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REPUBLIC OF SOUTH AFRICA

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ANNEXURE A

THE FULL LIST OF INFORMATION PUBLISHED:

- Aggregated/Consolidated municipal 2025/26 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 summarized operational and capital appropriations):*
 - Operating budget 2025/26;
 - Capital budget 2025/26;
 - Operating budget 2026/27;
 - Capital budget 2026/27;
 - Operating budget 2027/28; and
 - Capital budget 2027/28.
- *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.



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- Schedule A5 (Capital Budget):
 - 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.



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- *E. Summary of Growth Rates:*
 - Summary of growth in municipal budgets, and
 - Information per province.
- *mSCOA framework assorted results.*



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ANNEXURE B

HIGH LEVEL ANALYSIS OF THE 2025/26 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 2025/26 budget and MTREF is also published on the National Treasury website.
2. Table 1 below reflects the aggregated operating and capital budget for the 2025/26 MTREF. Total revenue is projected to increase from R632.9 billion in the adjusted budget of the 2024/25 financial year to R675.8 billion in 2025/26 thereafter increases to R753.5 billion in 2027/28. On the contrary, total expenditure is projected to increase from R665.4 billion in the adjusted budget of the 2024/25 financial year to R698.1 billion in 2025/26, thereafter increases to R764 billion by 2027/28.
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 or (deficit).



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Table 1: Total Operating and Capital Budgets, 2024/25 - 2027/28

Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
Revenue					
Total Revenue (excl. capital transfers and contributions)	575 037 984	583 863 456	627 876 378	664 258 962	706 015 153
Capital Revenue					
Transfers recognised - capital	47 192 937	49 058 916	47 902 947	48 385 588	47 445 745
Total Capital Revenue	47 192 937	49 058 916	47 902 947	48 385 588	47 445 745
Total Revenue	622 230 920	632 922 373	675 779 325	712 644 550	753 460 898
EXPENDITURE:					
Total Operating Expenditure	572 476 884	585 448 542	619 154 177	651 799 566	689 096 875
Capital expenditure	77 410 772	79 948 976	78 879 394	76 506 755	74 849 805
Total Expenditure	649 887 657	665 397 518	698 033 571	728 306 321	763 946 680
Surplus / (deficit)	(27 656 736)	(32 475 146)	(22 254 246)	(15 661 772)	(10 485 782)
FINANCING:					
Borrowing	14 006 271	12 824 743	12 799 650	11 694 470	10 638 919
Internally generated funds	16 035 380	17 753 326	17 989 481	16 268 965	16 544 724
Total financing	30 041 651	30 578 068	30 789 132	27 963 435	27 183 643
Net surplus / (deficit)	2 384 915	(1 897 077)	8 534 886	12 301 664	16 697 861

Source: National Treasury Local Government database

- 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 R35.1 billion and internally generated funding of R50.8 billion over the 2025/26 MTREF. Notably, the use of borrowing to fund capital spending slightly decreased in the 2025/26 financial year when compared to the adopted budget of 2024/25. It appears that municipalities' borrowing allocations in their adopted budgets are unrealistic given that these allocations are reduced during the adjustments budget.
- 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 a significant improvement compared



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to the net deficit of R1.9 billion in the 2024/25 adjusted budget and will result in a net surplus of R12.2 billion in 2026/27 and R16.6 billion in 2027/28.

7. Municipalities are reducing their contribution from internally generated funds towards the capital budget while external loans are also decreasing over the MTREF, and notably operating surpluses are projected to increase over the MTREF. The budget trends however show that municipalities do not always realise the surpluses they budget for as such surpluses are derived from overstating their revenue budget projections. While the decision to fund infrastructure from borrowing may assist municipalities to achieve financial sustainability given the pressures on their operating budgets some municipalities are unable to secure loans because of their poor financial position.
8. Municipalities apply 'accrual' accounting which means that the operating statement of financial performance represents the intended billings and other revenue rather than actual revenue collections (cash in the bank). The actual cash collected is dependent on the effective management of the municipal revenue value chain and implementation of the credit control and debt collection processes.
9. Municipalities are required to report on the estimated 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 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 2025/26 MTREF, the capital expenditure and how it is funded. Notably municipal operating budgets are mainly funded from revenue generated from property rates and trading services.
11. Property rates and trading services charges represent 68.9 per cent (R1.3 trillion of R1.9 trillion 2025/26 MTREF). This means that failure to collect the budgeted revenue will have dire consequences as more municipalities may face financial distress unless they curb expenditure with cost containment efforts.



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Table 2: Consolidated budget summary for all municipalities, 2024/25 - 2027/28

Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
<u>Financial Performance</u>					
Property rates	98 507 278	99 808 572	107 981 789	113 572 327	118 906 621
Service charges	288 293 568	289 333 694	318 435 420	345 257 364	373 425 013
Investment revenue	5 810 151	6 333 601	5 972 079	6 210 218	6 481 081
Transfer and subsidies - Operational	114 889 067	115 813 630	120 091 225	122 544 504	127 501 138
Other own revenue	67 537 919	72 573 959	75 395 866	76 674 549	79 701 300
Total Revenue (excl. capital transfers and contributions)	575 037 984	583 863 456	627 876 378	664 258 962	706 015 153
Employee costs	157 269 425	155 822 940	167 224 575	175 833 678	185 045 663
Remuneration of councillors	5 369 678	5 405 573	5 593 373	5 822 257	6 078 655
Depreciation and amortisation	39 639 079	39 159 215	40 793 207	42 517 063	44 741 881
Finance charges	11 770 287	12 031 933	11 848 284	12 455 838	12 604 094
Inventory consumed and bulk purchases	191 043 676	195 168 085	216 703 811	232 308 829	251 419 216
Transfers and subsidies	4 471 107	5 632 162	4 428 285	4 130 210	4 320 660
Other expenditure	162 913 632	172 228 634	172 562 642	178 731 693	184 886 708
Total Expenditure	572 476 884	585 448 542	619 154 177	651 799 566	689 096 875
Surplus/(Deficit)	2 561 100	(1 585 086)	8 722 201	12 459 395	16 918 278
Transfers and subsidies - capital (monetary allocations)	48 324 768	50 283 234	48 893 203	50 327 008	49 818 136
Transfers and subsidies - capital (in-kind)	361 328	857 505	605 011	658 282	666 010
Surplus/(Deficit) after capital transfers and contributions	51 247 196	49 555 653	58 220 416	63 444 686	67 402 424
Share of surplus/ (deficit) of associate	-	-	-	-	-
Surplus/(Deficit) for the year	51 247 196	49 555 653	58 220 416	63 444 686	67 402 424
<u>Capital expenditure and funds sources</u>					
Capital expenditure	77 410 772	79 948 976	78 879 394	76 506 755	74 849 805
Transfers recognised - capital	47 192 937	49 058 916	47 902 947	48 385 588	47 445 745
Borrowing	14 006 271	12 824 743	12 799 650	11 694 470	10 638 919
Internally generated funds	16 035 380	17 753 326	17 989 481	16 268 965	16 544 724
Total sources of capital funds	77 234 588	79 636 984	78 692 079	76 349 023	74 629 388

Source: National Treasury Local Government database

12. 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 over the 2025/26 MTREF. Contracted services, included in other expenditure, is another significant cost driver. Employee related costs are mainly informed by the percentage increase in the cost-of-living adjustment and filling vacancies. This expenditure item is projected to increase by 5.1 per cent from R167.2 billion in



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the 2025/26 budget to R175.8 billion in 2026/27 and further increases to R185.0 billion in 2027/28. Employee related costs are becoming unaffordable to some municipalities given the decline in revenue collection and bloated organisational structures.

13. Remuneration of councillors increases by 3.5 per cent from R5.4 billion in the 2024/25 adjusted budget to R5.6 billion in 2025/26 and further increases to R6.0 billion in 2027/28. 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. However, for the current budget cycle this Government Gazette is still outstanding which will have an impact on Municipal Adjustments Budgets.
14. The aggregated budget shows that municipalities will realise an operating surplus on the operating budgets in the 2025/26 financial year as the total operating revenue increases at a higher rate than the projected expenditure. This is an improvement in the 2025/26 financial year when compared to the operating deficit reported in the previous year. A deficit is indicative of municipalities spending beyond their means, and a first sign of financial challenges. Municipalities must ensure operational efficiency 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 in terms of Section 18 of the MFMA. A funded budget requires that the municipality must collect sufficient cash to cover its expenditure 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 2025/26 MTREF period. The aggregate, the total budgeted revenue for 2025/26 increased by 8.3 per cent from R652.3 billion in 2024/25 to R706.6 billion. The increase in aggregated revenue fluctuates over the 2025/26 MTREF at 4.8 per cent and 5.4 per cent in 2026/27 and 2027/28, respectively. The increase appears realistic given the current economic climate.



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17. Capital revenue is R78.7 billion in 2025/26, representing 11.1 per cent of total revenue of R706.6 billion. The capital expenditure does not balance to the funding because of the municipalities' incorrect application of the *mSCOA* classification framework.

Table 3: Aggregated Operating and Capital Revenue per Category, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A (Metro)	36 836 805	344 769 858	381 606 663	39 186 319	377 403 598	416 589 917	40 661 514	403 863 313	444 524 827	39 042 008	432 469 339	471 511 346
Category B (Local)	29 949 565	198 503 376	228 452 941	29 207 658	216 375 252	245 582 910	25 201 333	225 036 401	250 237 734	24 762 475	236 676 520	261 438 996
Category C (District)	10 448 218	31 764 750	42 212 967	10 298 101	34 097 528	44 395 629	10 486 175	35 359 248	45 845 423	10 824 905	36 869 294	47 694 199
Total Revenue	77 234 588	575 037 984	652 272 572	78 692 079	627 876 378	706 568 457	76 349 023	664 258 962	740 607 985	74 629 388	706 015 153	780 644 541
Less												
Borrowing	14 006 271		14 006 271	12 799 650		12 799 650	11 694 470		11 694 470	10 638 919		10 638 919
Internally generated funds	16 035 380		16 035 380	17 989 481		17 989 481	16 268 965		16 268 965	16 544 724		16 544 724
Recalculated Revenue	47 192 937	575 037 984	622 230 920	47 902 947	627 876 378	675 779 325	48 385 588	664 258 962	712 644 550	47 445 745	706 015 153	753 460 898
% of total revenue												
Category A (Metro)	5.6%	52.9%	58.5%	5.5%	53.4%	59.0%	5.5%	54.5%	60.0%	5.0%	55.4%	60.4%
Category B (Local)	4.6%	30.4%	35.0%	4.1%	30.6%	34.8%	3.4%	30.4%	33.8%	3.2%	30.3%	33.5%
Category C (District)	1.6%	4.9%	6.5%	1.5%	4.8%	6.3%	1.4%	4.8%	6.2%	1.4%	4.7%	6.1%

18. The eight metros (Category A municipalities) account for more than 50 per cent of aggregated revenue raised by local government at 59.0 per cent in the 2025/26 financial year and increases to 60.4 per cent by 2027/28. 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 2025/26 MTREF. This may indicate the impact to the changing economic and social environment on increasing the revenue base.
19. The percentage share of aggregated revenue for Category B (local) and Category C (districts) municipalities slightly decreases over the 2025/26 MTREF. Total revenue raised by Category B municipalities is 34.8 per cent of aggregated revenue in 2025/26 while Category C municipalities contribute 6.3 per cent.
20. District municipalities are primarily funded from the national fiscus and are grant dependent with some districts being allocated the powers and functions to provide water services. Hence, the growth in the revenue of district municipalities is linked to changes in transfers from national and provincial government.
21. Table 4 below reflects the total budgeted expenditure by category of municipality over the 2025/26 MTREF. In aggregate, budgeted municipal expenditure increased by 7.4 per cent from R649.9 billion in 2024/25 to R698.1 billion in 2025/26. The increases are mainly driven by the operating expenditure at 8.2 per cent while the capital expenditure increased by 1.9 per cent.

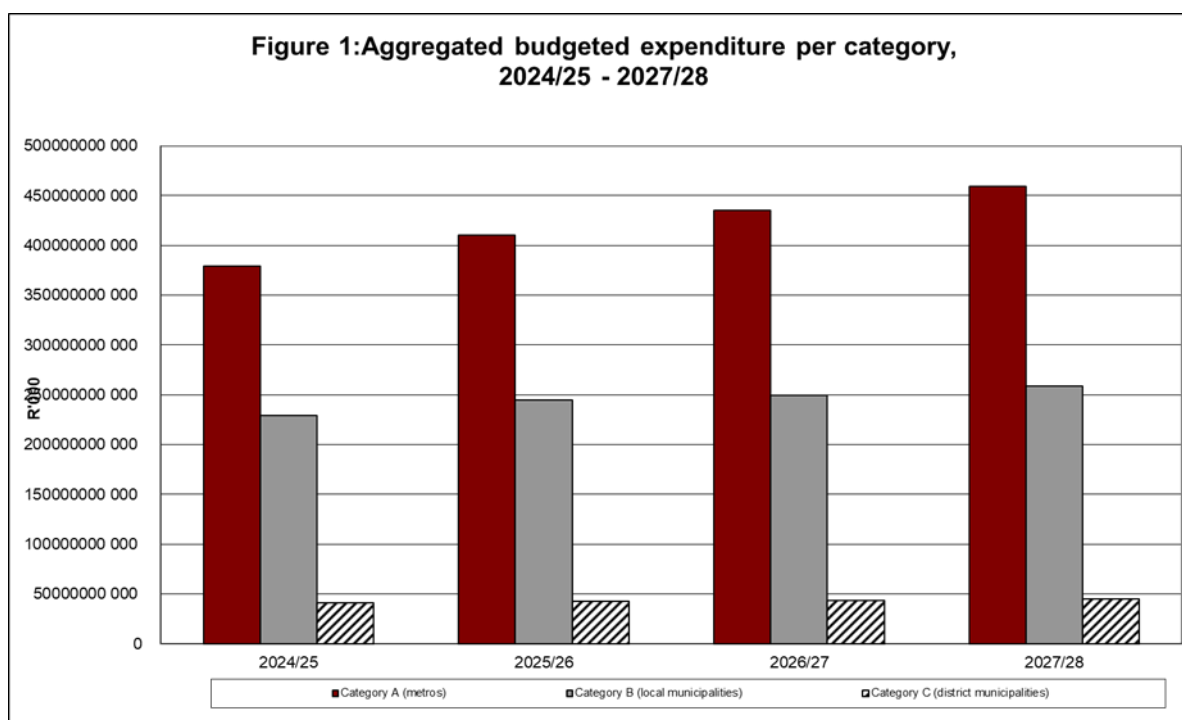


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Table 4: Aggregated Operating and Capital Expenditure per Category, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Category A (Metro)	36 892 844	342 408 498	379 301 342	39 245 161	371 168 481	410 413 642	40 763 592	394 521 854	435 285 447	39 149 810	420 545 911	459 695 721
Category B (Local)	30 007 413	199 264 315	229 271 728	29 346 802	215 674 383	245 021 185	25 254 392	224 313 327	249 567 719	24 867 797	234 173 181	259 040 978
Category C (District)	10 510 515	30 844 773	41 355 288	10 287 431	32 362 909	42 650 340	10 488 770	33 020 159	43 508 929	10 832 198	34 440 733	45 272 930
Total Expenditure	77 410 772	572 517 586	649 928 359	78 879 394	619 205 774	698 085 168	76 506 755	651 855 340	728 362 095	74 849 805	689 159 824	764 009 630
% of total expenditure												
Category A (Metro)	5.7%	52.7%	58.4%	5.6%	53.2%	58.8%	5.6%	54.2%	59.8%	5.1%	55.0%	60.2%
Category B (Local)	4.6%	30.7%	35.3%	4.2%	30.9%	35.1%	3.5%	30.8%	34.3%	3.3%	30.7%	33.9%
Category C (District)	1.6%	4.7%	6.4%	1.5%	4.6%	6.1%	1.4%	4.5%	6.0%	1.4%	4.5%	5.9%

Source: National Treasury Local Government Database



22. The operating expenditure is increasing over the 2025/26 MTREF while the capital expenditure is decreasing. The decline of investment in infrastructure will negatively impact economic growth.
23. Metros' share of the total local government expenditure budget is 58.8 per cent for the 2025/26 financial year, whereas local municipalities represent 35.1 per cent and district municipalities represent 6.1 per cent. The metros' contribution slightly increases while the local municipalities' decreases over the MTREF estimated at 60.2 per cent and 33.9 per cent of total expenditure respectively by 2027/28.



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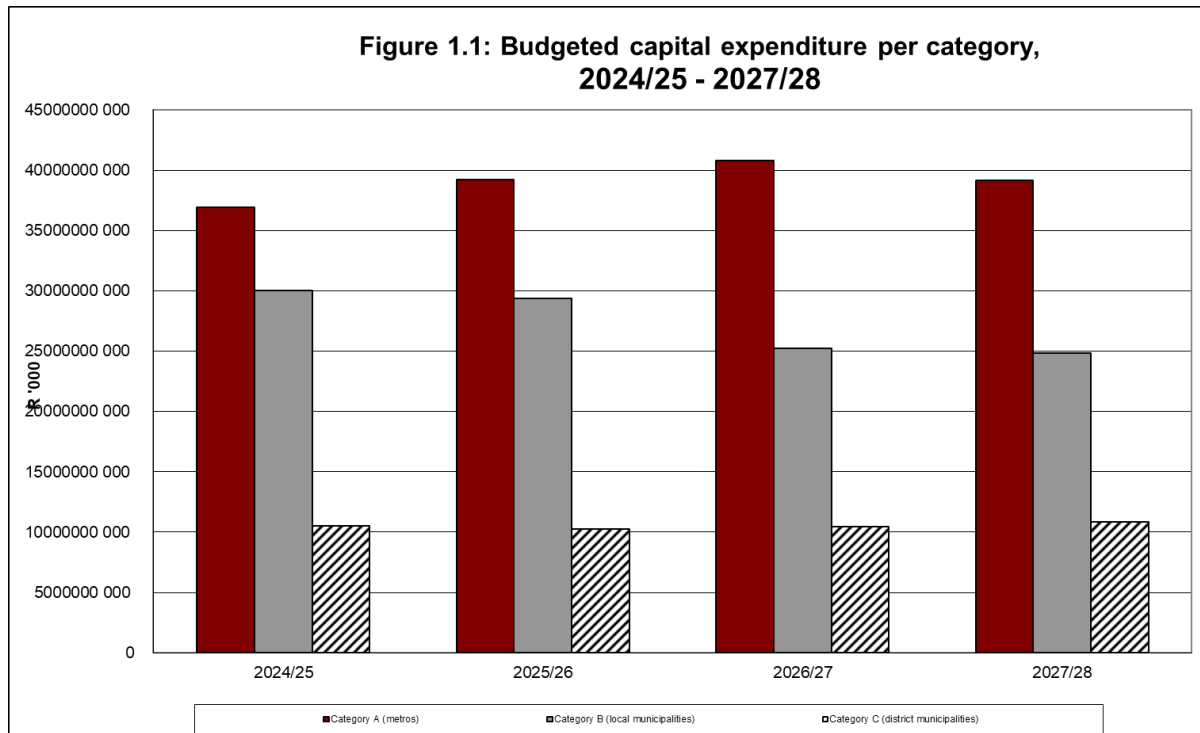
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24. The percentage of capital expenditure to total expenditure is declining over the MTREF. Capital expenditure represented 11.3 per cent of the total expenditure in 2025/26 and is projected to decrease to 10.5 per cent in 2026/27 and further decrease to 9.8 per cent in 2027/28. While the spending between 10 and 20 per cent of total expenditure on capital projects is the suggested norm, the consistent decline in infrastructure investment over the years means that municipalities are at risk of service delivery failures because of deteriorating infrastructure. This will have dire consequences for the citizenry.
25. Another negative trend is the inability to spend or implement the capital budget, and this means that the actual investment is much lower than what the budget provides. The actual expenditure is less than 10 per cent of total expenditure indicating that municipalities are prioritising current operations rather than strengthening infrastructure to ensure future service delivery capacity for local communities.
26. Operating expenditure in aggregate represents 88.7 per cent in 2025/26 and increases to 90.2 per cent by 2027/28. As indicated earlier in the report, the major expenditure cost drivers are employee related costs and bulk purchases. The increase in bulk electricity and water is high and exceeds inflation. However, municipalities must ensure efficiencies in the system such as addressing water and electricity losses to reduce the impact of the increasing operating expenditure on their financial 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 2025/26 MTREF period. The capital expenditure is further categorised between new assets, renewal and upgrading of existing assets. This determines the extent to which municipalities are investing in new infrastructure in relation to ensuring that the existing infrastructure is sufficiently maintained and 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 52.1 per cent of the total capital expenditure of R78.9 billion in 2025/26 and increases to 56.7 per cent by 2027/28. The high spending is on water and wastewater management infrastructure which may be attributed to extending water supply to more households and addressing the dilapidated infrastructure.



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29. Economic and environmental services (including road transport) is the second highest contributor to capital expenditure at 26.5 per cent in 2025/26. 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).



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Table 5a: Budgeted Capital Expenditure and Funding, 2024/25 - 2027/28

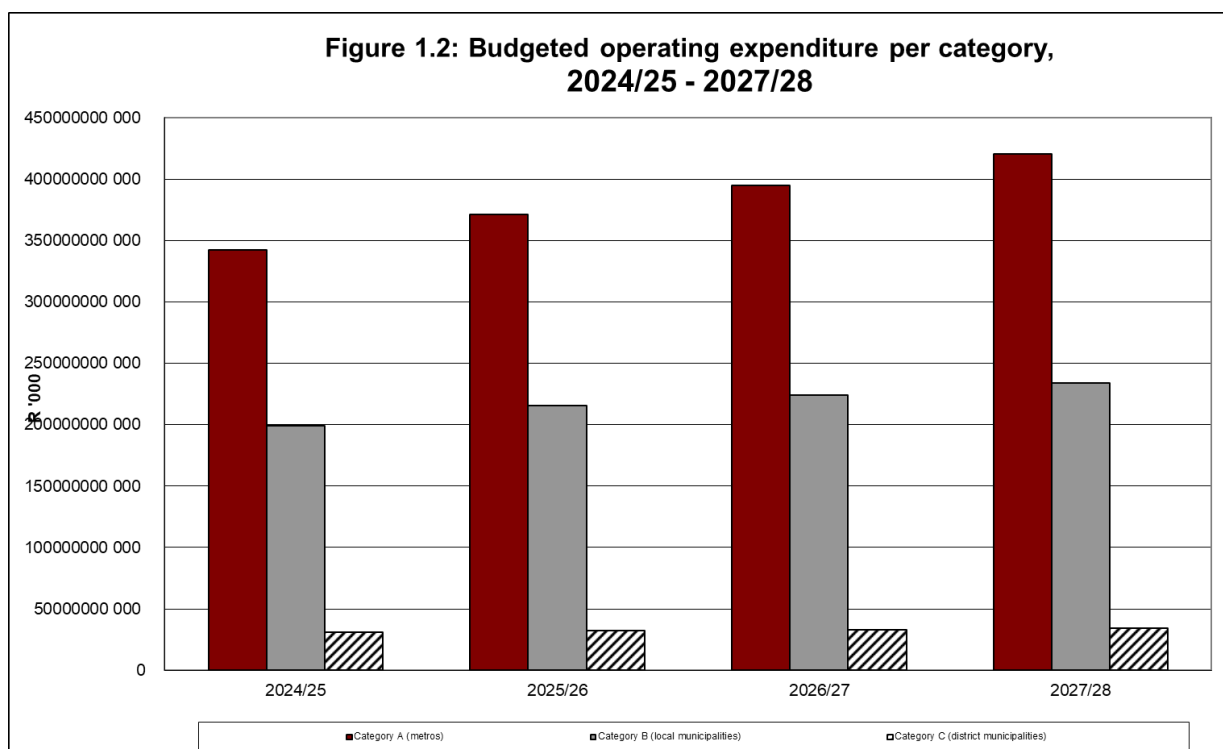
Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
Capital Expenditure - Functional					
<i>Municipal governance and administration</i>	6 660 445	6 129 588	6 107 525	5 175 354	5 006 789
Executive and council	905 337	369 975	721 078	616 543	707 841
Finance and administration	5 746 383	5 749 398	5 376 324	4 549 249	4 293 588
Internal audit	8 725	10 215	10 123	9 562	5 360
<i>Community and public safety</i>	9 792 728	10 023 307	10 409 352	9 205 390	8 558 306
Community and social services	1 496 727	1 625 851	1 641 063	1 164 054	1 179 298
Sport and recreation	1 668 019	1 907 032	1 769 822	1 464 270	1 506 952
Public safety	910 400	988 477	1 075 857	579 298	633 328
Housing	5 416 685	5 227 484	5 758 942	5 846 882	5 100 178
Health	300 898	274 464	163 667	150 887	138 550
<i>Economic and environmental services</i>	21 130 520	22 254 737	20 931 929	20 006 737	18 609 076
Planning and development	4 550 944	4 697 443	4 220 094	4 146 040	4 454 786
Road transport	16 238 543	17 264 204	16 319 828	15 265 116	13 859 041
Environmental protection	341 033	293 090	392 007	595 581	295 249
<i>Trading services</i>	39 528 770	41 253 907	41 087 287	41 872 156	42 430 404
Energy sources	8 427 827	9 115 390	8 863 238	8 839 664	9 074 630
Water management	18 588 229	19 087 283	19 682 143	19 766 443	19 594 912
Waste water management	10 510 303	11 112 145	10 342 489	11 094 666	11 133 479
Waste management	2 002 412	1 939 089	2 199 416	2 171 382	2 627 382
<i>Other</i>	298 309	287 436	343 302	247 118	245 230
Total Capital Expenditure - Functional	77 410 772	79 948 976	78 879 394	76 506 755	74 849 805
<i>Of which</i>					
Total New Assets	47 065 072	47 837 483	45 663 295	43 184 277	41 542 601
Total Renewal of Existing Assets	13 298 985	14 570 301	14 856 885	14 417 457	14 725 415
Total Upgrading of Existing Assets	17 046 716	17 541 192	18 359 214	18 905 021	18 581 790
Total Capital Expenditure	77 410 772	79 948 976	78 879 394	76 506 755	74 849 805
<i>Percentage of total capital expenditure</i>					
New Assets	60,8%	59,8%	57,9%	56,4%	55,5%
Renewal of Existing Assets	17,2%	18,2%	18,8%	18,8%	19,7%
Upgrading of Existing Assets	22,0%	21,9%	23,3%	24,7%	24,8%
Funded by					
National Government	44 033 092	45 316 787	45 045 979	46 261 663	45 084 046
Provincial Government	2 137 578	2 599 043	1 507 612	1 308 055	1 469 135
District Municipality	110 254	135 837	63 944	63 936	63 588
Transfers and subsidies - capital (monetary allocations) (Nat / Prov Departm Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educ Institutions)	912 013	1 007 250	1 285 412	751 934	828 976
Transfers recognised - capital	47 192 937	49 058 916	47 902 947	48 385 588	47 445 745
Borrowing	14 006 271	12 824 743	12 799 650	11 694 470	10 638 919
Internally generated funds	16 035 380	17 753 326	17 989 481	16 268 965	16 544 724
Total Capital Funding	77 234 588	79 636 984	78 692 079	76 349 023	74 629 388

Source: National Treasury Local Government database



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30. The investment in new infrastructure in 2025/26 is R45.7 billion which represents 57.9 per cent of the aggregated capital budget while investment in the renewal and upgrading of existing assets is much lower at R14.8 billion (18.8 per cent) and R18.3 billion (23.3 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 42.1 per cent of the capital budget. The allocation has remained constant compared to 40.2 per cent in the 2024/25 adjusted budget. This is above the norm of 40 per cent and should be analysed in relation to the assets' condition and the repairs and maintenance budget allocation.



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 82.0 per cent of depreciation in 2025/26 which is a slight decrease compared to 82.5 per cent in the 2024/25



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adjusted budgets. The allocation further decreases to 75 per cent by 2027/28 while the ideal 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 what they are providing for renewal and upgrading. The impact of this under provision will result in failing infrastructure performance due to obsolescence. This highlights a need for municipalities to reprioritise and focus on renewal and upgrading of existing assets before considering 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, 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, 2024/25 - 2027/28

Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
Repairs and Maintenance by Asset Class	33 945 759	36 707 839	38 282 668	40 563 356	42 736 010
Roads Infrastructure	4 988 590	5 315 048	5 261 178	5 322 831	5 494 220
Storm water Infrastructure	629 819	667 952	747 996	758 472	787 263
Electrical Infrastructure	7 315 200	8 163 885	8 128 951	8 694 186	9 076 368
Water Supply Infrastructure	5 055 959	5 521 513	5 957 521	6 577 558	7 394 506
Sanitation Infrastructure	3 764 518	3 757 681	4 095 892	4 521 827	4 762 728
Solid Waste Infrastructure	551 299	628 940	753 007	777 250	814 254
Rail Infrastructure	12 879	12 273	11 477	11 356	11 582
Coastal Infrastructure	75 799	256 801	242 431	257 901	263 389
Information and Communication Infrastructure	137 510	162 249	193 658	195 843	203 027
Infrastructure	22 531 572	24 486 341	25 392 110	27 117 223	28 807 337
Community Facilities	1 332 048	1 479 622	1 528 142	1 582 138	1 638 373
Sport and Recreation Facilities	392 674	374 652	438 243	456 667	474 685
Community Assets	1 724 722	1 854 274	1 966 386	2 038 805	2 113 058
Heritage assets	3 989	3 687	3 183	3 309	3 407
Revenue Generating	51 088	49 242	59 970	59 427	61 522
Non-revenue Generating	18 107	29 191	54 923	55 846	58 264
Investment properties	69 195	78 433	114 893	115 274	119 786
Operational Buildings	2 450 368	2 643 747	2 906 948	2 970 313	3 033 655
Housing	291 735	293 762	232 172	241 399	244 476
Other assets	2 742 103	2 937 509	3 139 120	3 211 711	3 278 131
Biological or Cultivated Assets	19 046	17 974	15 970	16 700	17 367
Servitudes	-	-	-	-	-
Licences and Rights	312 828	471 415	493 613	453 473	525 324
Intangible Assets	312 828	471 415	493 613	453 473	525 324
Computer Equipment	872 094	979 760	941 534	970 878	1 010 497
Furniture and Office Equipment	1 028 128	892 604	975 159	1 074 270	1 051 458
Machinery and Equipment	1 724 740	1 903 135	2 026 712	2 108 024	2 188 420
Transport Assets	2 917 143	3 082 607	3 213 718	3 453 408	3 620 931
Land	-	-	-	-	-
Zoo's, Marine and Non-biological Animals	200	100	270	282	295
Mature	-	-	-	-	-
Immature	-	-	-	-	-
Living resources	-	-	-	-	-

Source: National Treasury Local Government database

34. The budget allocation for repairs and maintenance significantly increased from R36.7 billion in the 2024/25 adjusted budget to R38.3 billion in 2025/26. Repairs and maintenance of infrastructure assets represents 66.3 per cent of the total allocation of which electrical infrastructure has the highest allocation followed by roads infrastructure.
35. MFMA Circular No. 71 contains a performance ratio that measures the percentage of repairs and maintenance in relation to the value of property, plant and equipment (PPE). The ratio measures the level of repairs and maintenance required to ensure adequate maintenance to prevent service delivery interruptions.



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36. Table 5c below reflects the total asset value which is used to measure this ratio. The total asset value decreases over the MTREF period from R813 billion in 2025/26 to R811 billion in 2027/28 while repairs and maintenance as a percentage of PPE is 4.7 per cent for 2025/26 and slightly increases at 5.1 per cent and 5.2 per cent in 2026/27 and 2027/28 respectively. The performance is below the 8 per cent norm, recommended in the MFMA Circular No. 71.
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. In some cases, the infrastructure assets has 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 to the extent that repairs and maintenance will prove inadequate and replacement is required.
38. Asset management must be considered a strategic spending priority for local government and municipalities must aggressively reprioritise non-priority spending to favour current economic infrastructure. National Treasury will continue to monitor and advise poor performing municipalities on prioritizing asset management.



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Table 5c: Asset Register Summary, 2024/25 - 2027/28

Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
ASSET REGISTER SUMMARY - PPE (WDV)					
Roads Infrastructure	145 498 773	155 475 794	160 363 332	152 342 500	149 385 262
Storm water Infrastructure	13 786 136	14 917 927	13 793 006	12 793 426	13 505 349
Electrical Infrastructure	75 062 833	82 849 364	79 064 298	78 534 476	76 964 656
Water Supply Infrastructure	116 712 107	130 689 810	163 842 553	156 144 344	159 514 368
Sanitation Infrastructure	59 734 890	64 252 574	62 696 977	64 870 613	69 106 368
Solid Waste Infrastructure	5 659 403	6 779 599	10 869 581	11 568 762	12 189 606
Rail Infrastructure	856 459	859 578	903 672	900 255	896 694
Coastal Infrastructure	827 315	737 949	901 346	5 073 465	8 983 449
Information and Communication Infrastructure	2 082 833	2 353 204	2 315 163	2 225 844	2 301 964
Infrastructure	420 220 749	458 915 799	494 749 928	484 453 685	492 847 716
Community Assets	73 734 702	69 004 643	71 417 507	74 767 109	78 492 858
Heritage assets	2 339 446	2 281 883	5 788 833	5 794 713	5 883 016
Investment properties	32 472 238	34 414 257	37 295 337	38 355 127	38 632 677
Other assets	110 410 899	121 816 610	35 610 761	35 698 760	37 215 468
Biological or Cultivated Assets	386 602	385 658	260 381	264 510	269 154
Intangible Assets	5 375 595	5 659 451	7 300 998	7 993 480	8 356 634
Computer Equipment	7 106 844	8 667 740	7 962 040	8 201 087	9 134 304
Furniture and Office Equipment	5 794 009	6 970 115	7 234 048	6 845 583	6 637 149
Machinery and Equipment	34 292 079	7 453 963	87 334 263	89 551 395	92 107 750
Transport Assets	10 065 390	11 707 495	24 434 156	7 313 000	6 745 831
Land	30 032 508	33 681 682	33 281 057	31 843 154	34 552 877
Zoo's, Marine and Non-biological Animals	33 901	35 262	3 280	3 860	6 468
Living resources	37 822	36 203	48 198	49 069	50 386
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	732 302 787	761 030 761	812 720 788	791 134 533	810 932 289

Source: National Treasury Local Government database

39. The capital expenditure budget is mainly funded by transfers from national, provincial government, district municipalities and other transfers. The allocations for this funding source against total capital funding are R47.9 billion or 60.9 per cent for 2025/26, R48.4 billion or 63.4 per cent for 2026/27 and R47.4 billion or 63.6 per cent for 2027/28. This is an indication that municipalities rely on grant funding for infrastructure delivery. Therefore, a decline in infrastructure grants from national and provincial government will result in lower capital expenditure budgets.
40. Internally generated funding represents 22.9 per cent of total capital funding for 2025/26 and slightly decreases over the MTREF to 22.2 per cent by 2027/28. The percentage share indicates a decline; however, the nominal values indicate that municipalities are reducing their contribution from own funding over the 2025/26 MTREF. This is mainly because of their 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



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challenges with collecting billed revenue. Therefore, maximizing revenue collection efforts is critical to enable infrastructure investment.

41. Borrowing represents 16.3 per cent of total capital funding in 2025/26 and decreases in the outer years of the MTREF to 14.3 per cent by 2027/28. The ability to borrow 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 inaccessible, and consequently there will be less infrastructure investment. It is critical that municipalities ensure financial sustainability through prudent financial management practices which include maximizing revenue collection.

Aggregated operating and capital budget per province

42. Table 6 below reflects aggregated operating and capital revenue for the 2025/26 MTREF per province.

Table 6: Aggregated Operating and Capital Revenue per Province, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	10 017 978	51 552 660	61 570 638	10 164 898	54 874 201	65 039 099	8 679 911	56 722 408	65 402 319	8 761 977	59 666 578	68 428 555
Free State	3 286 318	27 513 963	30 800 281	3 343 028	30 631 570	33 974 598	3 258 714	31 991 424	35 250 138	3 331 838	33 559 748	36 891 586
Gauteng	14 128 933	207 700 738	221 829 671	16 035 618	229 088 622	245 124 240	16 423 779	245 610 387	262 034 165	16 270 473	261 513 068	277 783 541
Kwazulu-Natal	14 996 675	100 075 631	115 072 306	14 446 751	107 159 566	121 606 316	13 142 518	115 523 220	128 665 737	13 445 536	124 002 412	137 447 948
Limpopo	6 832 646	27 914 239	34 746 885	6 735 524	30 719 893	37 455 417	6 755 181	32 331 989	39 087 171	6 813 631	34 131 834	40 945 465
Mpumalanga	4 255 497	28 775 116	33 030 613	4 008 414	32 050 302	36 058 716	3 937 514	32 331 444	36 268 957	3 847 359	34 090 519	37 937 878
North West	3 896 171	27 166 716	31 062 887	3 551 494	27 358 564	30 910 059	3 533 007	28 283 429	31 816 436	3 508 699	29 236 183	32 744 882
Northern Cape	1 858 881	10 339 137	12 198 018	2 013 454	11 806 812	13 820 267	1 761 114	12 244 033	14 005 146	1 651 144	12 816 093	14 467 237
Western Cape	17 961 490	93 999 783	111 961 274	18 392 897	104 186 848	122 579 746	18 857 286	109 220 628	128 077 914	16 998 732	116 998 719	133 997 450
Total Revenue	77 234 588	575 037 984	652 272 572	78 692 079	627 876 378	706 568 457	76 349 023	664 258 962	740 607 985	74 629 388	706 015 153	780 644 541
Less												
Borrowing	14 006 271		14 006 271	12 799 650		12 799 650	11 694 470		11 694 470	10 638 919		10 638 919
Internally generated funds	16 035 380		16 035 380	17 989 481		17 989 481	16 268 965		16 268 965	16 544 724		16 544 724
Recalculated Revenue	47 192 937	575 037 984	622 230 920	47 902 947	627 876 378	675 779 325	48 385 588	664 258 962	712 644 550	47 445 745	706 015 153	753 460 898

¹Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

43. The provincial analysis highlights that Gauteng with 11 municipalities, followed by Western Cape with 30 municipalities, then KwaZulu-Natal with 54 municipalities, are the highest contributors to local government's aggregated revenue at R245.1 billion, R122.6 billion and R121.6 billion in 2025/26 respectively. The trend increases over the MTREF period. The province that contributes the least is Northern Cape at R13.8 billion in 2025/26. This indicates the socio-economic position of the various provinces.



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44. Table 7 below reflects aggregated operating and capital expenditure per province for the 2025/26 MTREF.

Table 7: Aggregated Operating and Capital Expenditure per Province, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Eastern Cape	10 162 200	51 334 604	61 496 804	10 206 585	55 439 442	65 646 027	8 747 049	57 250 741	65 997 790	8 899 036	59 916 500	68 815 536
Free State	3 288 714	26 399 237	29 687 952	3 370 643	30 579 854	33 950 497	3 284 944	31 305 591	34 590 535	3 359 005	32 671 318	36 030 322
Gauteng	14 139 853	206 161 784	220 301 637	16 035 738	222 243 056	238 278 794	16 484 114	235 538 563	252 022 677	16 334 024	250 064 295	266 398 319
KwaZulu-Natal	15 006 751	98 900 261	113 907 012	14 462 699	105 707 506	120 170 205	13 155 533	113 963 917	127 119 450	13 458 915	122 081 517	135 540 432
Limpopo	6 833 346	27 022 350	33 855 696	6 735 024	29 087 769	35 822 793	6 755 681	30 277 284	37 032 966	6 813 546	31 697 882	38 511 428
Mpumalanga	4 259 067	30 519 627	34 778 694	4 013 221	32 002 456	36 015 677	3 940 790	32 825 181	36 765 971	3 850 737	34 245 818	38 096 556
North West	3 899 665	27 154 554	31 054 219	3 555 619	27 985 393	31 541 012	3 543 852	28 941 970	32 485 822	3 520 034	29 566 786	33 086 820
Northern Cape	1 859 581	10 453 177	12 312 758	2 060 918	11 604 667	13 665 585	1 737 505	12 232 136	13 969 641	1 615 777	12 856 857	14 472 634
Western Cape	17 961 595	94 571 992	112 533 587	18 438 947	104 555 632	122 994 579	18 857 286	109 519 957	128 377 243	16 998 732	116 058 852	133 057 583
Total Expenditure	77 410 772	572 517 586	649 928 359	78 879 394	619 205 774	698 085 168	76 506 755	651 855 340	728 362 095	74 849 805	689 159 824	764 009 630
% of total expenditure												
Eastern Cape	1.6%	7.9%	9.5%	1.5%	7.9%	9.4%	1.2%	7.9%	9.1%	1.2%	7.8%	9.0%
Free State	0.5%	4.1%	4.6%	0.5%	4.4%	4.9%	0.5%	4.3%	4.7%	0.4%	4.3%	4.7%
Gauteng	2.2%	31.7%	33.9%	2.3%	31.8%	34.1%	2.3%	32.3%	34.6%	2.1%	32.7%	34.9%
KwaZulu-Natal	2.3%	15.2%	17.5%	2.1%	15.1%	17.2%	1.8%	15.6%	17.5%	1.8%	16.0%	17.7%
Limpopo	1.1%	4.2%	5.2%	1.0%	4.2%	5.1%	0.9%	4.2%	5.1%	0.9%	4.1%	5.0%
Mpumalanga	0.7%	4.7%	5.4%	0.6%	4.6%	5.2%	0.5%	4.5%	5.0%	0.5%	4.5%	5.0%
North West	0.6%	4.2%	4.8%	0.5%	4.0%	4.5%	0.5%	4.0%	4.5%	0.5%	3.9%	4.3%
Northern Cape	0.3%	1.6%	1.9%	0.3%	1.7%	2.0%	0.2%	1.7%	1.9%	0.2%	1.7%	1.9%
Western Cape	2.8%	14.6%	17.3%	2.6%	15.0%	17.6%	2.6%	15.0%	17.6%	2.2%	15.2%	17.4%

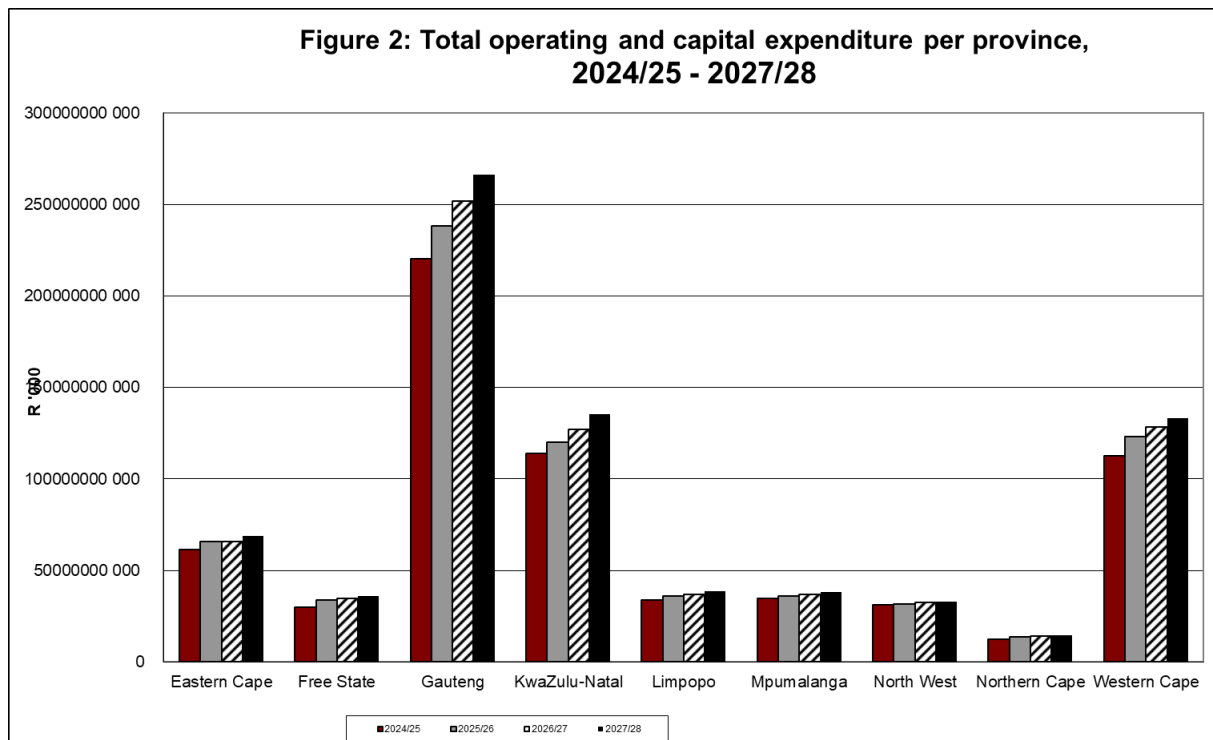
Source: National Treasury Local Government Database

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 municipalities increases from R220.3 billion in 2024/25 to R238.3 billion in 2025/26 financial year. Operating expenditure for the municipalities in Gauteng province increased by 7.8 per cent from R206.2 billion in 2024/25 to R222.2 billion in 2025/26 while capital expenditure increased by 13.4 per cent.
46. The operating expenditure by KwaZulu-Natal province increased by 6.8 per cent from R98.9 billion in 2024/25 to R105.7 billion in 2025/26 while the capital expenditure decreased by 3.6 per cent. The Western Cape province's operating expenditure increased by 10.6 per cent from R94.6 billion in 2024/25 to R104.5 billion in 2025/26 while the capital expenditure increased by 2.7 per cent.
47. Table 7 above indicates that the national aggregate per capita spending is estimated at R11 254 in 2025/26, an increase from R10 477 in 2024/25. Only two provinces will exceed this national average in 2025/26, namely Western Cape at R16 546 and Gauteng at R15 778 per capita. The trend line suggests increases over the MTREF reaching R12 316 per capita by 2027/28.



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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 may be attributed to the significant proportion of the country's economic activity within these provinces. 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 are higher in provinces where service delivery backlogs are lower and where there is a higher proportion of affluent households.
50. The lowest level of per capita spending is in Limpopo estimated to be R5 450 in 2025/26 which increases over the MTREF to R5 859 by 2027/28.





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Aggregated operating and capital budget for metros

51. Table 8 below depicts the metros operating and capital revenue over the 2025/26 MTREF. It further reflects each metro's percentage contribution to aggregate revenue.

Table 8: Aggregated Operating and Capital Revenue for Metros, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Buffalo City	1 231 115	10 134 811	11 365 926	1 159 709	10 953 569	12 113 277	1 177 309	11 392 477	12 569 786	1 214 140	11 985 100	13 199 241
Cape Town	12 073 295	64 280 886	76 354 181	12 937 678	71 161 512	84 099 189	14 301 231	74 668 082	88 969 314	12 946 887	80 218 474	93 165 360
City of Ekurhuleni	2 910 313	60 672 980	63 583 293	3 197 115	65 495 405	68 692 520	3 349 546	71 393 901	74 743 447	3 422 063	77 962 196	81 384 259
eThekweni	7 680 538	56 060 883	63 741 421	7 296 796	60 395 849	67 692 645	6 903 742	66 472 389	73 376 131	6 853 476	72 682 166	79 535 642
City of Johannesburg	7 414 826	76 368 851	83 783 677	8 700 420	84 820 301	93 520 722	9 024 994	91 128 434	100 153 428	8 489 511	96 237 443	104 726 954
Mangaung	1 339 880	10 660 125	12 000 006	1 343 987	11 640 587	12 984 574	1 318 567	12 247 632	13 566 199	1 328 045	12 875 117	14 203 162
Nelson Mandela Bay	1 909 285	18 117 063	20 026 348	2 091 286	19 555 749	21 647 035	1 619 785	20 553 854	22 173 639	1 603 605	21 874 222	23 477 827
City of Tshwane	2 277 553	48 474 259	50 751 812	2 459 328	53 380 626	55 839 954	2 966 342	56 006 543	58 972 884	3 184 280	58 634 620	61 818 900
Total Revenue	36 836 805	344 769 858	381 606 663	39 186 319	377 403 598	416 589 917	40 661 514	403 863 313	444 524 827	39 042 008	432 469 339	471 511 346
Less												
Borrowing	11 409 958		11 409 958	10 560 500		10 560 500	10 133 000		10 133 000	9 417 966		9 417 966
Internally generated funds	7 226 370		7 226 370	9 321 016		9 321 016	10 131 623		10 131 623	10 952 278		10 952 278
Recalculated Revenue	18 200 477	344 769 858	362 970 335	19 304 804	377 403 598	396 708 402	20 396 891	403 863 313	424 260 204	18 671 764	432 469 339	451 141 103
% of total revenue												
Buffalo City	0,3%	2,7%	3,0%	0,3%	2,6%	2,9%	0,3%	2,6%	2,8%	0,3%	2,5%	2,8%
Cape Town	3,2%	16,8%	20,0%	3,1%	17,1%	20,2%	3,2%	16,8%	20,0%	2,7%	17,0%	19,8%
City of Ekurhuleni	0,8%	15,9%	16,7%	0,8%	15,7%	16,5%	0,8%	16,1%	16,8%	0,7%	16,5%	17,3%
eThekweni	2,0%	14,7%	16,7%	1,8%	14,5%	16,2%	1,6%	15,0%	16,5%	1,5%	15,4%	16,9%
City of Johannesburg	1,9%	20,0%	22,0%	2,1%	20,4%	22,4%	2,0%	20,5%	22,5%	1,8%	20,4%	22,2%
Mangaung	0,4%	2,8%	3,1%	0,3%	2,8%	3,1%	0,3%	2,8%	3,1%	0,3%	2,7%	3,0%
Nelson Mandela Bay	0,5%	4,7%	5,2%	0,5%	4,7%	5,2%	0,4%	4,6%	5,0%	0,3%	4,6%	5,0%
City of Tshwane	0,6%	12,7%	13,3%	0,6%	12,8%	13,4%	0,7%	12,6%	13,3%	0,7%	12,4%	13,1%

Operating Revenue excludes capital transfers

Source: National Treasury Local Government Database

52. The aggregated budgeted revenue for all metros increased by 9.2 per cent from R381.6 billion in 2024/25 to R416 billion in 2025/26. The revenue is projected to increase over the MTREF to R444.5 billion in 2026/27 and to R471.5 billion in 2027/28, reflecting a total increase of 6.7 and 6.0 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, Ekurhuleni and eThekweni are the highest contributors to metros aggregated revenue at 22.4 per cent, 20.2 per cent, 16.5 per cent and 16.2 per cent in 2025/26 respectively. Buffalo City and Mangaung constitute a small percentage of the total revenue at 2.9 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 2027/28.



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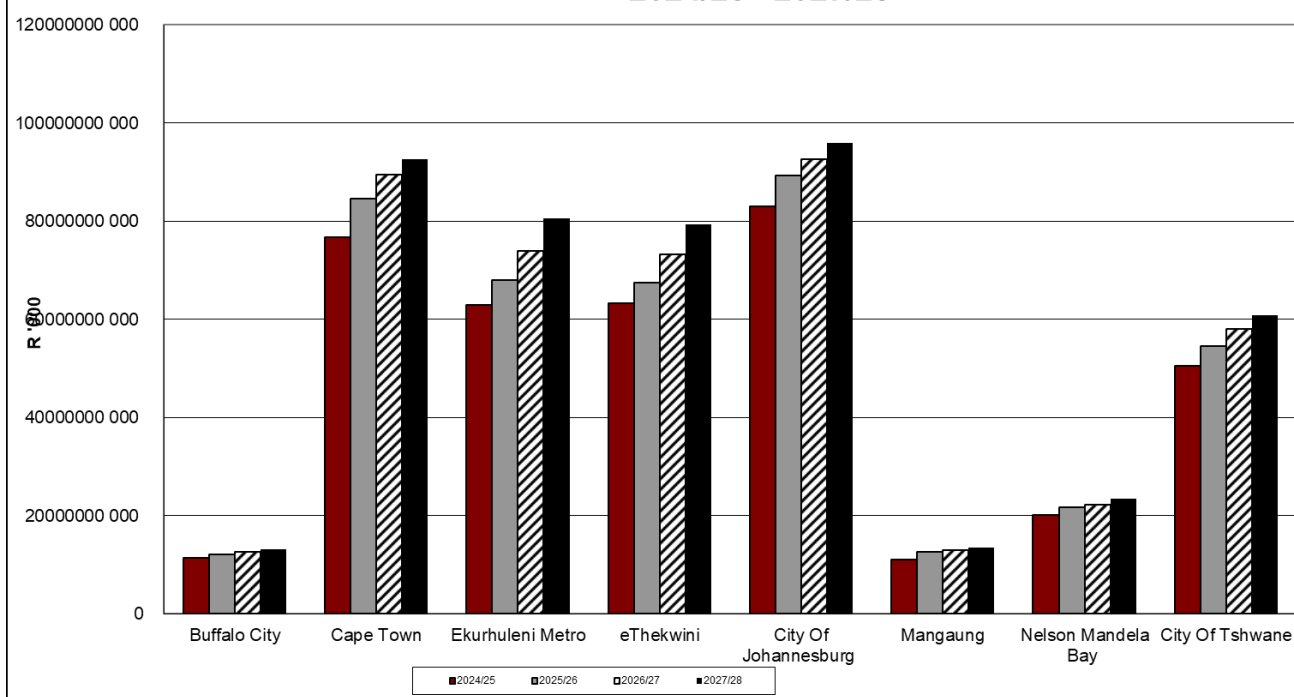
54. Table 9 below depicts metros operating and capital expenditure over the 2025/26 MTREF. It further reflects each metro's percentage contribution to aggregate expenditure.

Table 9: Aggregated Operating and Capital Expenditure for Metros, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Buffalo City	1 231 115	10 129 615	11 360 730	1 159 709	10 951 601	12 111 309	1 177 309	11 390 475	12 567 784	1 214 140	11 982 848	13 196 988
Cape Town	12 073 295	64 671 270	76 744 565	12 937 678	71 674 631	84 612 309	14 301 231	75 260 002	89 561 234	12 946 887	79 731 707	92 678 594
City of Ekurhuleni	2 910 313	60 073 377	62 983 690	3 197 115	64 847 578	68 044 693	3 349 546	70 651 828	74 001 373	3 422 063	77 178 924	80 600 987
eThekweni	7 680 538	56 634 316	63 314 854	7 296 796	60 114 733	67 411 529	6 903 742	66 345 813	73 249 555	6 853 476	72 474 635	79 328 111
City of Johannesburg	7 414 826	75 709 916	83 124 742	8 700 420	80 714 496	89 414 916	9 024 994	83 662 377	92 687 371	8 489 511	87 558 959	96 048 470
Mangaung	1 339 880	9 754 653	11 094 534	1 343 987	11 274 887	12 618 874	1 318 567	11 675 308	12 993 874	1 328 045	12 183 205	13 511 251
Nelson Mandela Bay	1 965 324	18 116 061	20 081 386	2 150 128	19 533 147	21 683 275	1 681 862	20 489 075	22 170 937	1 669 408	21 778 583	23 447 991
City of Tshwane	2 277 553	48 319 289	50 596 842	2 459 328	52 057 409	54 516 737	3 006 342	55 046 977	58 053 318	3 226 280	57 657 050	60 883 330
Total Expenditure	36 892 844	342 408 498	379 301 342	39 245 161	371 168 481	410 413 642	40 763 592	394 521 854	435 285 447	39 149 810	420 545 911	459 695 721
% of total expenditure												
Buffalo City	0.3%	2.7%	3.0%	0.3%	2.7%	3.0%	0.3%	2.6%	2.9%	0.3%	2.6%	2.9%
Cape Town	3.2%	17.1%	20.2%	3.2%	17.5%	20.6%	3.3%	17.3%	20.6%	2.8%	17.3%	20.2%
City of Ekurhuleni	0.8%	15.8%	16.6%	0.8%	15.8%	16.6%	0.8%	16.2%	17.0%	0.7%	16.8%	17.5%
eThekweni	2.0%	14.7%	16.7%	1.8%	14.6%	16.4%	1.6%	15.2%	16.8%	1.5%	15.8%	17.3%
City of Johannesburg	2.0%	20.0%	21.9%	2.1%	19.7%	21.8%	2.1%	19.2%	21.3%	1.8%	19.0%	20.9%
Mangaung	0.4%	2.6%	2.9%	0.3%	2.7%	3.1%	0.3%	2.7%	3.0%	0.3%	2.7%	2.9%
Nelson Mandela Bay	0.5%	4.8%	5.3%	0.5%	4.8%	5.3%	0.4%	4.7%	5.1%	0.4%	4.7%	5.1%
City of Tshwane	0.6%	12.7%	13.3%	0.6%	12.7%	13.3%	0.7%	12.6%	13.3%	0.7%	12.5%	13.2%

Source: National Treasury Local Government Database

Figure 3: Aggregated budgeted expenditure for metros, 2024/25 - 2027/28





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55. Metros' aggregated expenditure budget is R410.3 billion in 2025/26 and increases to R459.6 billion by 2027/28. As highlighted earlier in the report, category A (metros) municipalities contribute 58.8 per cent of total municipal expenditure in 2025/26. 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 account for more than half (53.2 per cent average) of total municipal operating expenditure over the 2025/26 MTREF while capital expenditure represents an average of 49.7 per cent of total municipal capital expenditure.
57. Cape Town, City of Johannesburg and eThekweni Metro have the largest capital budgets at 3.2 per cent, 2.1 per cent and 1.8 per cent of the aggregated budget for metros (operating and capital expenditure) respectively. Buffalo City, Mangaung and Nelson Mandela Bay's capital budgets are relatively low at 0.3 per cent and 0.5 per cent respectively and remain relatively constant over the 2025/26 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), 2024/25 - 2027/28

Description	Current year 2024/25		2025/26 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2025/26	Budget Year 2026/27	Budget Year 2027/28
R thousands					
<u>Revenue - Functional</u>					
<i>Trading services</i>	352 600 282	360 609 005	393 257 810	421 668 492	453 439 470
Energy sources	191 079 041	195 192 153	213 359 377	230 061 834	247 877 852
Water management	103 587 723	106 472 672	115 340 624	123 782 890	134 209 938
Waste water management	33 846 990	34 523 749	37 046 475	38 988 971	41 046 959
Waste management	24 086 528	24 420 431	27 511 334	28 834 798	30 304 721
<u>Expenditure - Functional</u>					
<i>Trading services</i>	318 098 420	322 858 042	350 538 098	373 755 204	399 123 502
Energy sources	182 334 617	187 049 132	203 943 484	217 660 287	232 828 895
Water management	88 118 319	87 519 388	96 031 575	102 893 571	110 741 991
Waste water management	25 109 395	23 994 983	25 441 475	26 897 662	27 908 616
Waste management	22 536 089	24 294 540	25 121 564	26 303 684	27 644 000
Surplus/(Deficit) for Trading Services	34 501 861	37 750 963	42 719 712	47 913 287	54 315 968

Source: National Treasury Local Government Database



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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.
60. The major sources of revenue in 2025/26 are energy sources at R213.3 billion, water management at R115.3 billion, wastewater management at R37.0 billion and waste management at R27.5 billion. There is an increase of 9.3 per cent to R213.3 billion in revenue from energy sources in 2025/26 compared to R195.1 billion in the 2024/25 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 which is factored into the budget assumptions of metros and passed on to customers. 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 *mSCOA* 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 2025/26 MTREF with Nelson Mandela Bay not submitting the data for water consumed in 2024/25.

Table 11: Bulk Purchase Expenditure for Metros for Functions, 2024/25 - 2027/28

R thousands	Electricity				Water Inventory			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
Buffalo City	2 832 586	3 193 457	3 364 627	3 572 897	208 302	225 402	240 143	255 848
Cape Town	15 472 230	17 755 086	18 363 846	19 062 355	5 012 514	5 680 982	6 154 329	7 303 451
City of Ekurhuleni	20 265 459	22 806 142	25 711 645	28 987 308	4 934 187	5 713 788	6 603 996	7 632 899
eThekweni	16 583 698	18 721 853	21 283 002	24 194 517	3 239 413	3 710 340	4 140 740	4 621 066
City of Johannesburg	15 377 574	17 582 825	18 349 436	19 476 091	5 702 400	6 418 049	6 777 460	7 221 384
Mangaung	2 569 190	2 974 985	3 134 444	3 328 466	513 300	545 573	570 490	596 000
Nelson Mandela Bay	6 338 216	7 277 226	7 667 285	8 141 890	-	177 904	187 324	174 833
City of Tshwane	15 538 834	17 297 830	18 231 913	19 362 292	3 928 963	4 600 050	4 875 318	5 214 286
Total Expenditure	94 977 788	107 609 405	116 106 198	126 125 816	23 539 079	27 072 088	29 549 799	33 019 767

Source: National Treasury Local Government Database

64. Metros have budgeted R107.6 billion for the purchase of bulk electricity in 2025/26, with an annual increase of 7.9 per cent and 8.6 per cent in the outer years of the MTREF. The expenditure on electricity bulk purchases is projected to increase to R126.1 billion by 2027/28.



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65. The comparison of the revenue generated from the sale of electricity to the expenditure incurred on bulk electricity purchases may suggest that the metros generate a substantial profit from the sale of electricity however, it must be noted that bulk purchases is a major cost driver of the electricity function and that the revenue on Table 10 includes capital transfers. Therefore, the high increases in the cost of bulk purchases and the reduced consumption minimises any profits 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 net 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 sales because of changes in consumption patterns and increased bad debt because 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 2025/26 MTREF.



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Table 12: Aggregated Operating and Capital Revenue for Secondary Cities, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Matjhabeng	200 574	4 171 877	4 372 451	140 263	4 536 590	4 676 853	228 978	4 592 734	4 821 712	242 717	4 868 298	5 111 015
Emfuleni	308 854	8 510 650	8 819 503	379 716	9 498 043	9 877 759	435 790	10 201 479	10 637 269	511 754	10 966 484	11 478 238
Mogale City	412 503	4 212 754	4 625 257	500 649	5 336 131	5 836 780	331 698	5 546 614	5 878 312	340 922	5 771 152	6 112 074
Msunduzi	823 982	8 963 903	9 787 885	653 856	9 535 505	10 189 361	522 437	10 021 473	10 543 911	560 134	10 463 543	11 023 677
Newcastle	173 486	2 480 656	2 654 142	235 558	2 705 642	2 941 200	106 152	3 038 983	3 145 135	103 867	3 099 930	3 203 797
uMhlatuze	610 994	5 599 452	6 210 446	457 359	5 862 917	6 320 275	429 293	6 198 918	6 628 211	439 827	6 603 376	7 043 203
Polokwane	820 142	5 302 511	6 122 653	716 061	5 850 979	6 567 040	924 891	6 259 674	7 184 565	921 173	6 785 621	7 706 794
Govan Mbeki	273 653	3 300 378	3 574 031	216 314	3 359 877	3 576 192	200 302	3 151 599	3 351 901	213 947	3 334 873	3 548 820
Emalahleni (MP)	209 616	4 923 133	5 132 749	241 252	5 692 537	5 933 790	229 259	5 953 264	6 182 523	244 297	6 213 177	6 457 474
Steve Tshwete	211 949	2 514 956	2 726 905	119 790	2 740 944	2 860 734	142 851	2 875 144	3 017 994	157 434	3 071 960	3 229 395
City of Mbombela	656 588	4 464 919	5 121 507	720 934	4 778 061	5 498 995	733 404	4 852 846	5 586 250	684 409	5 172 689	5 857 098
Sol Plaatje	613 729	2 958 278	3 572 007	627 331	3 234 188	3 861 519	612 545	3 458 401	4 070 946	538 372	3 698 283	4 236 655
Madibeng	346 202	2 785 760	3 131 962	373 906	2 873 017	3 246 923	386 000	3 001 191	3 387 191	405 026	3 103 118	3 508 144
Rustenburg	641 611	8 072 586	8 714 197	482 704	6 957 367	7 440 071	501 437	7 329 658	7 831 095	518 242	7 524 979	8 043 221
City of Matlosana	236 250	4 264 861	4 501 111	265 985	4 571 805	4 837 790	232 433	4 659 292	4 891 725	232 429	4 803 032	5 035 461
J B Marks	230 033	2 231 214	2 461 248	234 198	2 330 863	2 565 061	246 623	2 541 077	2 787 700	270 880	2 736 776	3 007 656
Drakenstein	766 225	3 331 201	4 097 426	714 166	3 706 184	4 420 350	553 435	3 869 663	4 423 098	356 477	4 073 651	4 430 127
Stellenbosch	599 345	2 532 153	3 131 499	642 490	2 869 321	3 511 811	647 192	3 145 171	3 792 363	518 728	3 410 817	3 929 545
George	1 224 724	3 554 507	4 779 230	907 018	3 869 689	4 776 707	767 731	4 020 567	4 788 298	638 776	4 332 855	4 971 631
Total Revenue	9 360 461	84 175 749	93 536 210	8 629 551	90 309 661	98 939 212	8 232 449	94 717 751	102 950 200	7 899 410	100 034 614	107 934 024
Less												
External loans/ Borrowing	1 280 396		1 280 396	1 149 139		1 149 139	978 969		978 969	752 357		752 357
Internally generated funds	2 191 320		2 191 320	2 090 081		2 090 081	1 786 789		1 786 789	1 728 985		1 728 985
Recalculated Revenue	5 888 745	84 175 749	90 064 494	5 390 331	90 309 661	95 699 992	5 466 690	94 717 751	100 184 441	5 418 068	100 034 614	105 452 682

¹Operating revenue excluding capital transfers

Source: National Treasury Local Government Database

68. The total budgeted revenue for secondary cities is R98.9 billion in 2025/26 excluding borrowing and internally generated funds used for funding the capital expenditure. This represents an increase of R5.4 billion (5.8 per cent) from 2024/25 and increases to R107.9 billion in 2027/28. The increase in revenue in the outer years is 4.1 and 4.8 per cent.
69. Msunduzi, Emfuleni and Rustenburg are the largest contributors to secondary cities aggregated revenue at R10.2 billion, R9.8 billion and R7.4 billion in 2025/26 respectively.
70. Table 13 below depicts the secondary cities operating and capital expenditure over the 2025/26 MTREF. The total expenditure budget of secondary cities increased by 6.2 per cent from R91.9 billion in 2024/25 to R97.6 billion in 2025/26. It further increases by 3.5 per cent and 4.0 per cent to R101 billion in 2026/27 and R105 billion in 2027/28 respectively. The secondary cities budgeted for operating surpluses over the 2025/26 MTREF.
71. Capital expenditure decreases from R9.3 billion in 2024/25 to R8.6 billion in 2025/26, further reduces by 4.6 per cent in 2026/27 and 4.0 per cent in 2027/28. This may be attributed to the



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deteriorating financial position of municipalities consequent inability to contribute own funding or to secure borrowing to fund capital programme.

Table 13: Aggregated Operating and Capital Expenditure for Secondary Cities, 2024/25 - 2027/28

R thousands	2024/25			2025/26			2026/27			2027/28		
	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total	Capital	Operating	Total
Matjhabeng	200 574	3 423 313	3 623 887	140 263	4 523 421	4 663 684	228 978	4 158 097	4 387 075	242 717	4 407 583	4 650 300
Emfuleni	308 854	8 343 900	8 652 753	379 716	9 114 055	9 493 771	435 790	9 578 307	10 014 097	511 754	10 300 287	10 812 041
Mogale City	412 503	4 103 137	4 515 640	500 649	5 087 451	5 588 100	331 698	5 397 141	5 728 840	340 922	5 563 949	5 904 871
Msunduzi	823 982	8 380 271	9 204 253	653 856	8 463 202	9 117 058	522 437	8 973 883	9 496 321	560 134	9 393 130	9 953 264
Newcastle	173 486	2 617 460	2 790 946	235 558	2 849 756	3 085 314	106 152	3 086 995	3 193 147	103 867	3 153 465	3 257 331
uMhlathuze	610 994	5 589 918	6 200 912	457 359	6 008 928	6 466 287	429 293	6 288 641	6 717 933	439 827	6 623 362	7 063 188
Polokwane	820 142	5 140 213	5 960 355	716 061	5 724 364	6 440 424	924 891	5 938 669	6 863 560	921 173	6 237 847	7 159 019
Govan Mbeki	273 903	3 988 528	4 262 431	216 314	3 788 023	4 004 337	200 302	4 025 436	4 225 737	213 947	4 291 266	4 505 213
Emalahleni (MP)	209 616	5 110 124	5 319 740	241 252	5 663 183	5 904 435	229 259	5 920 237	6 149 495	244 297	6 167 155	6 411 452
Steve Tshwete	211 949	2 625 444	2 837 393	119 790	2 516 131	2 635 921	142 851	2 949 108	3 091 959	157 434	3 098 972	3 256 406
City of Mbombela	656 588	4 248 686	4 905 274	720 934	4 556 981	5 277 915	733 404	4 637 795	5 371 199	684 409	4 903 376	5 587 785
Sol Plaatje	613 729	2 928 505	3 542 234	627 331	3 212 506	3 839 837	612 545	3 414 576	4 027 121	538 372	3 647 039	4 185 411
Madibeng	346 202	2 699 686	3 045 888	373 906	2 818 588	3 192 494	386 000	2 891 169	3 277 169	405 026	2 860 498	3 265 524
Rustenburg	641 611	7 531 866	8 173 477	482 704	6 732 718	7 215 422	501 437	7 037 966	7 539 403	518 242	7 196 678	7 714 920
City of Matlosana	236 250	4 262 641	4 498 891	265 985	5 083 260	5 349 245	232 433	4 886 521	5 118 954	232 429	4 871 062	5 103 491
J B Marks	230 033	2 228 844	2 458 877	234 198	2 481 714	2 715 912	246 623	2 728 678	2 975 300	270 880	2 869 601	3 140 482
Drakenstein	766 225	3 328 779	4 095 004	714 166	3 677 015	4 391 181	553 435	3 855 073	4 408 508	356 477	4 073 623	4 430 099
Stellenbosch	599 345	2 511 734	3 111 079	642 490	2 741 081	3 383 571	647 192	2 971 638	3 618 830	518 728	3 164 816	3 683 544
George	1 224 724	3 501 713	4 726 437	907 018	3 907 341	4 814 359	767 731	4 041 706	4 809 437	638 776	4 339 475	4 978 252
Total Expenditure	9 360 711	82 564 760	91 925 471	8 629 551	88 949 719	97 579 270	8 232 449	92 781 637	101 014 086	7 899 410	97 163 183	105 062 593

Source: National Treasury Local Government Database

72. Secondary cities that have allocated the least of their aggregated budget to their capital budgets in 2025/26 are Matjhabeng, Emfuleni, Mogale City, uMhlathuze, Goven Mbeki, City of Matlosana, Emalahleni (MP), Rustenburg, J B Marks, Newcastle, Steve Tshwete and Msunduzi. These municipalities have allocated less than 10 per cent (norm is between 10 and 20 per cent) of their total budgets to capital projects. This inadequate infrastructure spending presents potential risks to service delivery.
73. Stellenbosch and George have the largest allocations at 19.0 per cent (R642 million of total expenditure budget of R3.3 billion) and 18.8 per cent (R907 million of total expenditure budget of R4.8 billion) in 2025/26 respectively.

Growth in Aggregated Operating and Capital Budgets compared to the 2024/25 Budgets

74. Table 14 below provides a comparison between the preliminary outcome for the 2024/25 financial year ended on 30 June 2025 as published in the Section 71 Quarter 4 publication which was



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released on 26 September 2025, the adopted budget for the 2024/25 financial year and the average growth in municipal budgets over the 2025/26 MTREF period.

Table14: Growth in municipal budgets compared to S71 Preliminary Outcome for 2024/25

R thousands	2024/25			2025/26	2026/27	2027/28	% Growth rates: Estimated actual (Nominal)	
	Adopted Budget	Revised Budget	Preliminary outcome	Medium term estimates			2024/25-2025/26	2024/25-2027/28
Operating Revenue ¹								
Property rates	98 507 278	99 808 572	100 952 891	107 981 789	113 572 327	118 906 621	7,0%	5,6%
Service charges	288 293 568	289 333 694	272 690 605	318 435 420	345 257 364	373 425 013	16,8%	11,0%
Other own revenue	188 237 137	194 721 190	193 075 154	201 459 170	205 429 271	213 683 519	4,3%	3,4%
Total Revenue	575 037 984	583 863 456	566 718 650	627 876 378	664 258 962	706 015 153	10,8%	7,6%
Operating Expenditure								
Employee related costs	157 269 425	155 822 940	147 386 498	167 224 575	175 833 678	185 045 663	13,5%	7,9%
Debt impairment	47 777 746	44 690 379	27 346 732	48 260 552	50 995 763	52 515 151	76,5%	24,3%
Bulk purchases	144 283 804	146 759 537	145 337 143	163 185 760	175 390 613	189 307 547	12,3%	9,2%
Other expenditure	223 186 612	238 230 120	225 042 168	240 534 887	249 635 286	262 291 464	6,9%	5,2%
Total Expenditure	572 517 586	585 502 976	545 112 541	619 205 774	651 855 340	689 159 824	13,6%	8,1%
Operating Surplus/(Deficit)	2 520 397	(1 639 520)	21 606 109	8 670 605	12 403 622	16 855 329	(59,9%)	(7,9%)
Capital Funding								
External loans	14 006 271	12 824 743	10 152 636	12 799 650	11 694 470	10 638 919	26,1%	1,6%
Internal contributions	16 035 380	17 753 326	4 292 659	17 989 481	16 268 965	16 544 724	319,1%	56,8%
Transfers and subsidies	47 192 937	49 058 916	36 154 904	47 902 947	48 385 588	47 445 745	32,5%	9,5%
Other	-	-	-	-	-	-	-	-
Total funding	77 234 588	79 636 984	50 600 199	78 692 079	76 349 023	74 629 388	55,5%	13,8%
Capital Expenditure								
Water supply infrastructure	18 777 377	19 223 896	14 482 140	20 269 760	20 687 921	20 753 773	40,0%	12,7%
Electrical infrastructure	7 992 290	8 173 656	6 854 765	8 031 375	8 000 395	8 156 339	17,2%	6,0%
Housing	2 445 496	2 182 791	1 364 291	2 192 453	1 892 194	1 824 306	60,7%	10,2%
Roads and storm water infrastructure	17 394 986	19 558 063	15 348 984	17 946 380	17 039 933	15 451 919	16,9%	0,2%
Other	30 800 622	30 810 571	14 083 737	30 439 427	28 886 312	28 663 468	116,1%	26,7%
Total expenditure	77 410 772	79 948 976	52 133 917	78 879 394	76 506 755	74 849 805	51,3%	12,8%

¹ Excluding 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 13.6 per cent in 2025/26 compared to the preliminary outcome for 2024/25 while operating revenue increased by 10.8 per cent. The revenue increase rate is lower than the expenditure, which is the case over the MTREF. This may be indicative of municipalities realising 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 13.5 per cent in 2025/26 and bulk purchases by 12.3 per cent. Increases in bulk purchases are largely attributed to the increase in the price of bulk electricity. The high increases associated with employee-related expenditure because of



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Bargaining Council resolutions will have to be addressed with cost reduction in areas such as overtime and traveling allowances.

77. Debt impairment is expected to increase by 76.5 per cent in 2025/26 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 rates in the 2025/26 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 51.3 per cent from 2024/25 to 2025/26 and an average decline of 3 per cent over the outer years of the MTREF. Capital projects will have to be effectively managed to ensure implementation as planned given the persistent trends in underspending of capital budgets. The increases in the capital funding reflect the reporting challenges because of the *mSCOA* 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 2025/25 MTREF compared to the two outer years of the 2024/25 MTREF. The deviation to the changes to baseline for operating and capital budgets is limited to 1.9 per cent and 4.9 per cent respectively.
80. Operating revenue for 2025/26 increased by R15.7 billion (2.6 per cent) and operating expenditure increased by R11.7 billion (1.9 per cent) compared to the projections in the 2024/25 MTREF while the increase for 2025/26 is R7.7 billion (1.2 per cent) for operating revenue and R3.8 billion (0.6 per cent) for operating expenditure. This indicates that the operating budget is multi-year as the deviation to the changes to the baseline is less than 5 per cent.
81. Bulk purchases decreased compared to the 2024/25 MTREF. This expenditure item is mainly impacted by the increases in bulk electricity tariffs as there is no growth in consumption. Overall, there is an increase in operating expenditure and municipalities projected an increase in employee related costs compared to the 2024/25 MTREF.
82. The capital expenditure increased by R3.7 billion (4.9 per cent) and decreased by R4.2 billion (5.8 per cent) in 2025/26 and 2026/27 respectively compared to the 2024/25 MTREF. The capital



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expenditure reporting is not fully aligned with the capital funding because of challenges with the municipalities' mSCOA reporting. The capital budget for the 2025/26 MTREF is multi-year as the deviation is below 10 per cent.

Table 15: Changes to baseline for 2025/26 MTREF

R thousands	2025/26			2026/27			2027/28	% change to baseline		% share of total change to baseline	
	2024/25 Medium term estimates	2025/26 Draft Medium term estimates	Changes to baseline	2024/25 Medium term estimates	2025/26 Draft Medium term estimates	Changes to baseline		2025/26	2026/27	2025/26	2026/27
Operating Revenue¹											
Property rates	103 771 105	107 981 789	4 210 684	109 500 284	113 572 327	4 072 043	118 906 621	4.1%	3.7%	26.8%	52.9%
Service charges	315 008 365	318 435 420	3 427 055	344 940 522	345 257 364	316 842	373 425 013	1.1%	0.1%	21.8%	4.1%
Other own revenue	193 396 905	201 459 170	8 062 264	202 124 418	205 429 271	3 304 853	213 683 519	4.2%	1.6%	51.4%	43.0%
Total Revenue	612 176 375	627 876 378	15 700 003	656 565 224	664 258 962	7 693 738	706 015 153	2.6%	1.2%	100.0%	100.0%
Operating Expenditure											
Employee related costs	164 999 453	167 224 575	2 225 122	173 211 033	175 833 678	2 622 645	185 045 663	1.3%	1.5%	19.0%	69.1%
Debt impairment	49 017 384	48 260 552	(756 831)	51 229 669	50 995 763	(233 906)	52 515 151	(1.5%)	(0.5%)	(6.5%)	(6.2%)
Bulk purchases	160 769 108	163 185 760	2 416 652	179 560 385	175 390 613	(4 169 772)	189 307 547	1.5%	(2.3%)	20.6%	(109.8%)
Other expenditure	232 714 386	240 534 887	7 820 500	244 057 650	249 635 286	5 577 636	262 291 464	3.4%	2.3%	66.8%	146.9%
Total Expenditure	607 500 331	619 205 774	11 705 443	648 058 737	651 855 340	3 796 603	689 159 824	1.9%	0.6%	100.0%	100.0%
Operating Surplus/(Deficit)	4 676 044	8 670 605	3 994 561	8 506 487	12 403 622	3 897 135	16 855 329				
Capital Funding											
External loans	12 898 009	12 799 650	(98 359)	10 565 352	11 694 470	1 129 118	10 638 919	(0.8%)	10.7%	(2.7%)	27.0%
Internal contributions	15 428 984	17 989 481	2 560 497	15 279 807	16 268 965	989 158	16 544 724	16.6%	6.5%	70.0%	23.7%
Transfers and subsidies	46 705 708	47 902 947	1 197 239	46 327 061	48 385 588	2 058 527	47 445 745	2.6%	4.4%	32.7%	49.3%
Other	-	-	-	-	-	-	-	-	-	-	-
Total funding	75 032 702	78 692 079	3 659 377	72 172 220	76 349 023	4 176 803	74 629 388	4.9%	5.8%	100.0%	100.0%
Capital Expenditure											
Water supply infrastructure	19 101 765	20 269 760	1 167 994	19 463 267	20 687 921	1 224 654	20 753 773	6.1%	6.3%	31.7%	29.2%
Electrical infrastructure	7 577 816	8 031 375	453 559	7 949 159	8 000 395	51 236	8 156 339	6.0%	0.6%	12.3%	1.2%
Housing	2 233 043	2 192 453	(40 591)	2 343 089	1 892 194	(450 895)	1 824 306	(1.8%)	(19.2%)	(1.1%)	(10.7%)
Roads and storm water infrastructure	17 602 106	17 946 380	344 274	15 442 879	17 039 933	1 597 054	15 451 919	2.0%	10.3%	9.4%	38.1%
Other	28 684 708	30 439 427	1 754 719	27 113 872	28 886 312	1 772 440	28 663 468	6.1%	6.5%	47.7%	42.3%
Total expenditure	75 199 439	78 879 394	3 679 955	72 312 267	76 506 755	4 194 488	74 849 805	4.9%	5.8%	100.0%	100.0%

¹ Excluding capital transfers and contributions

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

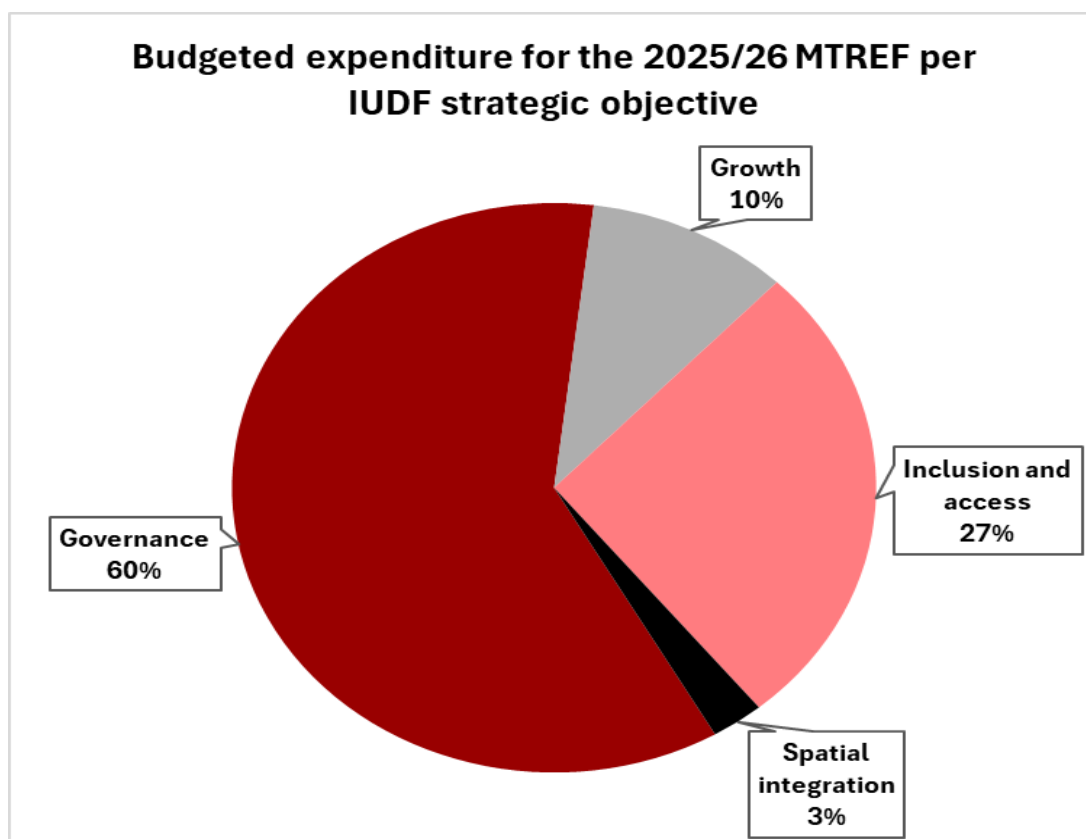
Analysis in the mSCOA framework

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 30 June each year. The adopted budgets include lists of capital and operational projects to be implemented in the next 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 with each municipal project.



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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 next year.
86. The 2025/26 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 60 per cent and 27 per cent of the municipal budgets for the 2025/26 financial year will be spent on governance and inclusion and access respectively while 10 per cent will be spent on growth.

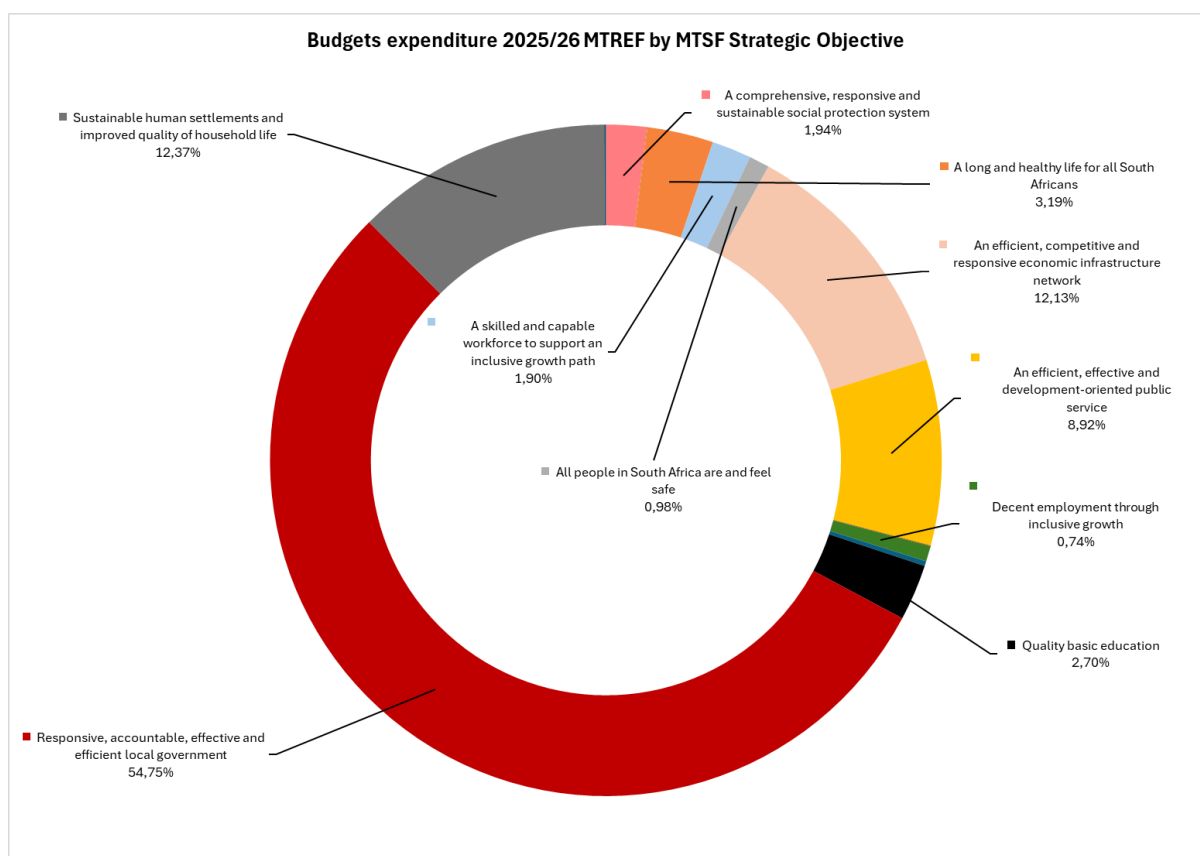


87. The figure below indicates spending per MTSF strategic objectives and reflects that 54.7 per cent of the municipal budgets for 2025/26 will be spent on responsive, accountable, effective and



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efficient local government and 12.4 per cent on sustainable human settlements and improved quality of household life while 12.1 per cent will be spend on an efficient, competitive and responsive economic infrastructure network.



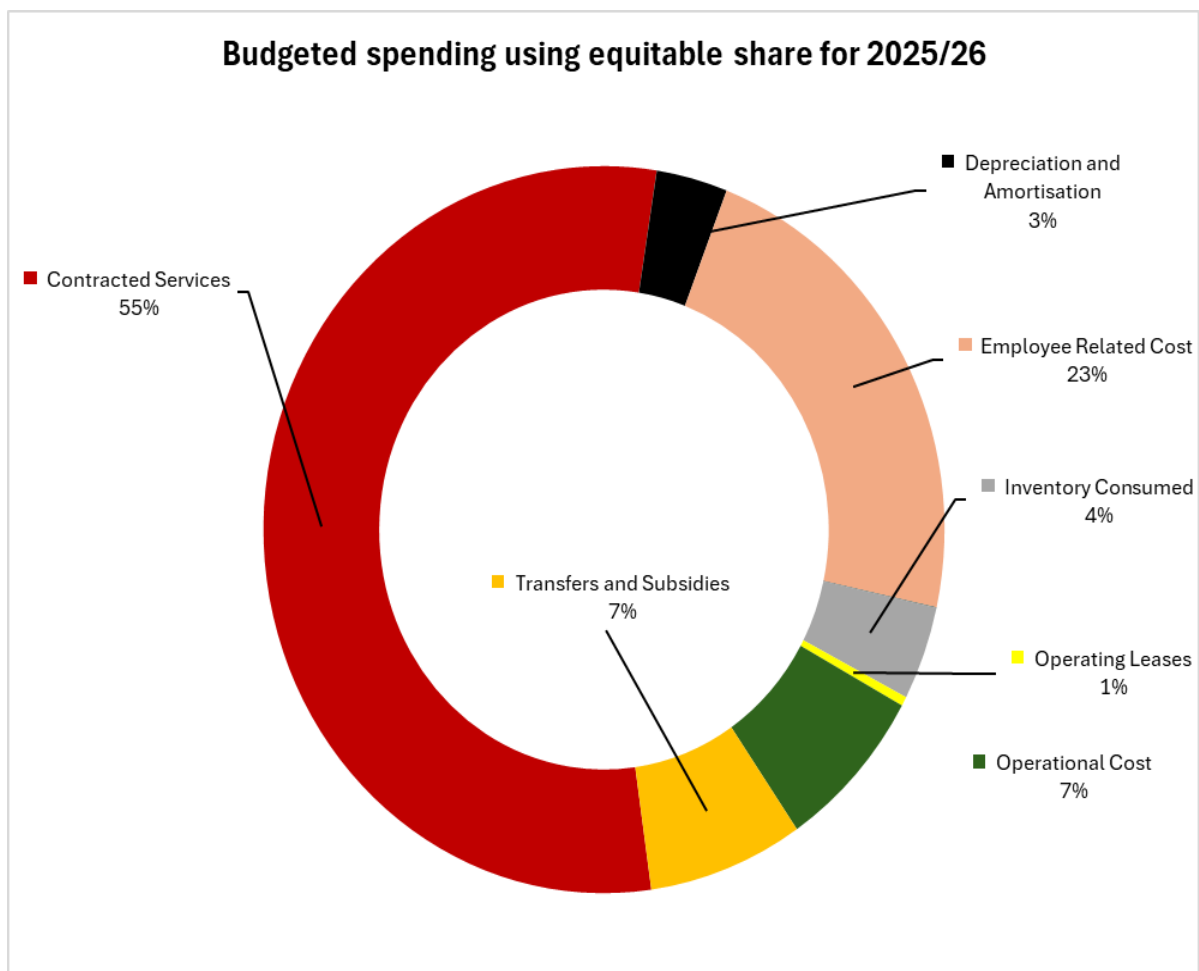
Utilisation of the Local Government Equitable share

88. The spending of conditional grants is regularly reported in the quarterly Section 71 publications, the *mSCOA* 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 23 per cent of the equitable share allocation for 2025/26 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, 2024/25 - 2027/28

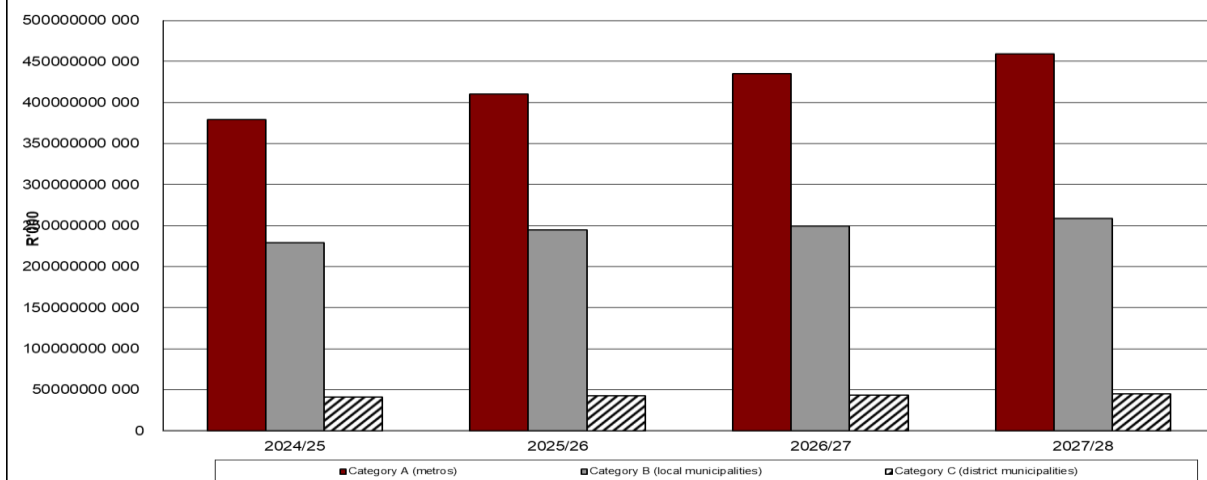
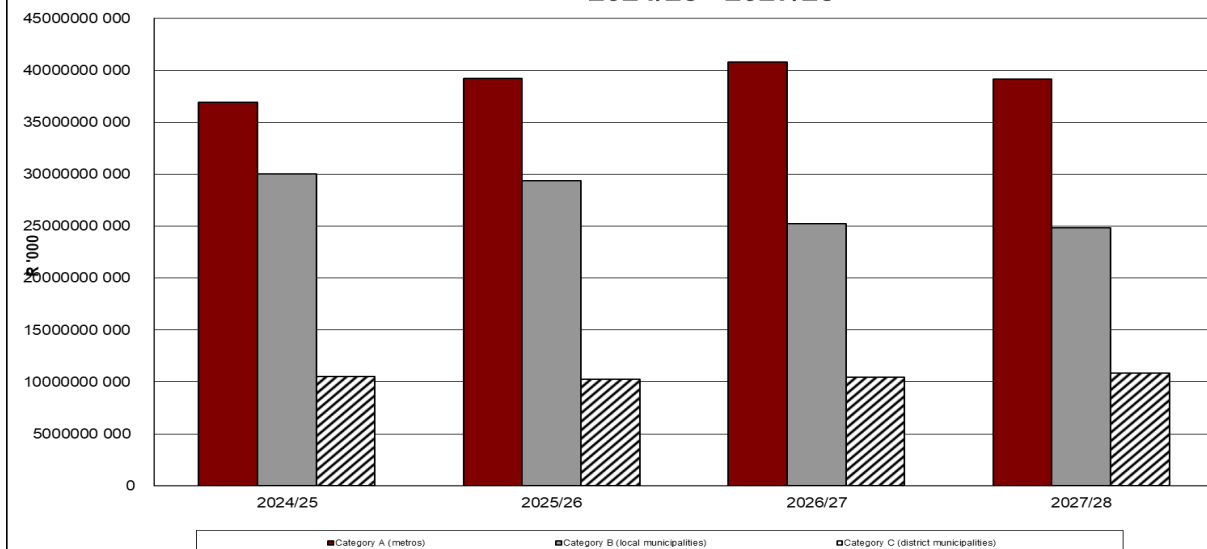


Figure 1.1: Budgeted capital expenditure per category, 2024/25 - 2027/28





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Figure 1.2: Budgeted operating expenditure per category, 2024/25 - 2027/28

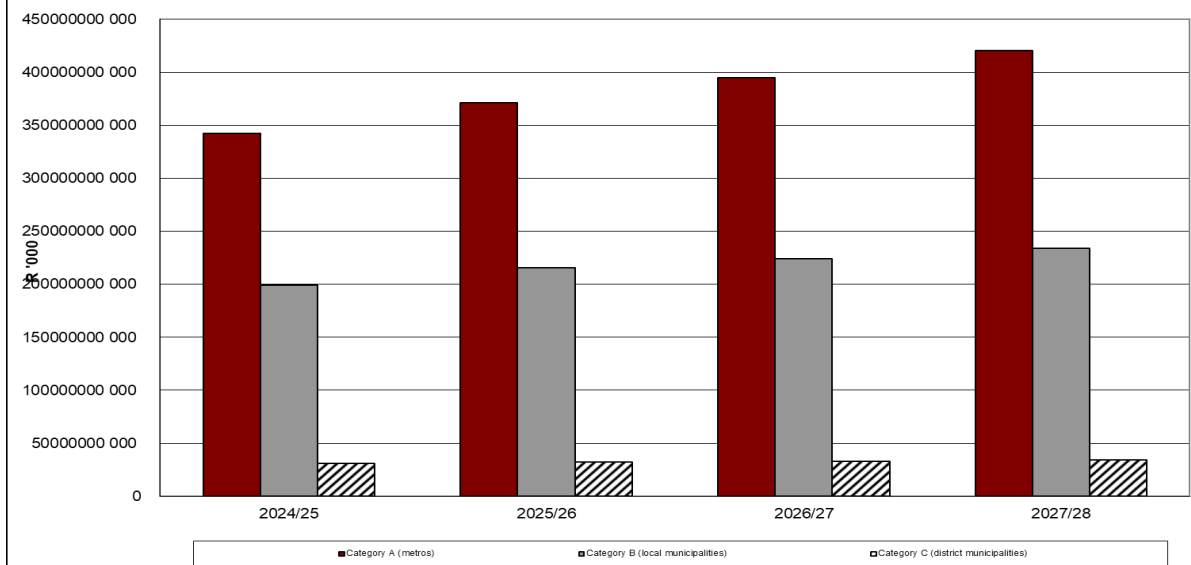
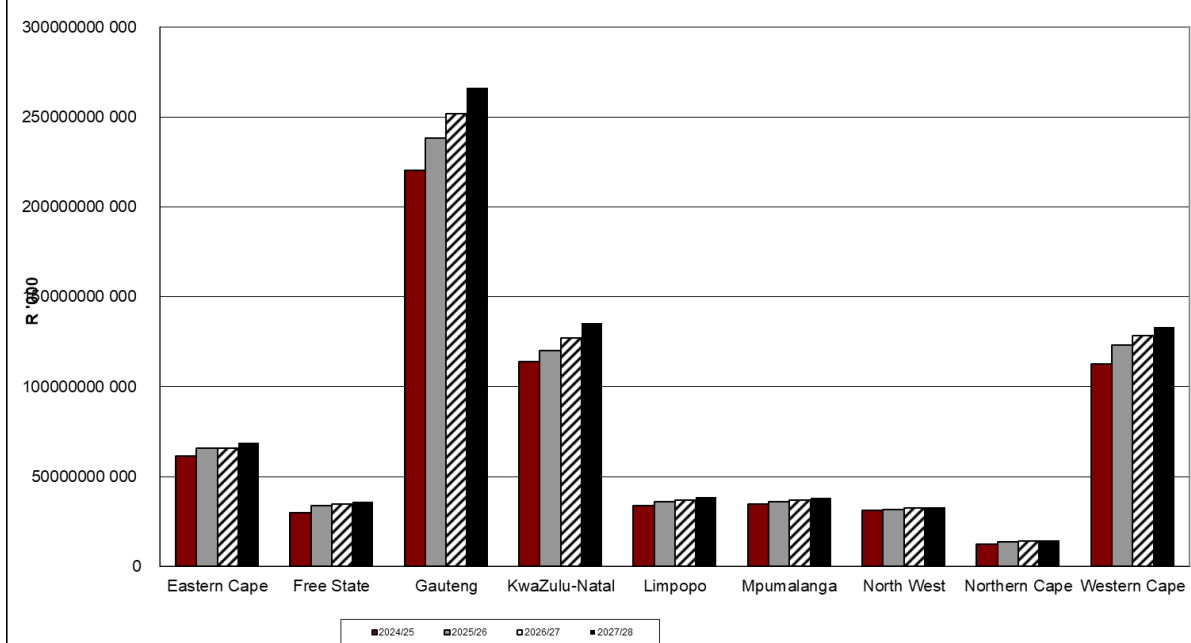


Figure 2: Total operating and capital expenditure per province, 2024/25 - 2027/28





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Figure 2.1: Budgeted capital expenditure per province, 2024/25 - 2027/28

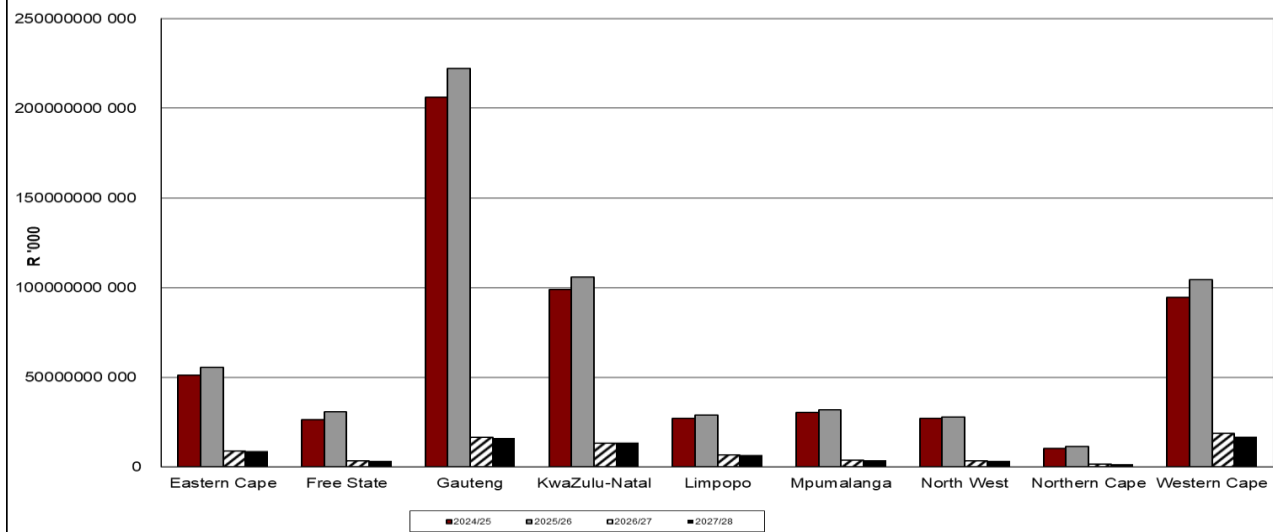
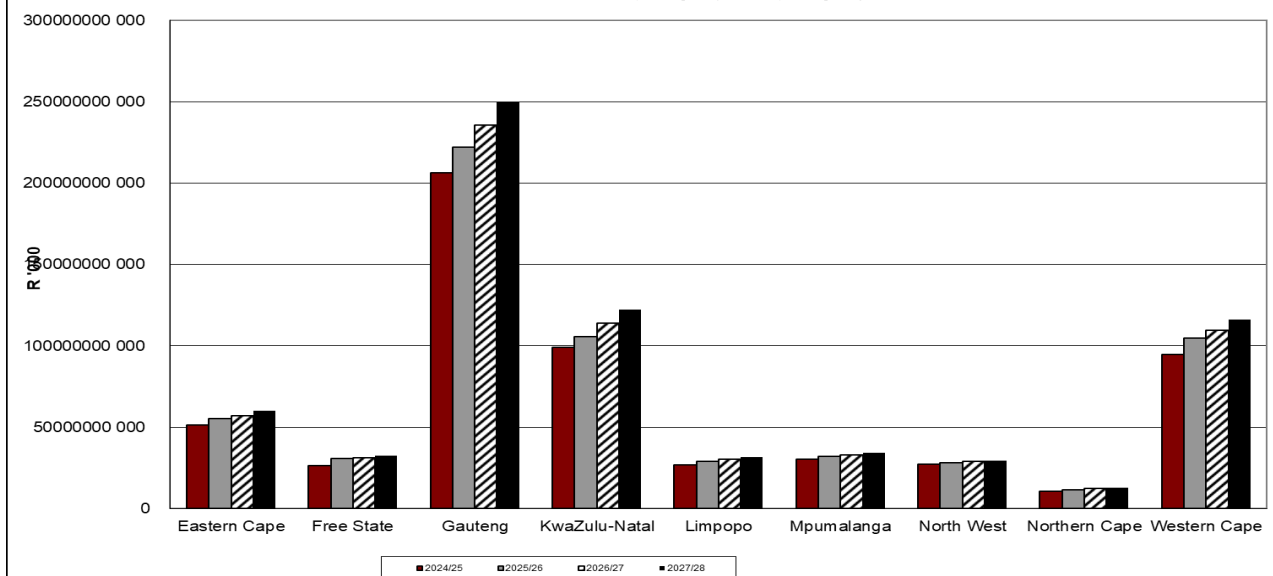


Figure 2.2: Budgeted operating expenditure per province, 2024/25 - 2027/28





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Figure 3: Aggregated budgeted expenditure for metros, 2024/25 - 2027/28

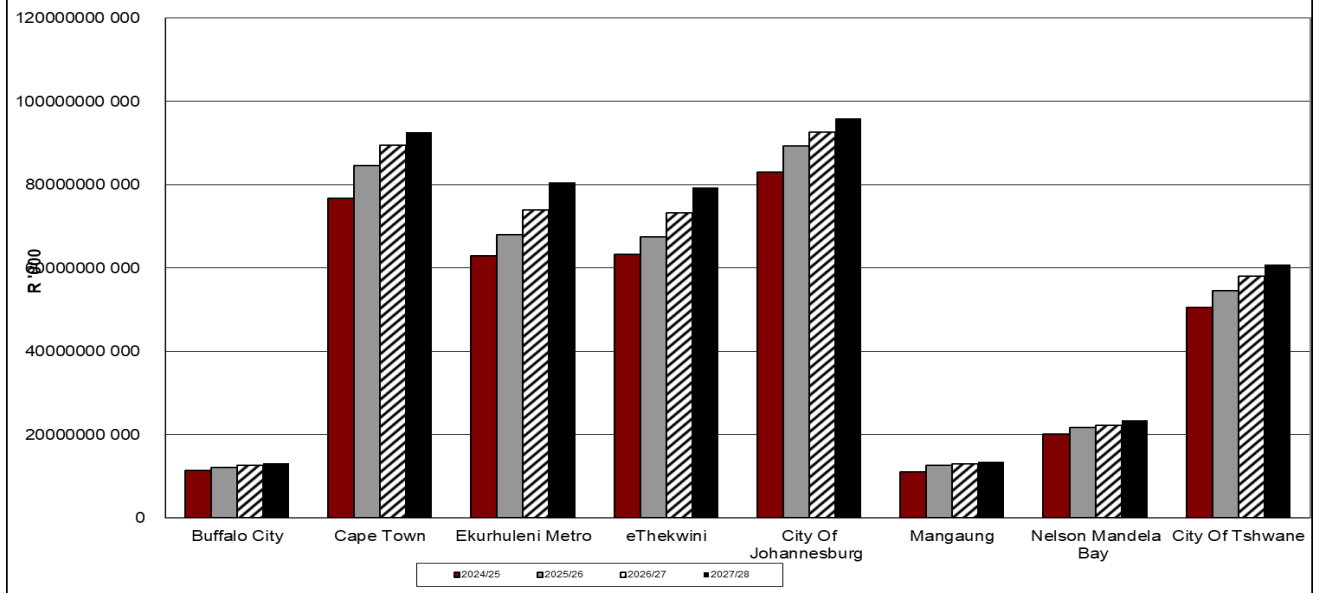
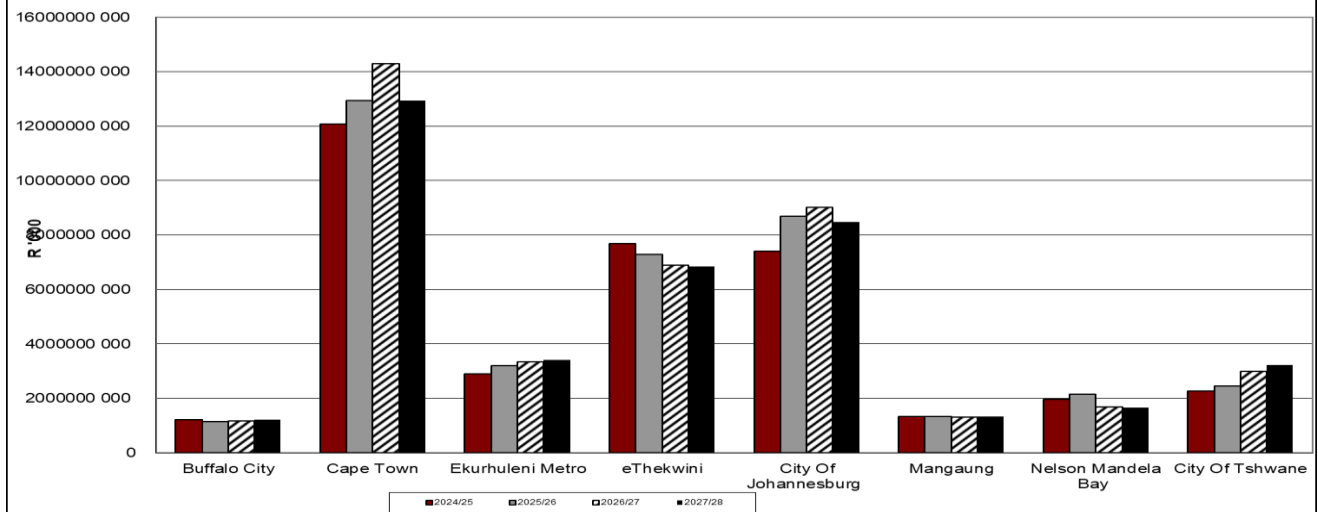


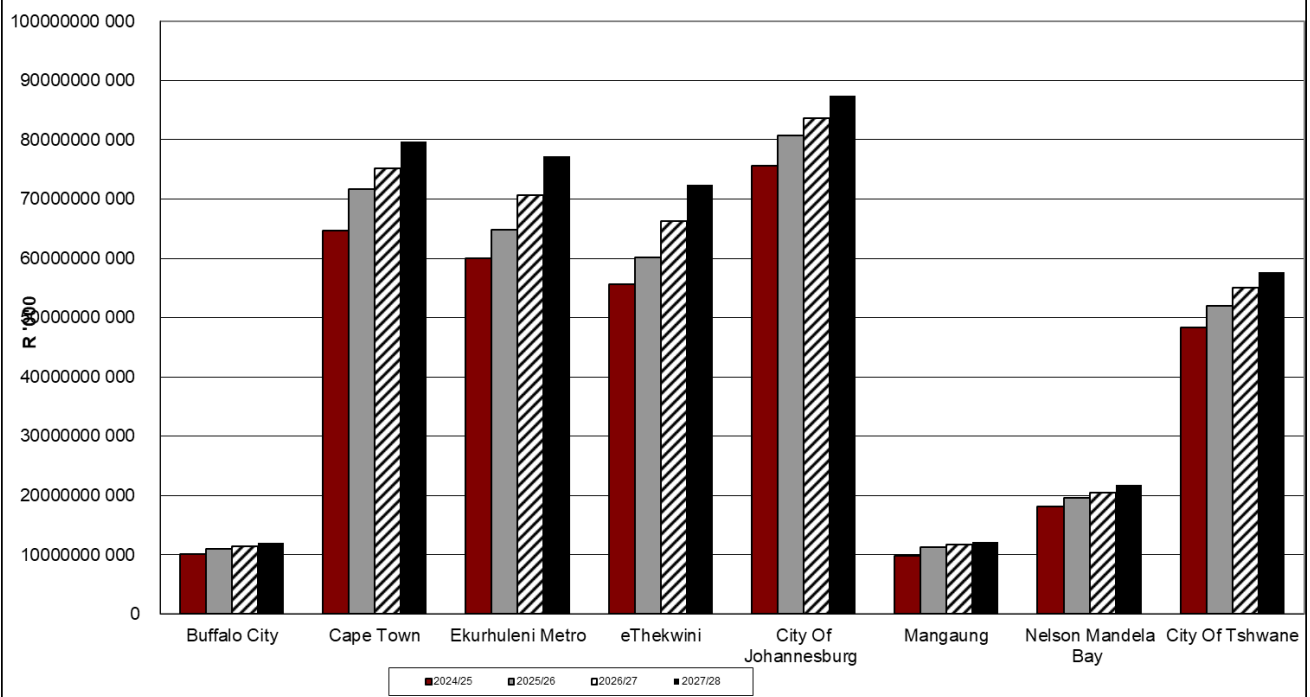
Figure 3.1: Budgeted capital expenditure per metro, 2024/25 - 2027/28





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Figure 3.2: Budgeted operating expenditure per metro, 2024/25 - 2027/28





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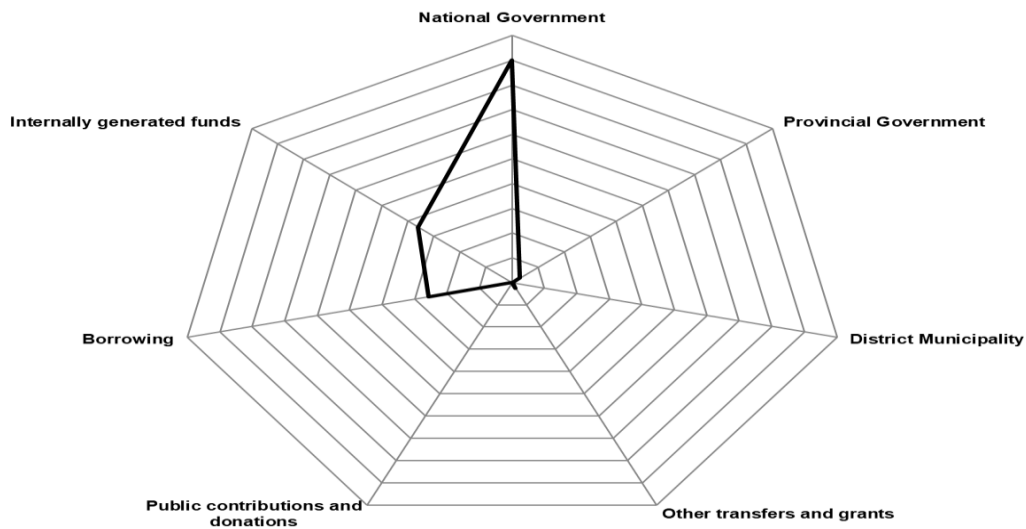
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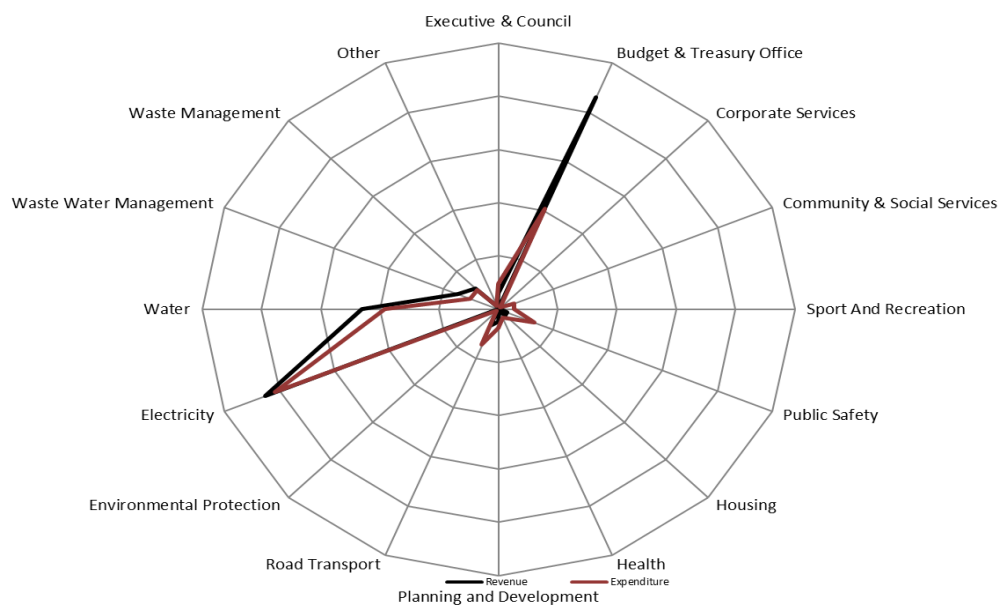
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Capital funding contributions, 2025/26



Aggregated operating revenue and expenditure by standard classification, 2025/26



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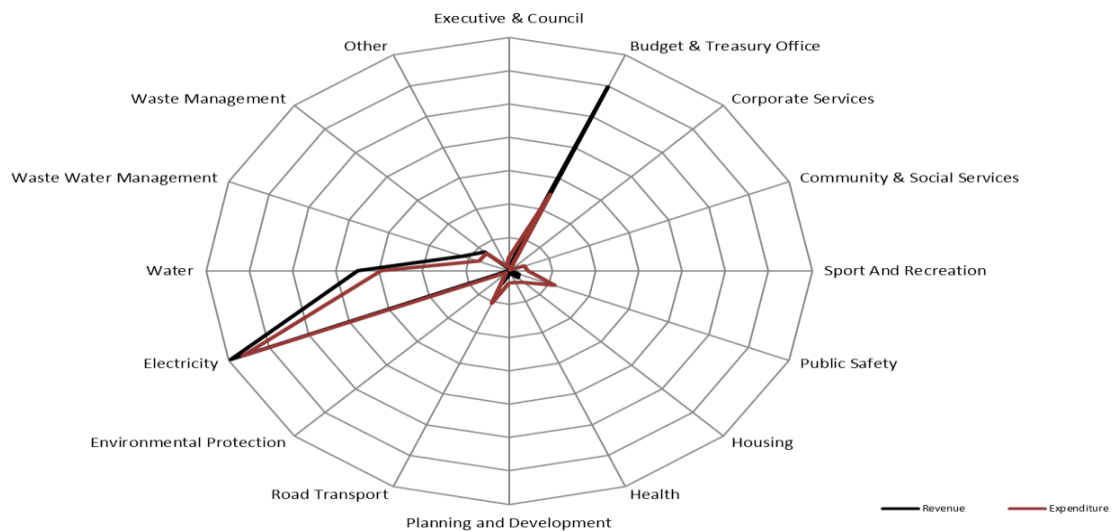
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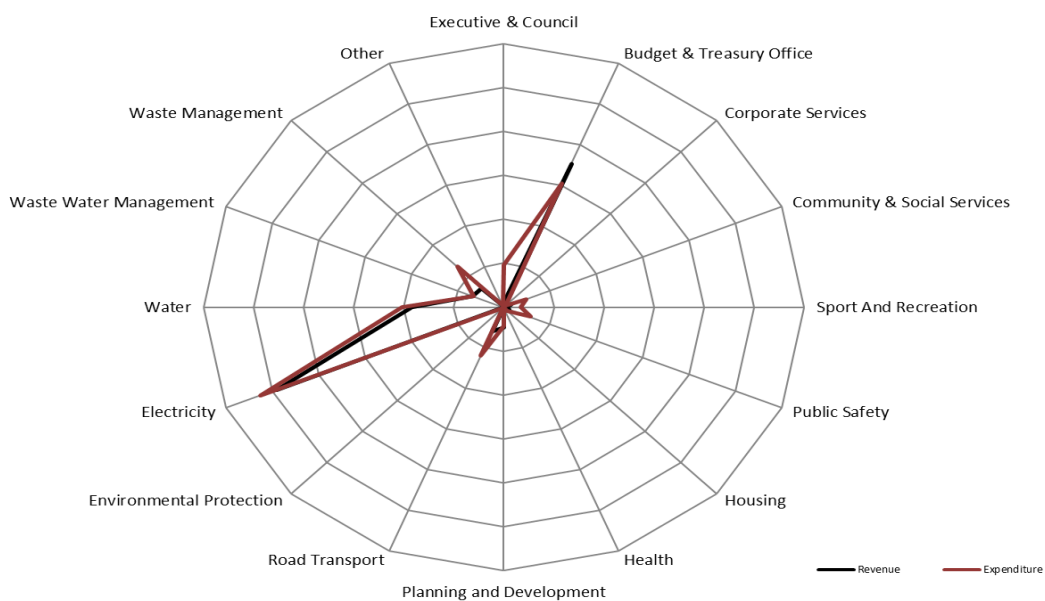
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**Category A operating revenue and expenditure
by standard classification, 2025/26**



**Category B operating revenue and expenditure
by standard classification, 2025/26**





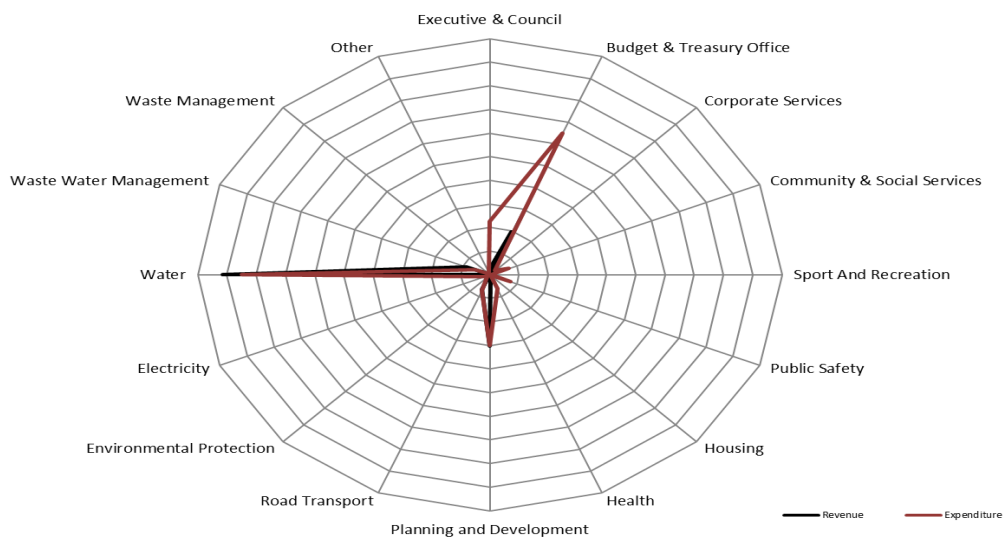
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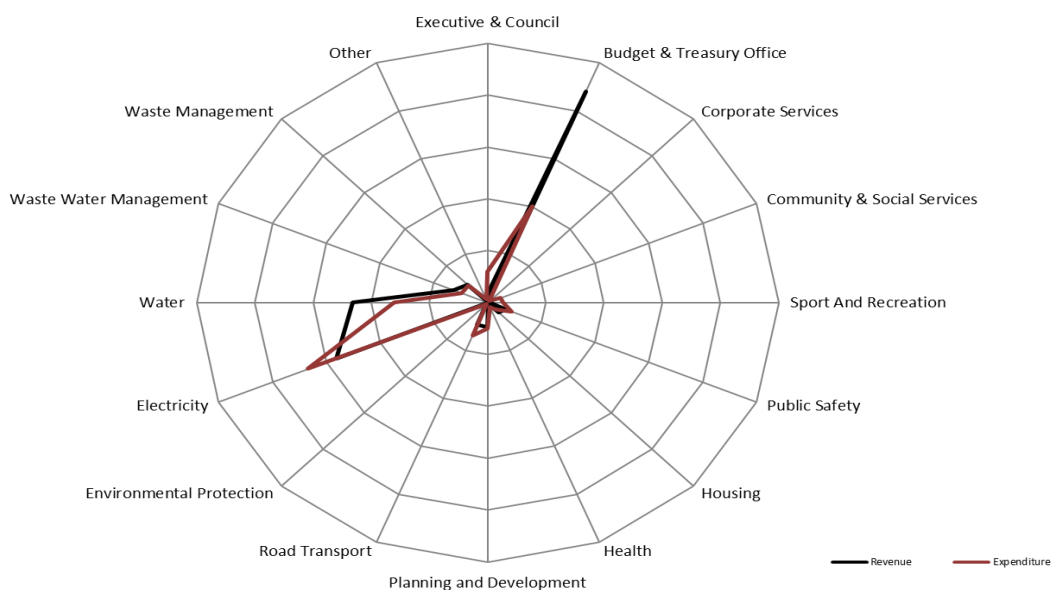
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**Category C operating revenue and expenditure
by standard classification, 2025/26**



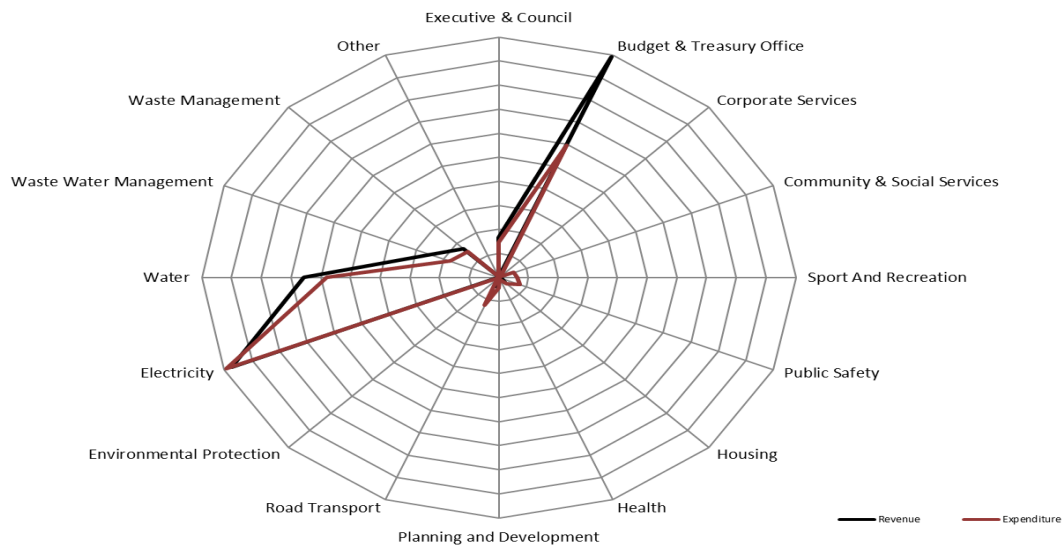
**Eastern Cape operating revenue and expenditure
by standard classification, 2025/26**



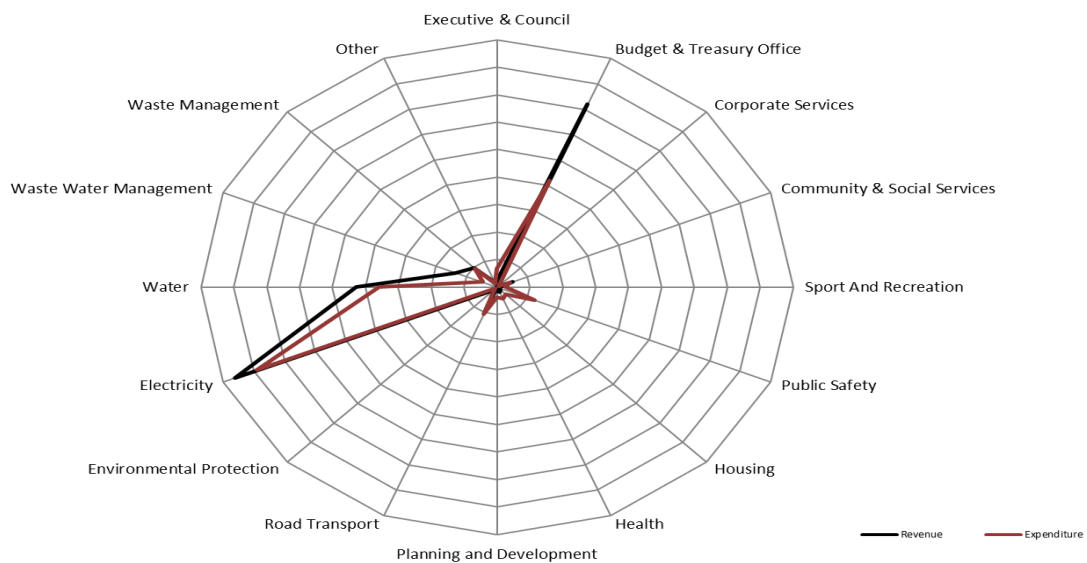


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**Free State operating revenue and expenditure
by standard classification, 2025/26**



**Gauteng operating revenue and expenditure
by standard classification, 2025/26**





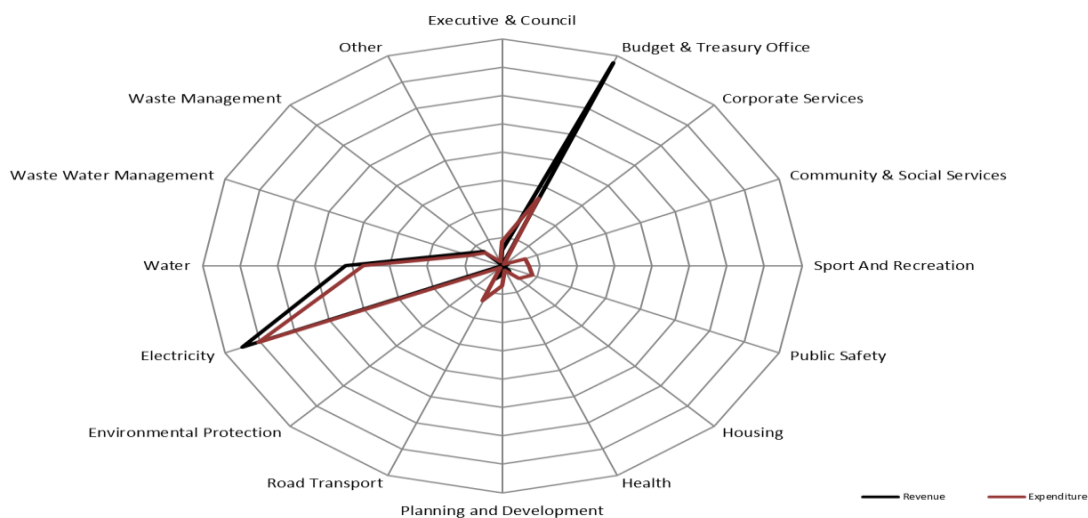
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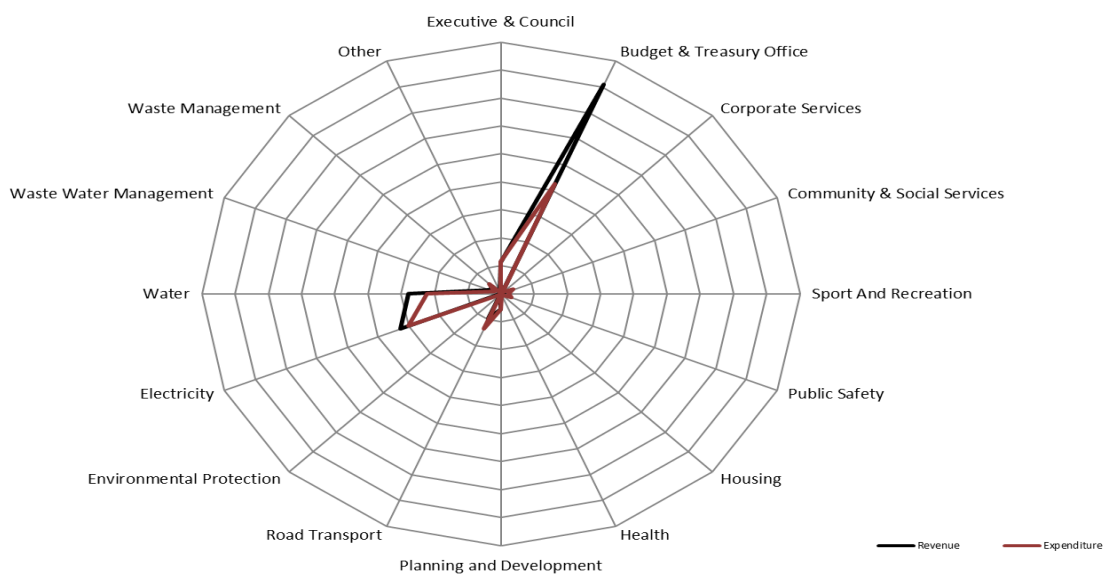
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**KwaZulu-Natal operating revenue and expenditure
by standard classification, 2025/26**



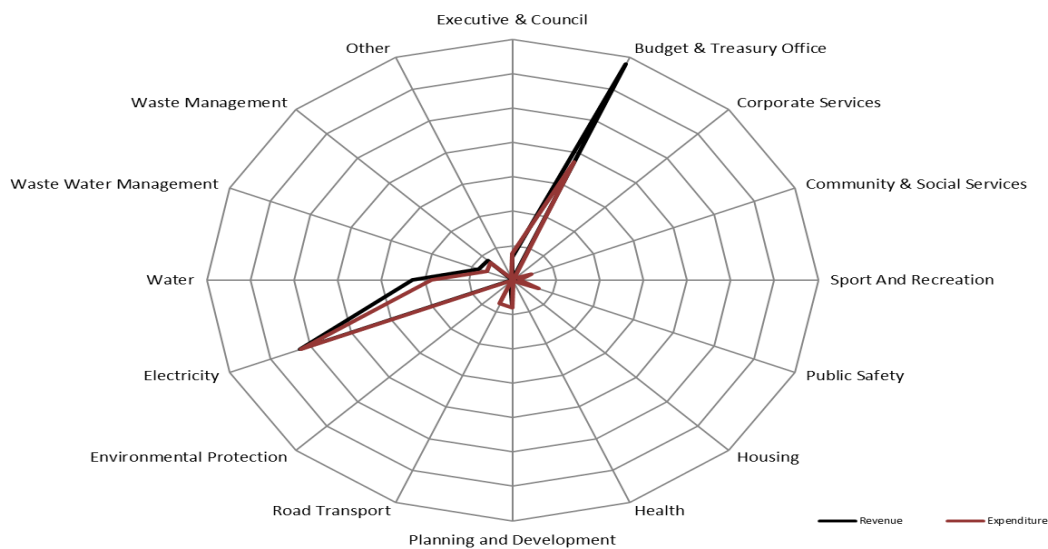
**Limpopo operating revenue and expenditure
by standard classification, 2025/26**



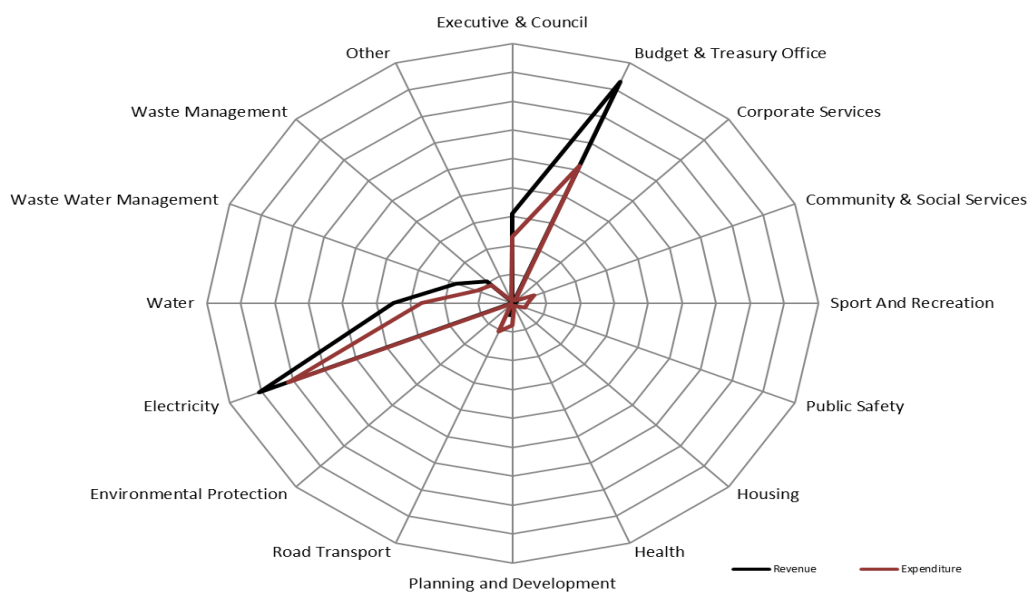


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**Mpumalanga operating revenue and expenditure
by standard classification, 2025/26**



**Northern Cape operating revenue and expenditure
by standard classification, 2025/26**





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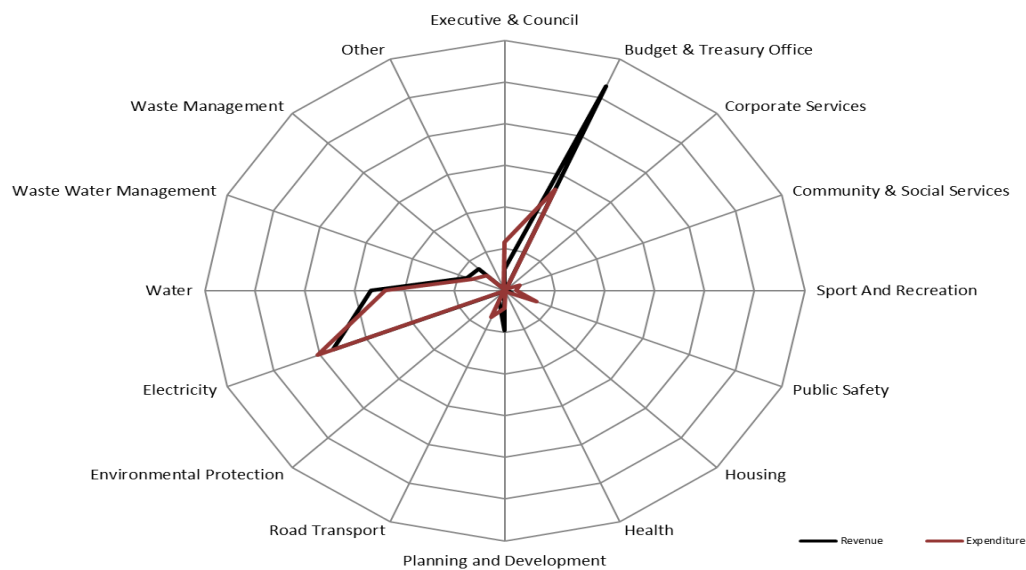
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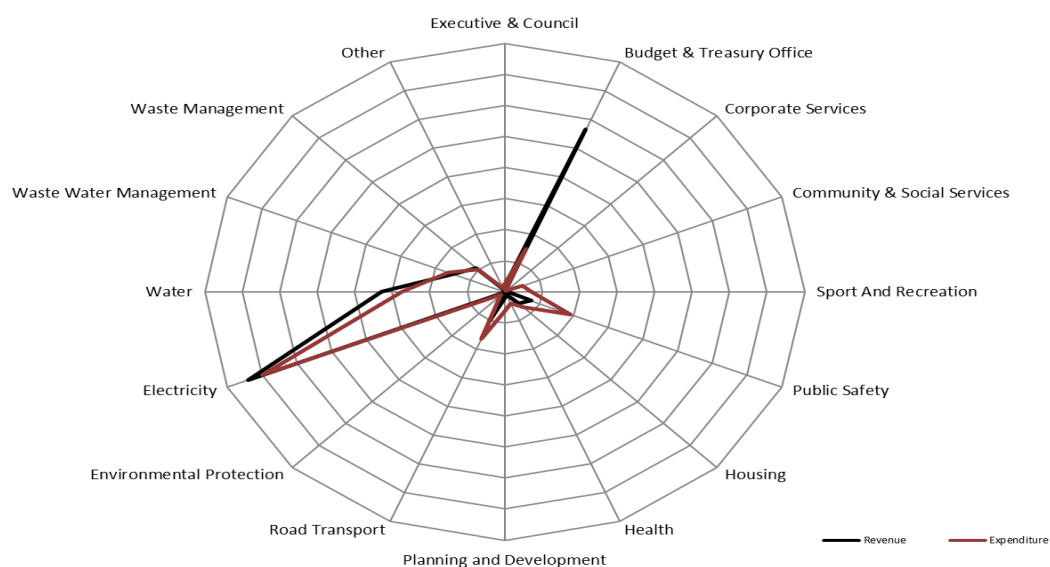
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**North West operating revenue and expenditure
by standard classification, 2025/26**



**Western Cape operating revenue and expenditure
by standard classification, 2025/26**



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