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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Fiscal brief

2026/27 Financial year analysis (April - September 2026)

November 2026

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1. Purpose

The Fiscal Brief aims to provide Members of Parliament (MPs) with an update on the implementation of the 2026 national, provincial and 2025 municipal budgets. This brief draws on information from the Public Finance Management Act (PFMA) section 32 reports for national and provincial departments released on 30 October 2026. The section 32 reports provide an overview of expenditure on the first six months of the 2026/27 financial year. The brief also draws on information from the Municipal Finance Management Act (MFMA) Section 71 reports released on 30 September 2026. The section 71 reports provide the preliminary outcomes for the full 2024/25 financial year.

2. National revenue and expenditure

The services provided by the national government are: Central Government Administration, Justice and Protection Services, Financial and Administration Services, Economic Services and Infrastructure Development and Social Services.

This section reports on the progress made with the implementation of the 2025/26 budget estimates. Both expenditure and revenue are discussed.

2.1 Revenue overview

The 2026 Budget Review estimated consolidated budget revenue for 2026/27 at R2 345.4 billion. This is R254.4 billion higher than the R2 091.0 billion for 2026/27 projected in the 2025 Medium Term Budget Statement (MTBPS). Main budget revenue was estimated at R2 082.0 billion. As at 30 September 2026, government had collected R988.4 billion (47.5%) of the main budget revenue.

Gross tax revenue constituted 90.7 per cent of consolidated budget revenue and was estimated at R2 127.0 billion. As at 30 September 2026, the South African Revenue Service (SARS) had collected R992.2 billion (46.6%) in taxes. In the 2026 MTBPS, the gross tax revenue estimate is revised upwards by R17.1 billion.

Table 1 shows tax revenue collection for the first six months of the financial year against the 2026 Budget estimates. Total revenue collected year to date is 46.6 per cent, the same as in the same period in 2025.

Table 1: Tax revenue, collection against budget, April - September 2026

	2026 BR Estimates		Actual collection as a % of targeted: Apr-Sep 26		
	R billion	Y-on-Y % change	R billion	YTD Collection rate (%)	Y-on-Y % change
Personal Income Tax	844.8	6.9	389.9	46.2	7.2
Value Added Tax	521.4	4.2	249.9	47.9	9.1
Corporate Income Tax	364.3	5.5	190.7	52.4	19.7
Fuel Levy	104.9	10.2	26.1	24.9	-44.8
Custom Duties	75.7	5.2	34.6	45.7	11.2
Specific Excise Duties	65.5	6.2	26.3	40.1	6.8
Skills Dev Levy	27.7	6.5	13.2	47.7	5.6
Ad-valorem	8.1	1.2	4.0	49.1	8.5
Other	114.6	3.5	57.6	50.2	7.4
Gross Tax Revenue	**2127.0**	**5.8**	**992.2**	**46.6**	**7.3**

Source: National Treasury 2026

Personal Income Tax (PIT) is the largest contributor to tax revenue, with collections amounting to R389.9 billion, reflecting a 7.2 per cent increase from the prior year. In the 2026 MTBPS, the total collection for PIT in 2026/27 has been revised upward from R844.8 billion to R846.4 billion, an increase of R1.5 billion. According to the government, PIT collections have been largely driven by salary increases, despite lower employment.

Corporate Income Tax (CIT) collections amount to R190.7 billion, or a 19.7 per cent year-on-year increase compared to the same period in the previous financial year. CIT is expected to perform better than anticipated in the 2026 Budget. This source of revenue has been revised upwards from R364.3 billion to R398.5 billion in the 2026 MTBPS. Government states that the upward revision is due to higher collections of provisional corporate tax, particularly in the mining sector.

VAT collections as at 30 September 2026 were R249.9 billion against Budget-estimated collections of R521.4 billion. This collection rate is 9.1 per cent more than in the same period in the previous financial year. VAT collections are also expected to be higher than estimated in the 2026 Budget, and the estimate has been revised upwards by R12.6 billion to R533.9 billion for 2026/27. Government attributes the higher projection to resilient household consumption.

The geopolitical conflict in the Strait of Hormuz has significantly impacted fuel levy collection. In the 2026 budget, the Minister of Finance announced an increase to the general fuel levy by less than inflation to R4.10/litre for

petrol and R3.93/litre for diesel. At the time, the fuel prices remained subdued. However, after the budget was tabled, the war in Iran and the broader geopolitical conflict drove the steepest monthly increase in South Africa since the current Consumer Price Index (CPI) series started in 2008. Fuel levy collection in the first six months of 2026/27 has been R26.1 billion, which is a quarter (24.9%) of the 2026 Budget estimate. In the 2026 MTBPS, the fuel levy estimate has been revised downward from R104.9 billion to R74.0 billion.

Customs duties and specific excise duties collections were R34.6 billion and R40.1 billion at mid-year, representing year-on-year growth of 11.2 per cent and 6.8 per cent, respectively. Ad valorem collections increased by 8.5 per cent year on year to R4.0 billion, up from R3.7 billion in the previous year.

2.2 Expenditure overview

In the 2026 Budget Review, the consolidated budget expenditure was estimated at R2 669.7 billion for 2026/27.

Table 2 shows that total consolidated expenditure by the end of September 2026 was R1 199.3 billion (50.7%) against the 2026 Budget, compared to R1 139.5.4 billion (48.6%) over the same period in the previous financial year.

Table 2: Consolidated government expenditure, April – September 2026

	R billion	Budget estimates	Actual Expenditure, April - Sep	% of total
2026/27	Appropriation by vote	1214.1	615.8	50.7
	Direct charges against NRF	1162.8	583.5	50.2
	Provisional allocations not appropriated	1.3	-	-
	Consolidated Expenditure	**2383.3**	**1199.3**	**50.3**
2025/26	Appropriation by vote	1190.7	588.3	49.4
	Direct charges against NRF	1140.9	551.2	48.3
	Provisional allocations not appropriated	-	-	-
	Consolidated Expenditure	**2331.7**	**1139.5**	**48.9**

Source: section 32 reports

Table 2 shows that national departments have spent R615.8 billion (50.7% of the total budget) in the first six months of the 2026/27 financial year. This total spending is 1.23 per cent higher than the 49.4 per cent spent over the same period in the previous financial year.

Expenditure on direct charges against the National Revenue Fund (NRF) reached R583.5 billion (50.2% of the budget) by the end of September 2026, up 1.9 per cent from the previous financial year.

Most departments spent around 49.0 per cent of their budgets by mid-year. These spending trends are slightly below the National Treasury's 50 per cent notional benchmark guideline. Table 3 shows departments that had spent more than 60 per cent of their budgets by the end of September 2026.

The Department of Agriculture has spent 69.1 per cent of its total budget during the first six months of the financial year. It is important to note that a significant portion, approximately 56.9 per cent (R4.46 billion), of the Vote's allocation goes to transfers and subsidies, primarily conditional grants to provinces and transfers to entities like the Land Bank.

The Department of Higher Education had spent 68.6 per cent of its budget after six months. This budget is also overwhelmingly composed of transfers (90.4%).

The Department of Communications and Digital Technologies spent 60.8 per cent of its 2026/27 budget. The bulk of the Department of Communications and Digital Technologies transfers support state-owned and public entities (South African Broadcasting Corporation (SABC), Communications Authority of South Africa (ICASA), South African Post Office (SAPO), Film and Publications Board (FPB). The department has played a critical role in SABC's funding gap for election coverage.

The Department of Mineral and Petroleum Resources had spent 60.9 per cent. When tabling the department's budget in May 2026, Minister Gwede Mantashe said the budget would be used as a strategic response to geopolitical instability, particularly the Middle East conflict destabilising global energy supply chains.

Table 3: Faster spending on national departments, April – September 2026

Vote R(billion)	Budget estimates	Exp (April - Sep)	% of total
Agriculture	7.8	5.4	69.1
Higher education	121.6	83.4	68.6
Home Affairs	13.8	9.4	68.3
Communications and Digital Technologies	2.5	1.5	60.8
Mineral and Petroleum Resources	2.9	1.7	60.9

Source: section 32 reports

Table 4 shows departments that have spent less than 40 per cent of their estimated budgets for the 2025/26 financial year. The Department of Traditional Affairs had spent the least (28.3%) of its budget after six months. For the previous financial year (2025/26), the department spent R193.0 million of its R195.5 million budget, representing a spending rate of approximately 98.7 per cent. The slight underspending was attributed to vacant funded positions that were not filled during the year, which may be a persistent issue and could partially explain the slower spending. Another reason could be slow progress on the additional funds allocated in the 2026 Budget to strengthen

the compliance of traditional leadership institutions to promote safety and dignity in customary practices. The National Treasury reported slow spending at 34.1 per cent. The Department received a significant increase of 35.7 per cent compared to its 2025/26 adjusted budget of R27.9 billion, which could explain the slower spending.

The Small Business and Development and Land Reform and Rural Development departments spent 37.5 per cent of their budgets.

Table 4: Slower spending on national departments, April – September 2026

R million	Budget estimates	Exp (April - Aug)	% of total
Traditional Affairs	342.8	97.1	28.3
National Treasury	37952.2	12957.6	34.1
Small Business Development	3036.5	1137.6	37.5
Land Reform and Rural Development	10355.2	3888.0	37.5

Source: section 32 reports

Table 5 shows departments with notable changes in expenditure trends between the 2025/26 and 2026/27 financial years.

Table 5: Notable changes in departmental expenditure rates, April – September 2025 versus 2026

Department	% Spent 2025/26	% Spent 2026/27	Trend
Employment and Labour	62.6	41.5	↓
Land Reform and Rural Development	56.5	37.5	↓
Traditional Affairs	47.5	28.3	↓
Agriculture	33.5	69.1	↑
Communications and Digital Technologies	36.7	60.8	↑
Home affairs	48.3	68.3	↑

Source: section 32 reports

The departments of Employment and Labour, Land Reform and Rural Development, and Traditional Affairs showed slower spending than in the previous financial year. Agriculture, Communications and Digital Technologies, and Home Affairs showed improved spending against the previous financial year.

Table 6 shows departments' expenditure by economic classification. Year on year, the total budget allocation by economic classification increased by 2.0 per cent. Expenditure increased by 4.7 per cent year on year.

Table 6: Departments' expenditure by economic classification, April – September 2026

	2026 Budget Estimates		Exp against target: Apr-Sep 26		
	R billion	Y-on-Y % change	R billion	YTD Exp (%)	Y-on-Y % change
Current payments	309.5	2.9	149.4	48.3	1.1
Transfers and subsidies	884.6	3.0	458.6	51.8	7.1
Capital assets	15.7	-22.1	6.7	42.6	-85.9
Financial assets	4.3	-58.9	1.0	23.9	27.5
TOTAL	**1214.1**	**2.0**	**615.8**	**50.7**	**4.7**

Source: section 32 reports

Total year-to-date expenditure was 50.7 per cent, with financial assets showing slower spending at 23.9 per cent. Spending on capital assets year-on-year declined by 85.9 per cent. This reflects a significant reduction in the allocation from R20.1 billion in 2025/26 to R15.7 billion in 2026/27. The capital assets category tracks government spending on physical and intangible long-term assets (such as infrastructure, buildings, machinery, and equipment), and the numbers remain concerning given the scale of development needs in South Africa.

2.4 National government analysis summary

At the end of September 2026, 46.6 per cent of the estimated tax revenue for 2026/27 had been collected. In the 2026 MTBPS, the gross tax revenue estimate is revised upwards by R17.1 billion. Higher-than-expected collections added R58.6 billion to the estimate, driven mainly by collections from companies (R34.2 billion) and VAT (R12.6 billion). These higher-than-projected collections are offset by lower estimates for the fuel levy (R30.9 billion) and other taxes (R10.6 billion). A sustained fuel price shock will depress fuel levy collections even further.

High fuel prices suppress activity and erode the tax base by squeezing household spending and company profits, weighing on VAT, corporate and personal income tax. The net effect on full-year revenue must be considered.

Total consolidated expenditure by the end of September 2025 was R1 199.3 billion (50.7%) against the 2026 Budget. This aligns with the Treasury's notional benchmark of 50 per cent. However, most national departments spent slightly below the benchmark (49.0%). The 2026 MTBPS revised consolidated expenditure upward to R2 716.9 billion for 2026/27.

3. Provincial expenditure

The provincial government plays an important role in providing basic education, health services, roads, housing, and social development. Provincial treasuries play an important role in implementing public financial management in a decentralised fiscal context, as set out in the Public Finance Management Act, 1999 (Act no. 1 of 1999). Like the previous edition, this section analyses expenditure outcomes against the budget at provincial level for the first six months of the 2026/27 financial year.

3.1 Provincial receipts

The provincial sphere of government depends on transfers from the national government in the form of the Provincial Equitable Share (PES) and conditional grants. The PES is an unconditional transfer to provinces and constitutes their main source of revenue. Provinces also receive conditional grants to help them fulfil their mandates. Transfers to provinces account for over 96.7 per cent of provincial revenue.

Table 7 shows that provinces received R426.0 billion, or 50.9 per cent of estimated receipts, by the end of September 2026, the same rate as in 2025/26 (R404.1 billion). In terms of own receipts, the provinces collected R14.2 billion, or 52.0 per cent of their estimated budget on aggregate, compared with R13.4 billion, or 51.2 per cent, in the previous financial year.

Table 7: Provincial receipts, April – September 2026

Receipts (R billion)	Main budget	Actual	% of budget	2025 %
Equitable Share	670.3	335.4	50.0	50.0
Conditional Grants	140.0	76.4	54.6	55.1
Transfers from NRF	**810.3**	**411.9**	**50.8**	**50.9**
Tax Receipts	20.2	9.7	48.3	47.5
Sales of Goods and Services other than Capital Assets	4.0	2.0	49.8	44.9
Transfers Received	0.03	0.03	96.9	68.9
Fines, Penalties and Forfeits	0.6	0.3	49.7	55.3
Interest, Dividends and Rent on land	2.2	1.8	84.3	81.5
Sale of Capital Assets	0.09	0.04	47.1	144.6
Financial Transactions in Assets and Liabilities	0.3	0.3	103.7	123.2
Provincial Own Receipts	**27.3**	**14.2**	**52.0**	**51.2**
TOTAL: RECEIPTS	**837.6**	**426.0**	**50.9**	**50.9**

Source: Section 32 reports

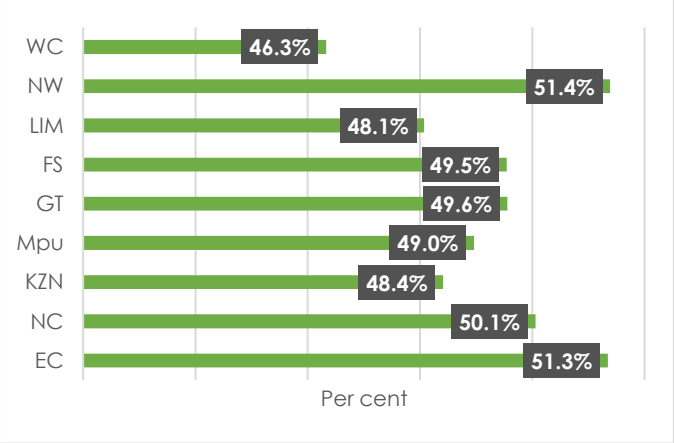
A higher proportion of estimated conditional grant funding were transferred than the share of the estimated equitable share transfer, at R76.4 billion, or 54.6 per cent of the annual allocation of R140.0 billion. The transfer of conditional grants is slightly lower than the 55.1 per cent a year earlier. Provinces project own receipts of R28.6 billion for the year, R1.4 billion, or 5.0 per cent, above budget.

Own receipts collection varies across provinces. Gauteng, which accounts for 30.4 per cent of the provincial own receipts budget, had collected R3.6 billion or 44.1 per cent of its R8.3 billion budget, the lowest rate, while Free State (71.6 per cent), Mpumalanga (64.6 per cent) and Limpopo (57.0 per cent) were well ahead of the guideline. Tax receipts stood at 48.3 per cent and fines, penalties and forfeits at 49.7 per cent.

3.2 Provincial expenditure

Figure 1 shows the expenditure status by province. On average, provinces had spent R413.8 billion, or 49.1 per cent of their budgets, by the end of September 2026, compared with R399.2 billion, or 50.0 per cent, at the same point in 2025. Nominal spending was R14.6 billion or 3.7 per cent higher, while the main budget grew by 5.5 per cent.

Figure 1: Expenditure by province (%), April – September 2026



Source: Section 32 reports

Relative to other provinces, North West (51.4%), Eastern Cape (51.3%) and Northern Cape (50.1%) had the highest expenditure rates, while Western Cape (46.3%), Limpopo (48.1%) and KwaZulu-Natal (48.4%) had the lowest expenditure rates.

Table 8 shows the total provincial expenditure by economic classification. Total provincial expenditure for the 2026/27 financial year amounts to R842.5 billion.

Table 8: Provincial expenditure by economic classification, April – September 2026

Economic class (R billion)	Main budget	Actual Apr – Sept	% spent	2025 %
Current payments	**701.1**	**343.9**	**49.0**	**49.9**
COE	527.8	258.6	49.0	49.4
Goods and Services	173.3	85.3	49.2	51.3
Interest & rent on land	0.05	0.04	94.1	877.5
Transfers and subsidies	**96.8**	**52.1**	**53.8**	**53.4**
Capital assets	**44.2**	**17.8**	**40.3**	**44.0**
Financial assets	0.4	0.02	6.2	97.5
TOTAL	**842.5**	**413.8**	**49.1**	**49.9**

Source: Section 32 reports

Current payments account for 83.2 per cent of provincial budgets, with R343.9 billion, or 49.0 per cent, spent mainly on compensation of employees and goods and services. Compensation of employees was R258.6 billion, or 49.0 per cent of the budget, compared with 49.4 per cent in 2025,

and accounts for 62.5 per cent of total payments. Goods and services spending was R85.3 billion, or 49.2 per cent of the budget, down from 51.3 per cent a year earlier.

Provinces project total payments of R859.6 billion for 2026/27, which is R17.1 billion or 2.0 per cent above the main appropriation. Goods and services (R10.7 billion or 6.2 per cent above budget), health (R7.2 billion) and public works, transport and safety (R5.0 billion) account for most of the projected overspending. By province, the largest projected overspends are in Gauteng (R7.2 billion or 4.0 per cent) and North West (R3.2 billion or 5.5 per cent).

Table 9 shows overall provincial payments for capital assets. Provinces had spent R17.8 billion or 40.3 per cent of their estimated capital assets budget by the end of September 2026, compared with R18.9 billion or 44.0 per cent a year earlier. Nominal capital spending declined by R1.1 billion or 5.6 per cent. Capital spending was lowest in Western Cape (32.1 per cent), Northern Cape (36.1 per cent) and North West (38.2 per cent) and highest in Limpopo (46.3 per cent), Free State (45.9 per cent) and KwaZulu-Natal (45.0 per cent).

Table 9: Provincial payment for capital assets, April – September 2026

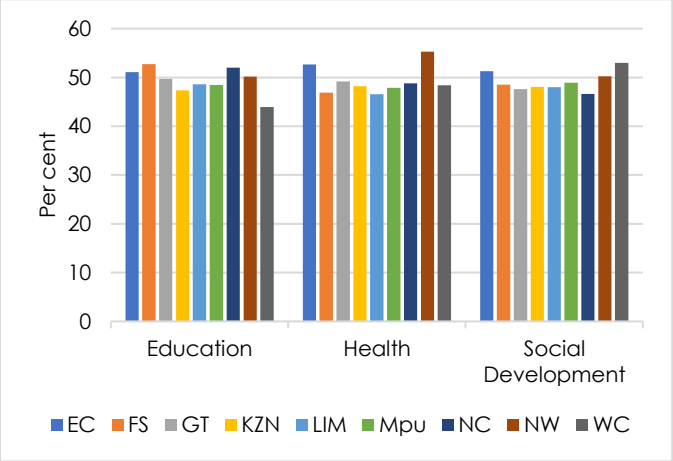
Items (R billion)	Main budget	Actual Apr – Sept	% spent	2025 %
Buildings and other fixed structures	34.3	14.8	43.3	45.8
Machinery and equipment	9.5	2.8	29.6	37.4
Land and sub-soil assets	0.2	0.04	23.0	13.1
Software and other intangible assets	0.2	0.1	60.8	48.1
Biological assets	0.01	0.0	0.0	2.8
Heritage assets	0.0	0.0	-	380.3
Total Payments for capital assets	**44.2**	**17.8**	**40.3**	**44.0**

Source: Section 32 reports

The lowest expenditure was on biological assets (0.0%) and land and sub-soil assets (23.0%), followed by machinery and equipment (29.6%, down from 37.4% in 2025). Buildings and other fixed structures, the largest item, were R14.8 billion or 43.3 per cent of the R34.3 billion budget. National Treasury historically cited procurement, project readiness and planning constraints as reasons for slow capital spending.

3.3 Provincial expenditure trends by sector

Figure 2: Provincial expenditure by function (%), April – September 2026



Source: Section 32 reports

Figure 2 shows spending by the three largest functions. In education, Free State (52.7%), Northern Cape (52.0%), Eastern Cape (51.1%) and North West (50.2%) had spent more than 50 per cent of their budgets, while Western Cape (43.9%) and KwaZulu-Natal (47.4%) had the lowest rates. The average across provinces was 48.9 per cent. In health, North West had the highest expenditure (55.3%) followed by Eastern Cape (52.7%), while Limpopo (46.5%) and Free State (46.9%) were the lowest. The average across provinces was 49.2 per cent.

In social development, Western Cape (53.0%), Eastern Cape (51.3%) and North West (50.2%) spent more than 50 per cent, while Northern Cape (46.6%) was the lowest. The average across provinces was 49.2 per cent. Projected health spending is above budget in North West (12.7%), KwaZulu-Natal (4.2%) and Gauteng (2.7%), and projected education spending is above budget in Gauteng (4.9%) and Free State (3.8%).

3.4 Provincial government analysis summary

Provinces have generally spent 49.1 per cent of their budgets by the end of September 2026, slightly below the 50.0 per cent recorded a year earlier. Projected overspending remains a concern. Provinces project payments of R859.6 billion, R17.1 billion or 2.0 per cent above the main appropriation, against projected receipts of R839.0 billion, with the pressure concentrated in goods and services, health, and public works, transport and safety.

On the other hand, provinces had spent only R17.8 billion or 40.3 per cent of their capital assets budget, 3.7 percentage points lower than a year earlier, which leaves R26.4 billion or 59.7 per cent of the capital budget to be spent in the second half of the year.

In the 2026 Adjusted Division of Revenue Bill, the division of revenue allocation to provinces is adjusted upward to R817.6 billion from R810.5 billion.

3. Local government

Local government's mandate is to provide clean drinking water, sanitation, electricity, shelter, waste removal, and roads. Access to these services is a basic human right and an essential component of the right to dignity enshrined in the Constitution and Bill of Rights. According to the 1998 Local Government White Paper, municipalities charge citizens for services to generate revenue. Unlike the provincial section above, this section provides a preliminary outcome of the 2025/26 municipal financial year for revenue and expenditure against the estimated budgets at the local government level. The municipal budget runs from 1 July to 30 June of the following year.

3.1 Municipal revenue 2025/26

Table 10 provides the aggregated municipal revenue performance per province for the 2025/26 financial year. The preliminary year-end position shows that municipalities collected R677.8 billion, representing 94.4 per cent of the adjusted revenue budget of R718.0 billion, compared with R617.3 billion or 93.0 per cent in 2024/25.

Table 10: National aggregated revenue for municipalities 2025/26

Municipality category (R billion)	Adj. budget	Actual	% of adj.	2024/25 %
Category A (Metro)	420.7	415.1	98.7	99.0
Category B (Local)	251.4	221.7	88.2	88.5
Category C (District)	45.9	41.0	89.4	65.7
Total	**718.0**	**677.8**	**94.4**	**93.0**
Province	**Adj. budget**	**Actual**	**% of adj.**	**2024/25 %**
Eastern Cape	66.1	59.3	89.7	89.4
Free State	33.7	28.8	85.6	86.7
Gauteng	246.4	246.2	99.9	100.0
KwaZulu-Natal	124.7	118.1	94.7	95.3
Limpopo	38.9	34.9	89.6	91.3
Mpumalanga	38.2	34.0	89.1	83.7
North West	31.6	25.0	78.9	50.0
Northern Cape	14.0	11.2	79.9	81.9
Western Cape	124.3	120.2	96.7	97.2
Total	**718.0**	**677.8**	**94.4**	**93.0**

Source: Section 71 reports

Gauteng collected 99.9 per cent of its adjusted revenue target of R246.4 billion. Among the metros, City of Johannesburg (107.1 per cent), Tshwane (98.9 per cent), Cape Town (98.5 per cent) and eThekwini (97.6 per cent) collected close to or above target, while Nelson Mandela Bay (86.0 per cent) and Mangaung (90.1 per cent) were lower. Western Cape and KwaZulu-Natal followed with collection rates of 96.7 per cent and 94.7 per cent, respectively.

Eastern Cape (89.7 per cent), Limpopo (89.6 per cent) and Mpumalanga (89.1 per cent) achieved moderate revenue outcomes, and Free State collected 85.6 per cent. Northern Cape (79.9 per cent) and North West (78.9 per cent) recorded the weakest outcomes, although North West improved markedly from 50.0 per cent in 2024/25.

At the functional level, operating revenue reached R613.1 billion or 96.6 per cent of the operating revenue budget. Capital revenue was weaker at R64.7 billion or 77.5 per cent of the adjusted capital budget of R83.5 billion, compared with about 64 per cent in 2024/25. By category, Category A (Metropolitan) municipalities collected 98.7 per cent of adjusted revenue, Category B (Local) 88.2 per cent and Category C (District) 89.4 per cent, compared with 65.7 per cent a year earlier.

3.2 Municipal expenditure 2025/26

Table 11 provides the aggregated municipal expenditure performance per province for the 2025/26 financial year. The preliminary year-end position shows that municipalities collectively spent R652.6 billion, representing 91.3 per cent of the adjusted expenditure budget of R714.7 billion, compared with R597.2 billion or 89.8 per cent in 2024/25.

Table 11: National aggregated expenditure for municipalities 2025/26

Municipality category (R billion)	Adj. budget	Actual	% of adj.	2024/25 %
Category A (Metro)	413.8	391.5	94.6	95.2
Category B (Local)	255.8	221.8	86.7	86.5
Category C (District)	45.1	39.3	87.2	60.3
Total	**714.7**	**652.6**	**91.3**	**89.8**
Province	**Adj. budget**	**Actual**	**% of adj.**	**2024/25 %**
Eastern Cape	67.0	54.3	81.1	82.3
Free State	35.3	29.0	82.1	86.0
Gauteng	240.7	239.3	99.4	101.7
KwaZulu-Natal	122.5	112.3	91.6	88.6
Limpopo	38.6	34.2	88.6	87.8
Mpumalanga	39.0	34.7	88.9	87.2
North West	32.5	25.8	79.5	39.9
Northern Cape	14.5	11.0	75.6	77.2
Western Cape	124.4	112.0	90.0	90.2
Total	**714.7**	**652.6**	**91.3**	**89.8**

Source: Section 71 reports

Gauteng recorded the highest expenditure, spending R239.3 billion, or 99.4 per cent of its adjusted budget. Within the metros, City of Johannesburg spent R100.9 billion against an adjusted budget of R90.1 billion, or 111.9 per cent, while Nelson Mandela Bay spent only 68.0 per cent, with capital spending at 47.7 per cent of its capital budget. KwaZulu-Natal (91.6 per cent) and Western Cape (90.0 per cent) followed. Mpumalanga (88.9 per cent) and Limpopo (88.6 per cent) recorded moderate spending levels, while Free State (82.1 per cent) and Eastern Cape (81.1 per cent) were lower. North West (79.5 per cent) and Northern Cape (75.6 per cent) recorded the weakest expenditure outcomes, with North West up from 39.9 per cent in 2024/25.

From a functional perspective, operating expenditure dominated overall spending, amounting to R587.3 billion or

93.1 per cent of the adjusted operating budget of R630.8 billion, compared with R545.1 billion in 2024/25. In contrast, capital expenditure amounted to R65.3 billion or 77.8 per cent of the adjusted capital allocation of R83.9 billion, which leaves R18.6 billion unspent, compared with R52.1 billion or 65 per cent in 2024/25. Capital spending was lowest in Northern Cape (65.1 per cent), Free State (65.3 per cent) and North West (66.9 per cent), and highest in Limpopo (92.8 per cent) and Western Cape (86.0 per cent). Salaries and wages were R164.9 billion or 95.7 per cent of the R172.2 billion budget.

By governance category, Category A (Metropolitan) municipalities spent 94.6 per cent of their adjusted budgets. Category B (Local) municipalities recorded an execution rate of 86.7 per cent, while Category C (District) municipalities spent 87.2 per cent, compared with 60.3 per cent a year earlier.

In summary, capital expenditure of R65.3 billion or 77.8 per cent of the adjusted capital budget, was R18.6 billion below approved allocations. The 2024/25 comparatives in this section are preliminary outcomes published in the December 2025 brief; audited 2024/25 total expenditure of R615.2 billion is higher than the preliminary R597.2 billion, so read year-on-year comparisons with caution.

3.3 Revenue collection, consumer debt and creditors

Municipalities budgeted for an average collection rate of 72.8 per cent against billed revenue but collected 63.9 per cent, a shortfall of 8.9 percentage points. Consumer debt was R484.5 billion at 30 June 2026, R56.8 billion or 13.3 per cent higher than the R427.7 billion a year earlier as can be seen on Table 12. Households owe R341.3 billion or 70.4 per cent, businesses R107.7 billion or 22.2 per cent and organs of state R26.2 billion or 5.4 per cent, and R427.2 billion or 88.2 per cent has been outstanding for more than 90 days.

Table 12: Municipal consumer debt and creditors, 30 June 2026

Item (R billion)	30 June 2026	% of total
Consumer debt	**484.5**	**100.0**
Households	341.3	70.4
Businesses	107.7	22.2
Organs of state	26.2	5.4
Older than 90 days	427.2	88.2
Creditors	**185.2**	**100.0**
Bulk electricity	99.9	53.9
Trade creditors	43.1	23.3
Bulk water	30.5	16.5
Older than 90 days	142.4	76.9
Bad debt written off	8.2	1.7

Source: Section 71 reports

Creditors were R185.2 billion, that is R29.1 billion or 18.6 per cent higher than the R156.1 billion a year earlier and rose by R37.2 billion in the fourth quarter alone. R142.4 billion or 76.9 per cent is older than 90 days, and bulk electricity accounts for R99.9 billion or 53.9 per cent. Creditors older than 90 days are highest in Free State (R42.6 billion), Mpumalanga (R35.3 billion) and Gauteng (R26.8 billion). Fifty-five municipalities reported negative cash balances in the third quarter of 2025/26. Municipalities wrote off R8.2 billion or 1.7 per cent of consumer debt, compared with R11.8 billion or 2.8 per cent in 2024/25.

National Treasury notes that delays in collecting debtors affect municipal cash flow and in turn delay payments to creditors, and that the rise in outstanding creditors could indicate liquidity and cash challenges. Treasury also notes that municipal revenue projections are commonly overstated, which contributes to cash flow difficulties.

3.4 Conditional grants transferred from national departments

Table 13 summarises the performance of direct conditional grants transferred from national departments to municipalities as at 30 June 2026, covering the full 2025/26 municipal financial year, with 2024/25 recalculated from the same consolidated return on a like-for-like basis. The analysis reflects both the funds transferred to municipalities and the actual expenditure incurred by national departments and municipalities.

The 2026 Division of Revenue Act (DoRA) allocated a total of R46.3 billion in direct conditional grants, of which R43.5 billion, or 94.0 per cent, had been transferred to municipalities by the end of June 2026. Cumulative national departmental expenditure reached R36.8 billion or 79.5 per cent of the total allocation, while municipal expenditure amounted to R33.8 billion or 73.1 per cent, leaving R12.5 billion unspent by municipalities. In 2024/25, national departments reported 83.1 per cent and municipalities 66.1 per cent of a R43.3 billion allocation.

Table 13: Conditional grants transferred from national departments and actual payments made by municipalities, 2025/26 and 2024/25

Grant type / category	2025/26 allocation (R bn)	2025/26 national exp. %	2025/26 municipal exp. %	2024/25 national exp. %	2024/25 municipal exp. %
Direct transfers (total)	**46.3**	**79.5**	**73.1**	**83.1**	**66.1**
Infrastructure (subset of above)	**44.4**	**79.8**	**72.9**	**84.1**	**66.5**
Municipal Infrastructure Grant (MIG)	17.4	94.0	82.1	96.7	71.2
Regional Bulk Infrastructure Grant (RBIG)	3.8	79.7	63.8	65.3	73.8
Water Services Infrastructure Grant (WSIG)	4.2	86.3	71.8	78.7	67.4
Integrated Urban Development Grant (IUDG)	1.3	97.1	92.6	90.4	89.8

Grant type / category	2025/26 allocation (R bn)	2025/26 national exp. %	2025/26 municipal exp. %	2024/25 national exp. %	2024/25 municipal exp. %
Informal Settlements Upgrading Partnership Grant (ISUPG)	4.7	85.2	79.1	84.2	67.5
Public Transport Network Grant (PTNG)	7.5	66.4	56.5	76.1	46.3
Municipal Disaster Recovery Grant	2.2	19.3	34.2	33.8	40.3
Capacity & Others (total)	**1.9**	**70.8**	**78.1**	**64.3**	**58.6**
Indirect transfers (nationally implemented)	7.9	0.0	-	3.3	-

Source: Section 71 reports

Infrastructure grants remain the largest component, accounting for about R44.4 billion of the total direct allocations. Spending under this category reached 79.8 per cent (national) and 72.9 per cent (municipal) of the allocation, with R12.1 billion unspent. The Municipal Infrastructure Grant (MIG), the largest grant at R17.4 billion, recorded municipal spending of 82.1 per cent, up from 71.2 per cent. The Integrated Urban Development Grant (IUDG) recorded 97.1 per cent expenditure by national departments and 92.6 per cent at municipal level, the best among the capital grants. The Informal Settlements Upgrading Partnership Grant (ISUPG) and Water Services Infrastructure Grant (WSIG) recorded municipal expenditure rates of 79.1 per cent and 71.8 per cent, respectively, while the Regional Bulk Infrastructure Grant (RBIG) dropped to 63.8 per cent from 73.8 per cent. The Public Transport Network Grant recorded 56.5 per cent municipal spending, up from 46.3 per cent in 2024/25.

Capacity-building and other smaller grants collectively amounted to R1.9 billion, of which municipalities spent R1.5 billion or 78.1 per cent, up from 58.6 per cent. Within this category, the Expanded Public Works Programme (EPWP) Integrated Grant achieved a 91.7 per cent municipal spending rate, while the Local Government Financial Management Grant (FMG) and Infrastructure Skills Development Grant (ISDG) recorded 79.7 per cent and 83.0 per cent, respectively. Conversely, the Municipal Disaster Recovery Grant (R2.2 billion), which forms part of the infrastructure grants, lagged, with national spending at 19.3 per cent and municipal spending at 34.2 per cent of the allocation, down from 33.8 per cent and 40.3 per cent in 2024/25.

Overall, municipal spending of direct conditional grants (73.1 per cent) was higher than in 2024/25 (66.1 per cent), while national departmental spending (79.5 per cent) was lower (83.1 per cent). No expenditure was reported against indirect (nationally implemented) grants of R7.9 billion in the 2025/26 return, compared with R233 million or 3.3 per cent of R7.1 billion in 2024/25. National Treasury cites late submission of business and implementation plans and persistent supply chain management challenges as the main constraints on municipal grant spending.

3.5 Local government analysis summary

For the 2025/26 financial year, municipalities recorded an adjusted aggregate revenue budget of R718.0 billion, with R677.8 billion or 94.4 per cent collected by 30 June 2026. Operating revenue reached 96.6 per cent of its adjusted budget, while capital revenue reached 77.5 per cent of its adjusted allocation.

The total adjusted municipal expenditure budget amounted to R714.7 billion, against which R652.6 billion or 91.3 per cent was spent by year-end. Operating expenditure reached R587.3 billion or 93.1 per cent of the operating budget, while capital expenditure amounted to R65.3 billion or 77.8 per cent of the adjusted capital budget. In respect of conditional grants, municipalities were allocated R46.3 billion in direct transfers, of which R43.5 billion was transferred and R33.8 billion or 73.1 per cent spent by municipalities, while national transferring departments reported R36.8 billion or 79.5 per cent expenditure.

Collection of 63.9 per cent against a budgeted 72.8 per cent, together with higher consumer debt and creditors and negative cash balances in fifty-five municipalities (section 3.3), points to pressure on municipal revenue and liquidity. Capital expenditure was R18.6 billion below the adjusted capital budget, and R12.5 billion of direct conditional grants remained unspent by municipalities. Strengthening financial management and enforcing consequence management remain critical to ensuring that municipal budgets translate into sustainable service delivery.