



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LOCAL GOVERNMENT REVENUE AND EXPENDITURE: FIRST QUARTER LOCAL GOVERNMENT SECTION 71 REPORT FOR THE PERIOD: 1 JULY 2024 – 30 SEPTEMBER 2024

National Treasury has published a report on local government revenue and expenditure for the first quarter of the 2024/25 financial year. This report covers the performance against the adopted budgets of local government for the first quarter of the municipal financial year ending on 30 September 2024 and includes spending against conditional grant allocations for the same time frame. In addition, National Treasury in its first quarter publication included municipal cash balances for the period ending 2023/24 as per the pre-audited financial statements and incorporates the non-financial performance of Circular 88 Metro Indicators for the first 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 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. The figures reported below for operating expenditure on employee related costs exclude City of Tshwane Metro as the Metro reported an error into the Local Government database. This skewed all the first quarter figures for the country hence a decision was taken to exclude the employee related costs figures on the statement of financial performance. The city has been notified of the error; the National Treasury will monitor progress in correction of the error to avoid repetition of the same error going forward.
2. As at 30 September 2024, aggregate spending by municipalities was 21.6 per cent or R140.4 billion of the total adopted expenditure budget of R649.9 billion. Aggregated billing and other revenue were 26.4 per cent or R172.3 billion of the total adopted revenue budget of R652.3 billion.
3. Capital expenditure amounts to R9.2 billion or 11.9 per cent of the adopted capital budget of R77.4 billion.



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4. The adopted operating expenditure budget amounts to R572.5 billion, of which R131.2 billion (22.9 per cent) was spent by 30 September 2024.
5. Municipalities adopted a budget of R162.6 billion in respect of salaries and wages (including remuneration of councilors), 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. As at 30 September 2024, R32.8 billion or 20.2 per cent of the adopted salary budget was spent.
6. Aggregate municipal consumer debts amounted to R386.5 billion (compared to R306.7 billion reported in the first quarter of 2023/24) as at 30 September 2024. A total amount of R1.3 billion or 0.3 per cent has been written off as bad debt.
7. The government debt accounts for 6 per cent or R23.2 billion (R18.6 billion reported in the first quarter of 2023/24) of the total outstanding debtors. The largest component of this debt relates to households and represents 71.8 per cent or R277.6 billion (71.9 per cent or R220.4 billion in the first quarter of the previous financial year).
8. Total creditors owed by municipalities were reported at R126.8 billion, an increase from R101.4 billion reported in 2023/24. Provinces with the highest percentage of outstanding municipal creditors in the category greater than 90 days include Free State at 91.5 per cent, Northern Cape at 90 per cent, Mpumalanga at 88.6 per cent and North-West at 82 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.
9. Analysis of the collection rates indicate that while municipalities have budgeted for an 88.8 per cent collection rate, aggregated actual collection performance against billed is 73.1 per cent. The metros budgeted for a 92.4 per cent collection rate and collected 71.3 per cent. The secondary cities seem to be performing better than the national and metro average, the budgeted billing was 87.2 per cent and the actual collection was 83.6 per cent.

Non-financial information in terms of the MFMA Circular 88

10. The 2024/25 first quarter Section 71 publication incorporate non-financial information in terms of the MFMA Circular No. 88. This performance data aim to improve transparency, accountability, and value-for-money assessments that measure municipal service delivery and operational effectiveness. By integrating the non-financial information, municipalities can obtain a more comprehensive view of their performance to reflect broader service delivery, social and developmental impacts



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Cash balances

11. At the request of Parliament this year, National Treasury has decided to include in the Section 71 publication the information on reported cash balances emanating from the Pre-audited Financial Statements (attached as Annexure A). The reason for using this information is due inadequate information reported on cash reserves during 1st quarter of 2024/25 in the Section 71 report. It was decided therefore that the AFS information is the only credible source that National Treasury could use to determine cash balances.
12. Only two (2) municipalities reported negative cash balances according to pre-audited AFS 2023/24. The original budgeted cash was R49 billion which was adjusted downwards to R40.1 billion during the adjustments budget for 2023/24. According to the reported cash balances, aggregate cash realized for 2023/24 is R62.1 billion. The difference between what was realized and what was budgeted can be alluded to the challenges with balance sheet budgeting by some of the municipalities.

Conditional Grants

13. As at the end of the first quarter, R14.2 billion or 33.8 per cent in infrastructure grants had been transferred to municipalities, and R7.4 billion or 17.7 per cent was spent (52 per cent against the transferred amount).
14. The best performing infrastructure grants to municipalities during the first quarter were the two grants administered by Department of Cooperative Governance i.e. Municipal Infrastructure Grant (MIG) and the Integrated Urban Development Grant (IUDG), which reported expenditure of 24.5 and 21.8 per cent of their R17 billion and R1.1 billion allocations respectively. The Water Services Infrastructure Grant (WSIG) administered by Department of Water and Sanitation (DWS) reported expenditure of R781.7 million or 19.4 per cent of the R4 billion allocation. The Integrated National Electrification Programme (INEP) grant administered by the Department of Mineral Resources and Energy and the Neighbourhood Development Partnership Grant (NDPG) administered by the National Treasury reported expenditure of 16 per cent and 116.9 per cent respectively, with Regional Bulk Infrastructure Grant (RBIG) which is administered by the Department of Water and Sanitation achieving 15.6 per cent or R599.4 million against the R3.8 billion allocation.
15. The lowest spending grant under the infrastructure grants during the first quarter is Municipal Disaster Recovery Grant (MDRG 5B) which is administered by the Department of Cooperative Governance, which reported expenditure of 0.6 per cent of the allocated R741 million. This is concerning, given the grant is to assist municipalities to rehabilitate and reconstruct municipal infrastructure damaged by a disaster, so as to timeously restore functionality of municipal infrastructure following a disaster. Other poor performing infrastructure grants were the Public



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Transport Network Grant (PTNG) (administered by the Department of Transport), and the Informal Settlements Upgrading Partnership Grant (ISUPG) (administered by Department of Human Settlements), which both reported expenditure of 9.2 per cent of their allocations.

16. 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 01 November 2024. 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 first quarter publication covers 257 municipalities on financial information and conditional grant information.

For enquiries email media@treasury.gov.za

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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 30 September 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 first 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 – 693 municipalities;
 - m. Listing of investment instruments – 2 436 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.