



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LOCAL GOVERNMENT REVENUE AND EXPENDITURE: THIRD QUARTER LOCAL GOVERNMENT SECTION 71 REPORT FOR THE PERIOD: 1 JULY 2024 – 31 MARCH 2025

National Treasury has published a report on local government revenue and expenditure for the third quarter of the 2024/25 financial year. This report covers the performance against the adopted budgets of local government for the third quarter of the municipal financial year ending on 31 March 2025 and includes spending against conditional grant allocations for the same period. In addition, National Treasury in its third quarter publication included the non-financial performance of MFMA Circular No. 88 Metro Indicators for the third 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 adjustments budgets. This report therefore, functions as a management tool that serves as an early warning mechanism for municipal councils, provincial legislatures, and municipal management, allowing for effective monitoring and timely improvement of municipal performance. Improving the credibility of the data strings is a priority for national and provincial treasuries and the submitted data strings are analysed monthly and errors are communicated to municipalities for correction.

KEY TRENDS:

Aggregate trends

1. As at 31 March 2025, aggregate spending by municipalities was 64.9 per cent or R432.2 billion of the total adjusted expenditure budget of R665.9 billion. Aggregated billing and other revenue was 71.7 per cent or R478 billion of the total adjusted revenue budget of R666.8 billion.
2. Capital expenditure was R26.4 billion or 33.6 per cent of the adjusted capital budget of R78.5 billion.
3. The adjusted operating expenditure budget was R587.5 billion, of which R405.8 billion or 69.1 per cent) was spent by 31 March 2025.
4. Municipalities adjusted their salaries and wages (including remuneration of Councillors) budget from R162.6 billion in the adopted budget to R161.1 billion in the adjusted budget for the 2024/25 financial year, representing a R1.5 billion or a 0.9 per cent decrease (refer to Table 1d). The budget for salaries and wages constitutes 27.4 per cent of the total adjusted operating expenditure budget of R587.5 billion. As at 31 March 2025, R114.2 billion or 70.9 per cent of the adjusted salary budget was spent.



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5. Aggregate municipal consumer debts amounted to R416.1 billion (compared to R347.6 billion reported in the same period in 2023/24) as at 31 March 2025. A total amount of R10.8 billion or 2.6 per cent has been written off as bad debt. The largest component of this debt relates to households and represents 72 per cent or R299.5 billion (73 per cent or R253.6 billion in the same period in 2023/24 financial year).
6. The government debt accounts for 6 per cent or R24.9 billion (R21 billion reported in the same period in 2023/24) of the total outstanding debtors.
7. Total outstanding creditors owed by municipalities as at 31 March 2025 amount to R131.8 billion an increase from R106.7 billion reported in the same quarter in 2023/24. R111.8 billion or 84.8 per cent has been outstanding for more than 90 days. Provinces with the highest percentage of outstanding municipal creditors in the category greater than 90 days include Free State at 94.4 per cent, Mpumalanga at 93.9 per cent, Northern Cape at 93.8 per cent, and North West at 84.4 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 owed.
8. Analysis of the collection rates indicates that while municipalities' average collection rate on the adjusted budget is 85 per cent, the aggregated actual collection against billed and other revenue is only 63.6 per cent. The metros budgeted (adjusted budget) for a 87.9 per cent collection rate and collected only 58.2 per cent. The secondary cities budgeted billing was 86.3 per cent and the actual collection was 69.7 per cent.

Non-financial information in terms of the MFMA Circular 88

9. The 2024/25 third 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 at 31 March 2025, municipalities were allocated R44.7 billion for direct conditional grants, of which R38.9 billion has been transferred. This amount excludes the Equitable Share allocation, Urban Settlements Development Grant (USDG) as a supplementary capital allocation to



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metropolitan municipalities) as well as indirect grants. National Transferring Officers (NTOs) reported spending of R25 billion, or 55.9 per cent, while municipalities reported spending of R19.5 billion or 43.7 per cent, of the total allocation. In comparison, during the same period in the previous financial year, NTOs reported 58.8 per cent against the total adjusted allocation for direct conditional grants, while municipalities reported expenditure of 46.8 per cent.

11. There are several factors that attributed to the overall underspending of the conditional grants by municipalities during the 2024/25 financial year. Some of these factors include late submissions of business and implementation plans which hindered timely implementation, while persistent Supply Chain Management (SCM) challenges disrupted procurement processes. These issues not only affected grant performance in the third quarter but also led to reduced allocations for many municipalities during the adjustment budget process as uncommitted funds were reallocated to better-performing municipalities. The impact of these challenges highlights the need for stronger municipal planning, more efficient SCM systems, and stricter enforcement of procurement regulations to prevent similar underspending in the future.
12. The third quarter infrastructure grant performance presents a mixed picture, with R23.8 billion or 56.3 per cent expended from the R42.8 billion allocation. While showing moderate overall progress, significant disparities exist between better-performing grants and those facing implementation challenges. While this demonstrates moderate progress, the performance varies considerably across different grants, with some showing effective implementation and others lagging behind.
13. While some grants such as the Integrated Urban Development Grant (IUDG), Municipal Infrastructure Grant (MIG) and the Regional Infrastructure Grant (RBIG) demonstrate efficient spending with expenditure over 60 per cent by the end of the third quarter, others like the Municipal Disaster Recovery Grant (MDRG) and the Water Services Infrastructure Grant (WSIG) remain severely underperforming. This inconsistency highlights the need for a more balanced approach in grant management, such as rewarding well-performing municipalities with additional support while imposing stricter consequences for chronic underspending. Without urgent corrective measures, critical service delivery backlogs will continue to worsen.
14. 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).



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2024) (DoRA). The budgeted figures shown are based on the 2024/25 adjusted 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 09 May 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.
- 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 third 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 March 2025;
 - 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 third 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 – 631 reported by 244 municipalities;
 - m. Listing of investment instruments – 2 655 reported by 234 municipalities;
 - n. Monthly repairs and maintenance expenditure – 257 municipalities.
- **Service delivery information (non-financial performance) for all municipalities:**
 - a. 3rd Quarter MFMA Circular No. 88 non-financial performance indicators for Metros.



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- MFMA Section 138 and 140 triggers for determining serious financial problems and for determining persistent breach of financial commitments.
- Non Compliance:
 - 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.