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LOCAL GOVERNMENT ADOPTED OPERATING AND CAPITAL BUDGETS FOR 2025/26 MTREF

The National Treasury has today published on its website the operating and capital budgets of municipalities as adopted by their respective Councils. These budgets give an overview of expected revenue and expenditure trends in Local Government over the next three years, referred to as the 2025/26 Medium Term Revenue and Expenditure Framework (MTREF). The revenue and expenditure numbers are aggregated from the annual budgets that municipal managers are legally required to submit to the National Treasury and the relevant Provincial Treasury.

The published information is presented in a various formats including aggregated municipal budget totals for the 2025/26 financial year and over the medium-term period. In addition, the information is presented per category of municipality and province. Highlights include:

- The aggregated budgeted revenue for 2025/26 is R675.8 billion, which is expected to increase to R712.6 billion in 2026/27, and R753.5 billion in 2027/28;
- Total municipal expenditure in 2025/26 is estimated to be R698.0 billion, increasing to R728.3 billion in 2026/27, and R764 billion in 2027/28. Total expenditure for 2025/26 is 7.4 per cent higher than the adopted budget for 2024/25 financial year;
- It is notable that aggregate municipalities will realise operating deficits on the operating budgets in the 2025/26 financial year as the total operating expenditure increases at a higher rate than the revenue projections. This is an indication that municipalities are spending beyond their means and a first sign of financial challenges. However, the situation is projected to improve in the outer years of the 2025/26 MTREF as the operating deficit is projected to reduce;
- A net surplus of R8.5 billion is projected in the 2025/26 financial year after considering revenue from external loans and internally generated funds. This is an improvement compared to a deficit of R1.9 billion in the 2024/25 adjusted budget and will result in net surpluses of R12.3 billion in 2026/27 and R16.7 billion in 2027/28;
- The main cost drivers are employee related costs and bulk purchases, representing 27.0 per cent and 35.0 per cent of the operating expenditure respectively. Municipalities are experiencing multiple impacts of the high electricity and water tariff increases; lower sales levels owing to changes in consumption patterns and increased bad debt as a result of affordability pressures;
- Capital expenditure increased by 1.9 per cent to R78.9 billion in 2025/26 compared to the original budget for the 2024/25 financial year. The percentage of capital expenditure, to total expenditure is



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declining over the MTREF period. Capital expenditure represented 11.3 per cent of the total expenditure in 2025/26 and is projected to decrease to 10.5 per cent in 2024/25 and further decrease to 9.8 per cent in 2027/28;

- Trading services represent 52.1 per cent of the total capital expenditure of R78.9 billion in 2025/26; increases to 54.7 per cent in 2026/27 and to 56.7 per cent in 2027/28;
- The 2025/26 capital expenditure budget reflects a R45.7 billion investment in new infrastructure which is 57.9 per cent of the total aggregated capital budget. Investment in the renewal and upgrading of existing assets is much lower at R14.9 billion (18.8 per cent) and R18.4 billion (23.3 per cent) of the total capital budget respectively; and
- Reporting on operational repairs and maintenance figures has been institutionalised as part of Section 71 in-year reporting. Municipalities allocated R38.3 billion to repairs and maintenance of assets in 2025/26. This will increase to R40.6 billion in 2026/27 and to R42.7 billion in 2027/28.

The National Treasury publishes Local Government MTREF information annually. Regularly published budget information enables communities to hold their municipal Councils to account. The information is also used by the National Treasury as the basis for the In-Year Management, Monitoring and Reporting System for Local Government (IYM). The Section 71 reports published by the National Treasury provide a quarterly account of actual revenue collection and spending by municipalities against their budgeted figures. All this information is uploaded into the Municipal Money open Local Government data portal and can be accessed as follows: www.municipalmoney.gov.za. In addition, the Municipal Money time series data can be accessed directly from <http://municipaldata.treasury.gov.za>. A new development that facilitates transparency is the GoMuni portal which can be accessed at <https://lg.treasury.gov.za/ibi/apps/signin> by clicking on the public access tab.

To improve the quality of reporting, the Municipal Budget and Reporting Regulations promulgated in 2009 prescribed new budget reporting formats for municipalities. In terms of the 2009 Regulations, municipalities submitted their 2025/26 MTREF budgets in the prescribed A1 Schedules as per the Regulations.

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



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- **Annexure A** sets out the full list of information that can be found on the website, and a high-level summary of information in terms of category of municipality and per province;
- **Annexure B** contains an aggregated summary of municipal operating and capital budgets for the 2025/26 Medium Term Revenue Expenditure Framework (MTREF); and
- **Annexure C** contains a set of key graphs articulating the numbers in graphical format.

Go to www.treasury.gov.za/mfma for more information.

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