



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

LOCAL GOVERNMENT REVENUE AND EXPENDITURE: FOURTH QUARTER LOCAL GOVERNMENT SECTION 71 REPORT FOR THE PERIOD: 1 JULY 2024 – 30 JUNE 2025 (PRELIMINARY RESULTS)

National Treasury has published a report on local government revenue and expenditure for the fourth quarter of the 2024/25 financial year. This report covers the performance against the adjusted budgets of local government for the fourth quarter of the municipal financial year ending on 30 June 2025 and includes spending against conditional grant allocations for the same period. In addition, National Treasury in its fourth quarter publication, included the non-financial performance of MFMA Circular No. 88 Metro Indicators for the fourth quarter of 2024/25 financial year.

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

KEY TRENDS:

Aggregate trends

1. As at 30 June 2025, aggregate spending by municipalities was 89.8 per cent or R597.2 billion of the total adjusted expenditure budget of R665.5 billion. Aggregated billing and other revenue was 93 per cent or R617.3 billion of the total adjusted revenue budget of R663.5 billion.
2. Capital expenditure was R52.1 billion or 65.2 per cent of the adjusted capital budget of R79.9 billion.
3. The adjusted operating expenditure budget was R585.5 billion, of which R545.1 billion or 93.1 per cent) was spent by 30 June 2025.
4. Municipalities adjusted their salaries and wages (including remuneration of Councilors) budget from R162.6 billion in the adopted budget to R161.2 billion in the adjusted budget for the 2024/25 financial year, representing a R1.4 billion or a 0.9 per cent decrease (refer to Table 1d). The budget for salaries



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and wages constitutes 27.4 per cent of the total adjusted operating expenditure budget of R161.2 billion. As at 30 June 2025, R152.4 billion or 94.5 per cent of the adjusted salary budget was spent.

5. A total of 49 municipalities reported negative cash positions in this quarter compared to 42 in the third quarter of the 2024/25 financial year.
6. Aggregate municipal consumer debts amounted to R427.7 billion (compared to R339.9 billion reported in the fourth quarter of 2023/24) as at 30 June 2025. A total amount of R11.8 billion or 2.8 per cent has been written off as bad debt. The largest component of this debt relates to households and represents 71.9 per cent or R307.5 billion (72.8 per cent or R247.4 billion in the fourth quarter of the 2023/24 financial year).
7. The government debt accounts for 5.8 per cent or R24.7 billion (R18.6 billion reported in the fourth quarter of 2023/24) of the total outstanding debtors.
8. Included in the outstanding debt is an amount of R376.1 billion or 87.9 per cent, which is debt older than 90 days (historic debt that has accumulated over an extended period), interest on arrears and other recoveries which may not be realistically collectable by municipalities.
9. Total outstanding creditors owed by municipalities as at 30 June 2025 amount to R156.1 billion (R116.5 billion reported in 2023/24 in the same period) of which R113.6 billion or 72.8 per cent has been outstanding for more than 90 days. Provinces with the highest percentage of outstanding municipal creditors in the category greater than 90 days include Free State at 93.5 per cent, Northern Cape at 87.8 per cent, Mpumalanga at 86.8 per cent, and North West at 81.9 per cent. An increase in outstanding creditors could be an indication that municipalities are experiencing liquidity and cash flow challenges and consequently are delaying the settlement of outstanding debt owed.
10. Analysis of the collection rates indicates that while municipalities have on average had an adjusted budget informed by 94.8 per cent collection rate, the aggregated actual collection performance against billed revenue is only 72.9 per cent. The metros budgeted (adjusted budget) for a 102.7 per cent collection rate and collected only 71.1 per cent. The secondary cities budgeted billing was 86.5 per cent and the actual collection was 72.8 per cent.

Over- and underspending

11. A net underperformance against the budgeted revenue was R46.2 billion in the 2024/25 financial year. This indicates that municipalities could not bill and generate the revenue that they budgeted for, therefore, resulting in less funding available to cover the budgeted expenditure. Consequently,



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municipalities underperformed against the budgeted expenditure to align with the revenue generated and reduce the deficit.

12. In aggregate municipalities' underspending of the total expenditure budget was R86.5 billion or 13 per cent of their total adjusted budget. A net total underspending of R68.2 billion of municipalities' total adjusted expenditure budgets was reported. The over- and underspending against the 2024/25 adjustments budget can be summarised as follows:

Over and under spending of budget for 2023/24 to 2024/25

R thousands	2023/24					2024/25				
	(Over)	%	Under	%	Net	(Over)	%	Under	%	Net
Total	(13 866 174)	(2.3%)	63 610 469	10.4%	49 744 294	(18 260 381)	(2.7%)	86 465 875	13.0%	68 205 494
Capital	(3 313 016)	(4.4%)	18 585 349	24.5%	15 272 333	(2 622 127)	(3.3%)	30 437 186	38.1%	27 815 059
Operating	(17 074 589)	(3.2%)	51 546 550	9.6%	34 471 962	(17 955 417)	(3.1%)	58 345 852	10.0%	40 390 435

- Aggregate overspending of the adjusted operating budget – R18 billion or 3.1 per cent;
- Aggregate underspending of the adjusted operating budget – R58.3 billion or 10 per cent;
- Aggregate overspending of the adjusted capital budget – R2.6 billion or 3.3 per cent; and
- Aggregate underspending of the adjusted capital budget – R30.4 billion or 38.1 per cent.

13. Note that the aggregation of the capital and operating budgets into the total budget will result in a different outcome compared to analysing them separately.
14. The biggest contributors to overspending on the conditional grants were Free State, Western Cape, and Mpumalanga provinces with 14.1 per cent, 12.5 per cent, and 10.6 per cent, respectively.

Non-financial information in terms of the MFMA Circular 88

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



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Conditional Grants

16. As at 30 June 2025, municipalities were allocated R43.2 billion for direct conditional grants, of which R42 billion has been transferred. An amount of R1.2 billion was not transferred to municipalities due to uncommitted funds being returned to the National Revenue Fund (NRF). This amount excludes the Equitable Share allocation, which is unconditional, Urban Settlements Development Grant (USDG) as a supplementary capital allocation to metropolitan municipalities, as well as indirect grants. National Transferring Officers (NTOs) reported spending of R36.1 billion, or 83.6 per cent, while municipalities reported spending of R28.6 billion, or 66.1 per cent, of the total allocation.
17. There are several factors that contributed to the overall underspending of the conditional grants by municipalities during the 2024/25 financial year. Some of these factors include late submissions of business and implementation plans, which hindered timely implementation, while persistent Supply Chain Management (SCM) challenges disrupted procurement processes. These issues not only affected the grant performance in the fourth quarter but also led to reduced allocations for many municipalities during the adjustments budget process as un-committed funds and were reallocated to better-performing municipalities. The impact of these challenges highlights the need for stronger municipal planning, more efficient SCM systems, and stricter enforcement of procurement regulations to prevent similar underspending in future, as well as strong technical departments to hold service providers and contractors accountable for the delivery of projects within time and budget.
18. The fourth quarter infrastructure grants performance presents a varied picture, with R34.4 billion or 84.1 per cent expended from the R41.0 billion allocation in direct conditional grants. While showing moderate progress, significant disparities between better-performing grants and those facing implementation challenges. When compared to the previous quarter, this demonstrates moderate progress, the performance varies considerably across different grants, with some showing effective implementation and others lagging behind.
19. The underperformance over the years has created shortfalls across infrastructure development, capacity-building, and other conditional grants as these grants serve a dual purpose-they directly improve essential services like water, sanitation, roads, and electricity, while simultaneously promoting socio-economic growth through infrastructure development.
20. Capacity grants are intended to assist municipalities in the development of their management, planning, technical, budgeting, and financial management capabilities, whilst the immediate disaster grant is meant to assist municipalities in responding to a declared disaster and mitigating its impact. As at the end of the fourth quarter, an amount of R2.3 billion was transferred for capacity grants and



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expenditure of 64.3 per cent was reported by municipalities. This expenditure includes the Municipal Disaster Response Grant (MDRG) which was allocated an amount of R378.4 million during the financial year and disbursed to address disasters declared in 6 provinces, namely: Eastern Cape, Free State, KwaZulu-Natal, Mpumalanga, Northern Cape, and Western Cape.

21. A summary of key aggregated information is included in the tables in **Annexure A**.

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

NOTE TO EDITORS:

- This information is published in terms of Sections 71 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), and 30(3) of the Division of Revenue Act, 2024 (Act No. 24 of 2024) (DoRA). The budgeted figures shown are based on the 2024/25 adjusted budgets approved by municipal councils.
- In terms of the process, Municipal Managers and Chief Financial Officers were required to sign and submit data to the National Treasury by 01 August 2025. Any queries on the figures in these statements should be referred to the relevant Municipal Manager or Chief Financial Officer. Queries on conditional grants may be referred to the national department responsible for administering the grant.
- A municipal budget must be funded in terms of Section 18 of the MFMA before a Municipal Council can adopt it for implementation. A funded budget is essentially a budget that is funded by a combination of cash derived either from realistically anticipated revenues to be collected in that year, or from cash backed surpluses of previous years. When preparing their annual budgets, it is common amongst most municipalities to overstate or inflate revenue projections, either to reflect a surplus, or on the surface to show that excess expenditure requirements are adequately covered by revenues to be collected. Therefore, the revenue estimates are seldom underpinned by realistic or realisable revenue assumptions resulting in municipalities not being able to collect this revenue, resulting in difficulties in cash flow. Should such situations arise, municipalities must adjust expenditures downwards to ensure that there is sufficient cash to meet these commitments.
- This fourth quarter publication covers 257 municipalities on financial information and conditional grant information.

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STRUCTURE OF INFORMATION RELEASED:

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

- Municipal Budget Statements:
 - a. Cash Flow closing balances as at 30 June 2025;
 - b. Over- and under collection of revenue against the adjusted revenue budget 2024/25 for the following dimensions:
 - i. Total municipal budgets;
 - ii. Operating budgets;
 - iii. Capital budgets;
 - c. Over- and underspending of adjusted expenditure budget 2024/25 for the following dimensions:
 - i. Total municipal budgets;
 - ii. Operating budgets;
 - iii. Capital budgets;
 - d. High-level summary of revenue for 257 municipalities;
 - e. High-level summary of expenditure for 257 municipalities.
- Summary of revenue and expenditure per function (electricity, water, etc):
 - a. High level summary of revenue per function; and
 - b. High level summary of expenditure per function.
- Consolidation of revenue and expenditure numbers for each municipality in one file.
- Detail per province per municipality.
- Summary of Conditional Grant (CG) Information for all municipalities and per grant.
- CG – Detail per province per Municipality.
- Summary of Conditional Grant (CG) information per programme.
- Section 71 summary information for the third quarter:
 - a. Summary of total monthly operating expenditure – 257 municipalities;
 - b. Summary of total monthly operating revenue – 257 municipalities;
 - c. Summary of total monthly capital expenditure – 257 municipalities;
 - d. Summary of total monthly capital revenue – 257 municipalities;
 - e. Summary – Metros;
 - f. Conditional Grant summary – Metros;
 - g. Summary – Top 19 municipalities;
 - h. Conditional Grant summary – Top 19 municipalities;
 - i. Summary – Provinces;
 - j. Conditional Grant summary – Provinces;
 - k. Analysis of Sources of Revenue – 257 municipalities;
 - l. Listing of borrowing instruments – 647 reported by 241 municipalities;



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- m. Listing of investment instruments – 2 636 reported by 232 municipalities;
- n. Monthly repairs and maintenance expenditure – 257 municipalities.
- Service delivery information (non-financial performance) for all municipalities:
 - a. 4th Quarter MFMA Circular No. 88 non-financial performance indicators for Metros.
- MFMA Section 138 and 140 triggers for determining serious financial problems and for determining persistent breach of financial commitments.
- Non-Compliance:
 - a. List municipalities not complying with Section 71 of the MFMA.

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