per cent. The secondary cities budgeted collection rate was 87.2 per cent and the actual collection was 68.4 per cent.

Non-financial information in terms of the MFMA Circular No. 88

9. The 2024/25 second quarter Section 71 publication incorporates non-financial performance information drawn from the MFMA Circular No. 88. This performance data from metropolitan municipalities aims to improve transparency, accountability and support value-for-money assessments by institutionalising a standardised, rationalised and co-ordinated set of indicator measures of municipal service delivery and operational effectiveness. Integrating the non-financial performance information with financial data, municipal stakeholders can obtain a more comprehensive view of municipal performance and service delivery, social and developmental results.

Conditional Grants

10. As of 31 December 2024, municipalities were allocated R44.1 billion for direct conditional grants, of which R28.2 billion has been transferred. The NTOs reported spending of R18.4 billion, or 41.7 per cent, while municipalities reported spending of R12.8 billion, or 29.1 per cent, of the total allocation.



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11. Six of the infrastructure grants have underperformed, with expenditure falling below 40 per cent of their allocated budgets. The Municipal Disaster Recovery Grant (MDRG) reported an expenditure of just 16.9 per cent, while the Integrated National Electrification Programme (Municipal) Grant (INEP) had an expenditure of 38.4 per cent. The Metro Informal Settlements Partnership Grant (ISUPG) showed an expenditure of 34.7 per cent, the Neighbourhood Development Partnership Grant (NDPG) had 33.2 per cent, the Public Transport Network Grant (PTNG) reported 22 per cent, and the Rural Roads Assets Management Systems Grant (RRAMS) stood at 28.8 per cent.
12. The MDRG, in particular, demonstrated significant underperformance in the second quarter of the previous financial year, with an expenditure of only 16.9 per cent. This grant has consistently underperformed in recent years, with little improvement, indicating ongoing challenges in its effective utilisation by municipalities.
13. The Integrated Urban Development Grant (IUDG) and the Municipal Infrastructure Grant (MIG) were the best-performing grants in this quarter, maintaining their strong performance from the first quarter. The IUDG recorded an expenditure of 52 per cent against a total allocation of R1.1 billion, while the MIG achieved 54.9 per cent of its R17 billion allocation.
14. The Department of Water and Sanitation grants, which administers the Regional Bulk Infrastructure Grant (RBIG) and the Water Services Infrastructure Grant (WSIG), also showed positive performance, albeit at lower expenditure rates compared to the second quarter of the 2023/24 financial year. However, overall grant performance this quarter was poor compared to the same period in the previous financial year.
15. A summary of key aggregated information is included in the tables in **Annexure A**.

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

NOTE TO EDITORS:

- This information is published in terms of Sections 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and 30(3) of the Division of Revenue Act, 2024 (Act No. 24 of 2024) (DoRA). The budgeted figures shown are based on the 2024/25 adopted budgets approved by municipal councils.
- In terms of the process, Municipal Managers and Chief Financial Officers were required to sign and submit data to the National Treasury by 07 February 2025. Any queries on the figures in these statements should be referred to the relevant Municipal Manager or Chief Financial Officer. Queries on conditional grants may be referred to the national department responsible for administering the grant.



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- 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, or from cash backed surpluses of previous years. When preparing their annual budgets, it is common amongst most municipalities to overstate or inflate revenue projections, either to reflect a surplus, or on the surface to show that excess expenditure requirements are adequately covered by revenues to be collected. Therefore, the revenue estimates are seldom underpinned by realistic or realisable revenue assumptions resulting in municipalities not being able to collect this revenue, resulting in difficulties in cash flow. Should such situations arise, municipalities must adjust expenditures downwards to ensure that there is sufficient cash to meet these commitments.
- This second quarter publication covers 257 municipalities on financial information and conditional grant information.

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STRUCTURE OF INFORMATION RELEASED:

Other information released on National Treasury's website (www.treasury.gov.za) as part of this process includes the following:

- Municipal Budget Statements:
 - a. Cash Flow closing balances as at 31 December 2024;
 - b. High-level summary of revenue for 257 municipalities;
 - c. High-level summary of expenditure for 257 municipalities.
- Summary of revenue and expenditure per function (electricity, water, etc):
 - a. High level summary of revenue per function; and
 - b. High level summary of expenditure per function.
- Consolidation of revenue and expenditure numbers for each municipality in one file.
- Detail per province per municipality.
- Summary of Conditional Grant (CG) Information for all municipalities and per grant.
- CG – Detail per province per Municipality.
- Summary of Conditional Grant (CG) information per programme.
- Section 71 summary information for the second quarter:
 - a. Summary of total monthly operating expenditure – 257 municipalities;
 - b. Summary of total monthly operating revenue – 257 municipalities;
 - c. Summary of total monthly capital expenditure – 257 municipalities;
 - d. Summary of total monthly capital revenue – 257 municipalities;
 - e. Summary – Metros;
 - f. Conditional Grant summary – Metros;
 - g. Summary – Top 19 municipalities;
 - h. Conditional Grant summary – Top 19 municipalities;
 - i. Summary – Provinces;
 - j. Conditional Grant summary – Provinces;
 - k. Analysis of Sources of Revenue – 257 municipalities;
 - l. Listing of borrowing instruments – 637 reported by 247 municipalities;
 - m. Listing of investment instruments – 2 630 reported by 244 municipalities;
 - n. Monthly repairs and maintenance expenditure – 257 municipalities.
- Service delivery information (non-financial performance) for all municipalities.
- Non Compliance:



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- a. List municipalities not complying with Section 71 of the MFMA.

The Section 71 information reported by municipalities to National Treasury is also published on the National Treasury website in the format of Schedule C, which is the format for monthly and quarterly municipal financial statements as prescribed by the Municipal Budget and Reporting Regulations.