Municipal Grants Monitoring and Analysis

Sello Mashaba: Director, *LGBA* | 15 April 2025

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CONDITIONAL GRANTS FORMING PART OF MFMA SECTION 71 REPORTS

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Objective of Presentation

- To inform the public on allocations to Municipalities and their respective performance of the Division of Revenue Act (***DoRA***)
- To understand DoRA's objective
- To determine what types of financial management information would be useful for civil society to interact with and to publicise
- To make aware the importance of public funds, resource allocation transparency and accountability

Why is S71 of MFMA Necessary?

- To publish the performance of credible municipal budgets and conditional grants
- To monitor municipal spending patterns
- To assist with providing information for oversight by various stakeholders
- As SA is a signatory to the Open-Government-Partnership (OGP).

  The aim is to make financial matters more visible to civil society

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OUTLINE OF THIS PRESENTATION

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1. *DoRA* – as a political process and it's legal requirements
2. How funds are allocated between the 3 spheres of government (Division of Revenue and the vertical split)
3. The Local Government Fiscal Framework
4. Local government has very specific service delivery responsibilities
5. Monitoring and Reporting
6. Local Government transfers
7. Expenditure in terms of purpose
8. The payment schedule to municipalities, including the process for withholding transfers
9. Stopping and the re-allocation of Conditional Grants
10. An example of s71 quarterly results
11. Rollover and Unspent Conditional Grant process

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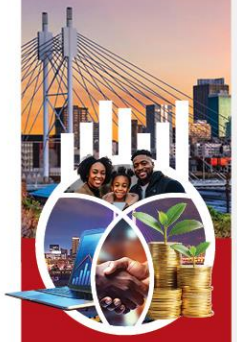
1. DORA – A POLITICAL PROCESS AND LEGAL REQUIREMENTS

The Division of Revenue is determined politically through various consultation structures – and it must take into account:

- **National interest**
- Provision for national debt and other national obligation
- Needs and obligations of national government
- The need to ensure that provinces and municipalities are able to provide basic services and perform functions allocated to them
- **Fiscal capacity and efficiency for organs of state**
- **Developmental needs across sectors**
- The desirability of stable and predictable allocations- of revenue shares
- **Flexibility to respond to emergencies and other temporary needs**



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2. HOW FUNDS ARE ALLOCATED BETWEEN THE 3 SPHERES OF GOVERNMENT

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- The Constitution (s214) requires an annual Division of Revenue Act to allocate funds raised by national government between the three spheres and sets parameters for ensuring the division is **equitable**
- The share of national revenue allocated to each sphere is based on the functions performed by the spheres and as set out in the Constitution:

National Departments

Police and Justice, Higher Education, Social Grants

Fully funded from national revenue

Provincial Departments

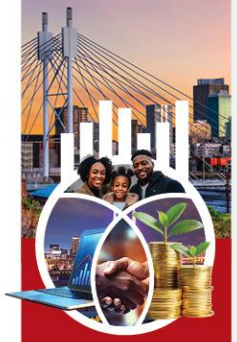
Basic Education, Health, Social Development

Limited other revenue (vehicle and gambling licenses) Mostly funded through transfers from fiscus

Municipalities

Basic services (water, sanitation, electricity, refuse removal)

Substantial other revenue (property rates, service charges). Also receives funding from fiscus



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3. THE LOCAL GOVERNMENT FISCAL FRAMEWORK

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National Transfers DORA 25%

HH in informal Settlement

Poor HH in RDP house

Municipal Own Revenues 75%

Employed HH in RDP House with Improvements

Rates and Charges

Middle to Upper Income HH

Transfers

Direct Transfers

Equitable share, RSC levy replacement grant, Sharing of the General Fuel Levy

National/provincial operating grants

Sources of Capital Funding

National/provincial Infrastructure grants

Indirect Transfers

Municipal Operating Budget

Surplus/cash-backed Reserves

Municipal Capital Budget

Municipal Own Revenues

Operating Revenues

Rates and Taxes

Service Charges

Municipal Borrowing

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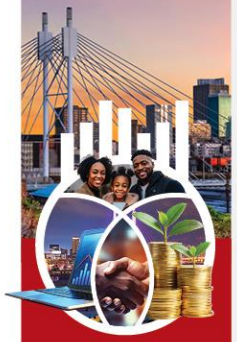

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4. LOCAL GOVERNMENT HAS VERY SPECIFIC SERVICE DELIVERY RESPONSIBILITIES

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Objects of local government

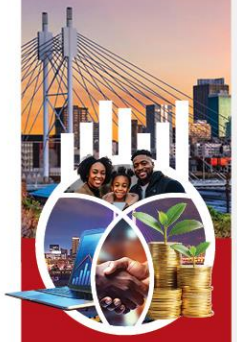
Section 152 of the Constitution

- to provide democratic and accountable government for local communities
- to ensure the provision of services to communities in a sustainable manner
- to promote social and economic development
- to promote a safe and healthy environment
- to encourage the involvement of communities and community organisations in the matters of local government

Developmental Duties of Municipalities

Section 153 of the Constitution

- **A municipality must -**
  - Structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community, and
  - Participate in national and provincial development programmes



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4. LOCAL GOVERNMENT HAS VERY SPECIFIC SERVICE DELIVERY RESPONSIBILITIES – Cont.

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Powers and Functions

The Constitution assigns exclusive and concurrent powers and functions to each sphere government. Provinces and municipalities are responsible for providing education, health, social development, housing, roads, electricity and water, and municipal infrastructure services. They have the autonomy to allocate resources to meet basic needs and respond to provincial and local priorities, while giving effect to national objectives.

Priority Functions of Municipalities

Funds Follow Function Principle

- Water (potable)
- Electricity reticulation
- Sanitation
- Refuse removal
- Cemeteries
- Fire fighting
- Municipal health services
- Municipal planning
- Municipal roads
- Storm water
- Traffic and parking
- Building regulations
- Municipal public transport

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5. MONITORING & REPORTING

- Sections 71 of MFMA emphasise accountability, regular monitoring and performance reporting on a monthly basis
- DORA, require monthly expenditure and revenue reporting to the provincial treasuries/national departments and National Treasury
- Provinces and national departments report monthly and quarterly on grant spending and quarterly on non-financial data
- Reports are submitted to sector departments that manage each grant and to National Treasury
- National Treasury submits quarterly expenditure reports to Parliament
- Unspent or misspent CG funds can be recovered against future transfers
- Non-compliant grant spending result in withholding or stopping of transfers
- Under performance – stopping and reallocation

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5. MONITORING & REPORTING – Cont.

Division of Revenue average annual increments

- Division of Revenue provides for the Vertical split
- Local government has seen a significant increase over the period in comparison to other spheres
- Even though indirect allocations are classified under national government, funding still benefits province and local government spheres of government and local government has benefitted more over the period

Table 6.1 Division of nationally raised revenue

R billion	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Average annual MTEF
	Outcome			Revised estimate	Medium-term estimates			
Division of available funds								
National departments	**822,8**	**855,9**	**826,9**	**862,3**	**912,8**	**910,2**	**943,9**	**3,1%**
of which:								
Indirect transfers to provinces	*3,8*	*3,5*	*4,1*	*3,9*	*4,9*	*3,0*	*2,6*	*-12,2%*
Indirect transfers to local government	*5,7*	*7,2*	*8,2*	*7,1*	*7,9*	*7,9*	*8,2*	*4,9%*
Provinces	**660,8**	**694,1**	**706,3**	**730,7**	**767,8**	**798,4**	**833,8**	**4,5%**
Equitable share	544,8	570,9	585,1	600,5	633,2	660,6	690,2	4,8%
Conditional grants	116,0	123,3	121,2	130,2	134,6	137,9	143,6	3,3%
Local government	**135,6**	**150,7**	**157,7**	**167,7**	**176,8**	**185,1**	**190,8**	**4,4%**
Equitable share	76,2	83,9	92,3	99,5	106,1	110,7	115,7	5,2%
Conditional grants	44,8	51,4	50,0	52,1	53,9	56,8	56,7	2,9%
General fuel levy sharing with metros	14,6	15,3	15,4	16,1	16,8	17,6	18,4	4,5%
Provisional allocations not appropriated[1]	–	–	–	–	37,1	83,0	84,7	
Non-interest allocations	**1 619,2**	**1 700,7**	**1 690,8**	**1 760,7**	**1 894,5**	**1 976,8**	**2 053,3**	**5,3%**
Percentage increase	*4,0%*	*5,0%*	*-0,6%*	*4,1%*	*7,6%*	*4,3%*	*3,9%*	
Debt-service costs	268,1	308,5	356,1	389,6	424,9	449,2	478,6	7,1%
Contingency reserve	–	–	–	–	5,0	5,5	11,1	
Main budget expenditure	**1 887,3**	**2 009,2**	**2 046,9**	**2 150,3**	**2 324,4**	**2 431,5**	**2 543,0**	**5,8%**
Percentage increase	*5,5%*	*6,5%*	*1,9%*	*5,0%*	*8,1%*	*4,6%*	*4,6%*	
Percentage shares								
National departments	*50,8%*	*50,3%*	*48,9%*	*49,0%*	*49,1%*	*48,1%*	*48,0%*	
Provinces	*40,8%*	*40,8%*	*41,8%*	*41,5%*	*41,3%*	*42,2%*	*42,4%*	
Local government	*8,4%*	*8,9%*	*9,3%*	*9,5%*	*9,5%*	*9,8%*	*9,7%*	

1. Includes amounts for Budget Facility for Infrastructure projects and other provisional allocations

Source: National Treasury

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6. LOCAL GOVERNMENT TRANSFERS

Allocation Schedules and Grant Purpose

- The conditional grants in the DoRA fall into two main groups, infrastructure and capacity building. These are further categorised by Schedule. Local government conditional grants fall into four Schedules:
  - **Schedule 4, Part B:** Allocations to municipalities to supplement the *funding of programmes* or functions funded from municipal budgets.
  - **Schedule 5, part B:** Specific-purpose grants that fund specific responsibilities and programmes implemented by municipalities.
  - **Schedule 6, part B:** Allocations-in-kind to municipalities for designated special programmes.
  - **Schedule 7, part B:** Allocations to municipalities for immediate disaster response.
- The purpose of each grant is outlined in the Schedules of the DoRA and these are approved by Parliament.

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6. LOCAL GOVERNMENT TRANSFERS – Cont.

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Example From 2024/25 DoRA

Main Purpose of Funding	
Operating	Local government equitable share formula allocations: **R101.2 billion – (59.4%)**
	9.4% Sharing of the general fuel levy with metros: **R16.1 billion**
Capital	Infrastructure conditional grants: **R51 billion - (30%)**
Capacity Building	Other conditional grants: **R2.0 billion – 1.2%**

Unconditional Allocations

Conditional Allocations

R170.3 billion in direct transfers to local government in 2024/25

A further R7.1 billion will be spent by national departments on behalf of municipalities through “indirect grants”

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6. LOCAL GOVERNMENT TRANSFERS – Cont.

Allocation Table or Types of Grants – Direct, Indirect and ES

Table 6.4 Transfers to local government

R million	2024/25 Adjusted budget	2025/26 Medium-term estimates	2026/27 Medium-term estimates	2027/28 Medium-term estimates	MTEF total
Equitable share and related	**101 178**	**106 087**	**110 661**	**115 666**	**332 414**
General fuel levy sharing with metros	**16 127**	**16 849**	**17 621**	**18 418**	**52 888**
Direct conditional grants	**52 499**	**53 889**	**56 830**	**56 720**	**167 439**
Integrated urban development	1 146	1 278	1 386	1 449	4 114
Municipal disaster recovery	1 425	709	–	–	709
Municipal disaster response	378	395	413	432	1 240
Municipal infrastructure	17 054	17 358	19 361	20 236	56 955
Energy efficiency and demand-side management	236	246	258	269	773
Expanded public works programme integrated	560	567	593	620	1 781
Integrated national electrification programme	1 746	1 697	1 655	1 729	5 081
Informal settlements upgrading partnership	4 515	4 717	4 934	5 157	14 808
Infrastructure skills development	165	173	181	189	542
Local government financial management	582	590	617	645	1 851
Urban settlements development	8 705	9 250	9 819	9 327	28 396
Urban development financing	–	1 024	1 365	1 343	3 732
Neighbourhood development partnership	1 291	542	430	450	1 422
Programme and project preparation support	386	–	–	–	–
Public transport network	6 523	7 241	8 044	7 099	22 384
Rural roads asset management systems	121	126	132	138	396
Regional bulk infrastructure	3 627	3 757	3 230	3 026	10 013
Water services infrastructure	4 038	4 219	4 412	4 611	13 242
Total direct transfers	**169 803**	**176 825**	**185 112**	**190 804**	**552 741**
Indirect transfers	**7 127**	**7 863**	**7 866**	**8 222**	**23 951**
Integrated national electrification programme	2 196	2 274	2 390	2 498	7 162
Municipal infrastructure	58	494	–	–	494
Municipal systems improvement	173	–	–	–	–
Neighbourhood development partnership	95	99	104	108	311
Smart meters	500	650	800	836	2 286
Regional bulk infrastructure	3 058	3 227	3 232	3 378	9 836
Water services infrastructure	1 047	1 119	1 341	1 402	3 862

Source: National Treasury

7. EXPENDITURE OF CONDITIONAL GRANTS IN TERMS OF PURPOSE

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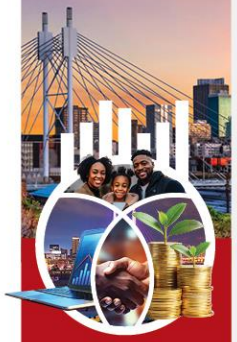
- Conditional grants are specific purpose allocations to municipalities to achieve strategic goals and priorities of government.
- Section 16. (1) of DoRA states that, “Despite any other legislation to the contrary, an allocation referred to in Schedules 4 to 7 may only be used for the purpose stipulated in the Schedule concerned and in accordance with the applicable framework”.
- What this means is that conditional grants must be spent in line with the grant purpose and any conditions applicable to the conditional grant as outlined in the conditional grant framework.
- Conditional grants cannot be spent outside the grant purpose and not in compliance with the grant framework



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8. PAYMENT SCHEDULE PROCESS FOR MUNICIPALITIES

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1. The payment schedule outlines transfer dates for municipalities from national government (both unconditional and conditional).

2. Section 22(2) and (3) of DoRA requires NT, after consulting DCoG, to determine the equitable share transfer amounts for municipalities for July, December, and March.

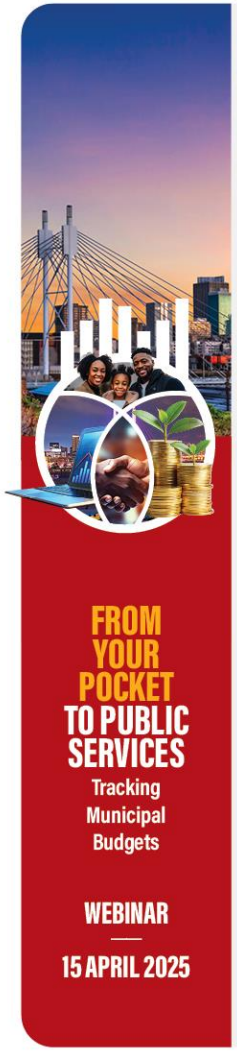
3. **Payment schedule**
   - Section 23 (3) of DoRA requires the National Treasury DG, within 14 days after DoRB is enacted, to approve the payment schedule for transfers to municipalities.

4. All transfers to municipalities must be in line with the approved payment schedule for both conditional and unconditional transfers.

Municipal Payment Schedule:

Published on the NT/MFMA website

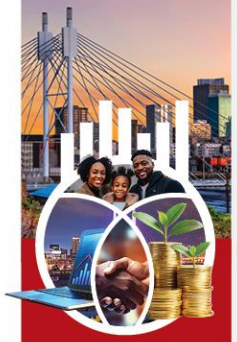
Safetyweb is a tool to make periodic transfers into Municipal bank accounts and tracks transfers



8. PAYMENT SCHEDULE PROCESS FOR MUNICIPALITIES – Cont.

MFMA Section 71 Reports

- MFMA provides for monthly and quarterly reports on budgets of municipalities including conditional grants to be submitted in council/Mayor
- The report must include –
  - Actual revenue
  - Actual borrowings
  - Actual expenditure
  - Actual capital expenditure
  - Allocations received
  - Actual expenditure on the allocations received
  - Material variances from projected revenue and projected expenditure
  - Remedial or corrective steps taken that projected revenue and expenditure remain within the approved budget



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8. PAYMENT SCHEDULE PROCESS FOR MUNICIPALITIES – Cont.

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On Withholding Transfers (Delayed Transfers)

- Section 17 of 2023 DoRA allows National Transferring Officers (NTOs) to withhold transfers for Schedule 4B or 5B allocation, or any portion thereof, for a period not exceeding 30 days, if there's under spending, rollovers not spent or non-compliance to DoRA clauses and related Grant frameworks.
- Withholding for more than 30 days but not exceeding 120 days requires approval by NT.
- NTOs must at least 7 working days prior to the transfer, notify the municipality and NT of the withholding.
- When requesting the withholding of an allocation in terms of this subsection, the NTO must submit to the National Treasury proof of compliance with the withholding section and any representations received from the affected municipality.
- The NTOs must also allow the affected municipality an opportunity to respond to the withholding letter or make representations on why the transfer should not be withheld.
- Withholding safeguards the cash whilst the Municipalities resolves spending challenges

9. STOPPING & REALLOCATION OF CGS

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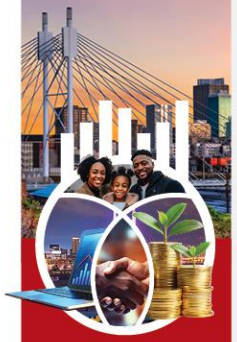
Section 216 of the Constitution provides for the NT to establish and prescribe measures to ensure both transparency and expenditure control.

Section 18 of 2024 DoRA Act No. 24 of 2024 (and sec 38 of MFMA) stipulates that National Treasury may in its discretion or at the request of a transferring officer stop the transfer of schedules 4 or 5 allocation if it is anticipated that a municipality shall substantially underspend on the programmes or allocation that are partially or fully funded by the allocation in the respective financial year.

Is stopped in terms of section 19(1)*(a)* or *(b)*, the National Treasury may, after consultation with the transferring officer and the relevant provincial treasury, determine the portion of the allocation to be reallocated, as the same type of allocation as it was allocated originally, to one or more provinces or municipalities, on condition that the allocation must be spent by the end of the 2024/25 financial year.

This process is done with the guide of MFMA Circular 129, published in December 2024.

All stopped funds must be returned to the affected municipalities once they are ready and have capacity to spend The process of stopping of funds remain a tool to protect the fiscus in-year and not to stop or discontinue projects. i.e Non-stopping of funds does not translate into spending, but protects fiscal dumping and possible grant misuse – No stopping for committed and shovel ready projects



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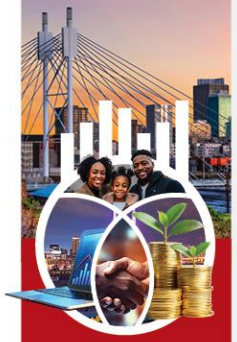
10. SECTION 71

2023/24 4th Quarter Results

4th Quarter Ended 30 June 2024

CONDITIONAL GRANTS TRANSFERRED FROM NATIONAL DEPARTMENTS AND ACTUAL PAYMENTS MADE BY MUNICIPALITIES: PRELIMINARY RESULTS

					Year to date		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		YTD Expenditure		% Changes from 3rd to 4th Q		% Changes for the 4th Q	
R thousands	Division of revenue Act No. 5 of 2023	Adjustment (Mid year)	Other Adjustments	Total Available 2023/24	Approved payment schedule	Transferred to municipalities for direct grants	Actual expenditure National Department by 30 September 2023	Actual expenditure by municipalities by 30 September 2023	Actual expenditure National Department by 31 December 2023	Actual expenditure by municipalities by 31 December 2023	Actual expenditure National Department by 31 March 2024	Actual expenditure by municipalities by 31 March 2024	Actual expenditure National Department by 30 June 2024	Actual expenditure by municipalities by 30 June 2024	Actual expenditure National Department	Actual expenditure by municipalities	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities
Direct Transfers	**43 809 662**	**(1 285 193)**	**-**	**42 524 469**	**42 524 419**	**42 353 605**	**6 253 588**	**4 497 324**	**11 176 605**	**8 776 728**	**7 487 158**	**6 623 353**	**11 350 861**	**10 936 089**	**36 268 212**	**30 833 494**	**51.6%**	**65.1%**	**85.3%**	**72.5%**
Infrastructure	**41 359 438**	**(1 714 785)**	**-**	**39 644 653**	**39 644 603**	**39 473 789**	**5 763 638**	**4 183 610**	**10 581 247**	**8 358 655**	**7 137 904**	**6 223 115**	**10 873 199**	**10 235 759**	**34 355 988**	**29 001 139**	**52.3%**	**64.5%**	**86.7%**	**73.2%**
Municipal Infrastructure Grant	17 545 049	(1 203 464)		16 341 585	16 341 585	16 341 585	3 114 110	2 312 518	5 524 900	4 066 159	2 776 092	2 635 230	4 251 120	3 352 565	15 666 222	12 366 472	53.1%	27.2%	95.9%	75.7%
Public Transport Infrastructure Grant				-											-	-	-	-	-	-
Public Transport Network Grant	6 794 045	(600 000)		6 194 045	6 194 045	6 194 045	551 670	384 546	1 191 122	928 535	945 561	733 729	1 918 864	1 897 715	4 607 217	3 944 524	102.9%	158.6%	74.4%	63.7%
Integrated National Electrification Programme (Municipal) Grant	2 212 046	(180 000)		2 032 046	2 032 046	2 032 046	255 103	185 246	515 403	495 157	469 867	333 541	476 650	564 309	1 717 023	1 578 253	1.4%	69.2%	84.5%	77.7%
Neighbourhood Development Partnership Grant (Capital Grant)	1 474 813	(128 801)		1 346 012	1 346 012	1 346 012	199 233	185 363	285 920	274 347	292 567	187 785	333 736	374 850	1 111 456	1 022 345	14.1%	99.6%	82.6%	76.0%
2010 FIFA World Cup Stadiums Development Grant				-											-	-	-	-	-	-
Rural Road Assets Management Systems Grant	115 461			115 461	115 461	115 461	12 789	4 860	28 012	17 978	15 319	14 228	36 220	27 173	92 340	64 240	136.4%	91.0%	80.0%	55.6%
Municipal Drought Relief Grant				-											-	-	-	-	-	-
Municipal Water Infrastructure Grant				-											-	-	-	-	-	-
Rural Household Infrastructure Grant				-											-	-	-	-	-	-
Municipal Disaster Recovery Grant	320 915	1 184 472		1 505 387	1 505 337	1 334 523		21 832	40 735	346 853	1 575	413 367	3 597	916 395	45 907	1 698 447	128.4%	121.7%	3.0%	112.8%
Integrated City Development Grant				-											-	-	-	-	-	-
Regional Bulk Infrastructure Grant (Schedule 5B)	3 495 742	(236 914)		3 258 828	3 258 828	3 258 828	399 361	292 287	845 286	563 961	652 726	447 151	1 058 145	706 602	2 955 518	2 010 002	62.1%	58.0%	90.7%	61.7%
Water Services Infrastructure Grant (Schedule 5B)	3 864 137	(244 476)		3 619 661	3 619 661	3 619 661	523 793	334 318	801 972	702 102	837 842	554 014	1 138 329	737 131	3 301 936	2 327 564	35.9%	33.1%	91.2%	64.3%
Municipal Emergency Housing Grant				-											-	-	-	-	-	-
Integrated Urban Development Grant	1 172 448			1 172 448	1 172 448	1 172 448	189 852	145 270	357 321	258 350	239 760	247 545	358 137	434 556	1 145 070	1 085 721	49.4%	75.5%	97.7%	92.6%
Metro Informal Settlements Partnership Grant	4 364 782	(305 602)		4 059 180	4 059 180	4 059 180	517 727	317 371	990 576	705 213	906 595	656 524	1 298 401	1 224 463	3 713 299	2 903 571	43.2%	86.5%	91.5%	71.5%
Capacity and Others	**2 450 224**	**429 592**	**-**	**2 879 816**	**2 879 816**	**2 879 816**	**489 950**	**313 714**	**595 358**	**418 073**	**349 254**	**400 238**	**477 662**	**700 330**	**1 912 224**	**1 832 355**	**36.8%**	**75.0%**	**66.4%**	**63.6%**
2010 FIFA World Cup Host City Operating Grant				-											-	-	-	-	-	-
Programme and Project Preperation Support Grant	376 792	(58 138)		318 654	318 654	318 654	38 214	27 997	57 113	39 900	44 931	39 365	67 756	109 796	208 014	217 058	50.8%	178.9%	65.3%	68.1%
Local Government Financial Management Grant	568 571			568 571	568 571	568 571	104 219	56 043	131 038	72 856	87 898	91 357	119 942	130 113	443 097	350 370	36.5%	42.4%	77.9%	61.6%
Municipal Systems Improvement Grant				-											-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant (Municipality)	781 385	(32 410)		748 975	748 975	748 975	238 289	150 914	156 305	200 413	124 185	161 253	83 177	126 883	601 956	639 463	(33.0%)	(21.3%)	80.4%	85.4%
Infrastructure Skills Development Grant	159 857	(8 505)		151 352	151 352	151 352	42 784	40 627	32 341	23 378	37 500	35 067	27 594	22 639	140 219	121 711	(26.4%)	(35.4%)	92.6%	80.4%



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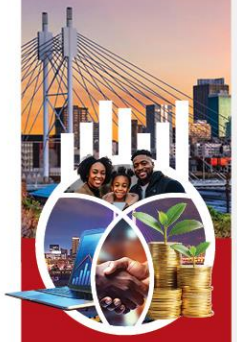
10. SECTION 71 – Cont.

Infrastructure Grants Spending As at 4th Quarter Ended 30 June 2024

	Year to date		YTD Expenditure		% Changes for the 4th Q		% of 4th Q 2022/23
R thousands	Total Available 2023/24	Transferred to municipalities for direct grants	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities	Exp as % of Allocation National Department
Municipal Disaster Recovery Grant	1 505 387	1 334 523	45 907	1 698 447	3,0%	112,8%	8,8%
Integrated National Electrification Programme (Municipal) Grant	2 032 046	2 032 046	1 717 023	1 578 253	84,5%	77,7%	72,2%
Integrated Urban Development Grant	1 172 448	1 172 448	1 145 070	1 085 721	97,7%	92,6%	95,6%
Municipal Infrastructure Grant	16 341 585	16 341 585	15 666 222	12 366 472	95,9%	75,7%	87,1%
Metro Informal Settlements Partnership Grant	4 059 180	4 059 180	3 713 299	2 903 571	91,5%	71,5%	75,3%
Neighbourhood Development Partnership Grant (Capital Grant)	1 346 012	1 346 012	1 111 456	1 022 345	82,6%	76,0%	81,8%
Public Transport Network Grant	6 194 045	6 194 045	4 607 217	3 944 524	74,4%	63,7%	71,2%
Regional Bulk Infrastructure Grant	3 258 828	3 258 828	2 955 518	2 010 002	90,7%	61,7%	80,0%
Rural Roads Assets Management Systems Grant	115 461	115 461	92 340	64 240	80,0%	55,6%	81,6%
Water Services Infrastructure Grant	3 619 661	3 619 661	3 301 936	2 327 564	91,2%	64,3%	84,7%
Total	**39 644 653**	**39 473 789**	**34 355 988**	**29 001 139**	**86,7%**	**73,2%**	**75,9%**

Source: National Treasury Local Government Database

10. SECTION 71 – Cont.



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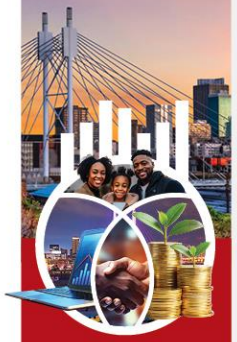
Capacity Grants Spending As at 4th Quarter Ended 30 June 2024

	Year to date		YTD Expenditure		% Changes for the 4th Q	
R thousands	Total Available 2023/24	Transferred to municipalities for direct grants	Actual expenditure National Department	Actual expenditure by municipalities	Exp as % of Allocation National Department	Exp as % of Allocation by municipalities
Municipal Disaster Grant	873 172	873 172	336 704	384 149	38,6%	44,0%
Energy Efficiency And Demand Side Management Grant	219 092	219 092	182 234	119 604	83,2%	54,6%
Local Government Financial Management Grant	568 571	568 571	443 097	350 370	77,9%	61,6%
Infrastructure Skills Development Grant	151 352	151 352	140 219	121 711	92,6%	80,4%
Programme And Project Preperation Support Grant	318 654	318 654	208 014	217 058	65,3%	68,1%
Expanded Public Works Programme Integrated Grant For Municipalities	748 975	748 975	601 956	639 463	80,4%	85,4%
Total	**2 879 816**	**2 879 816**	**1 912 224**	**1 832 355**	**66,4%**	**63,6%**

Source: National Treasury Local Government Database

10. SECTION 71 – Cont.



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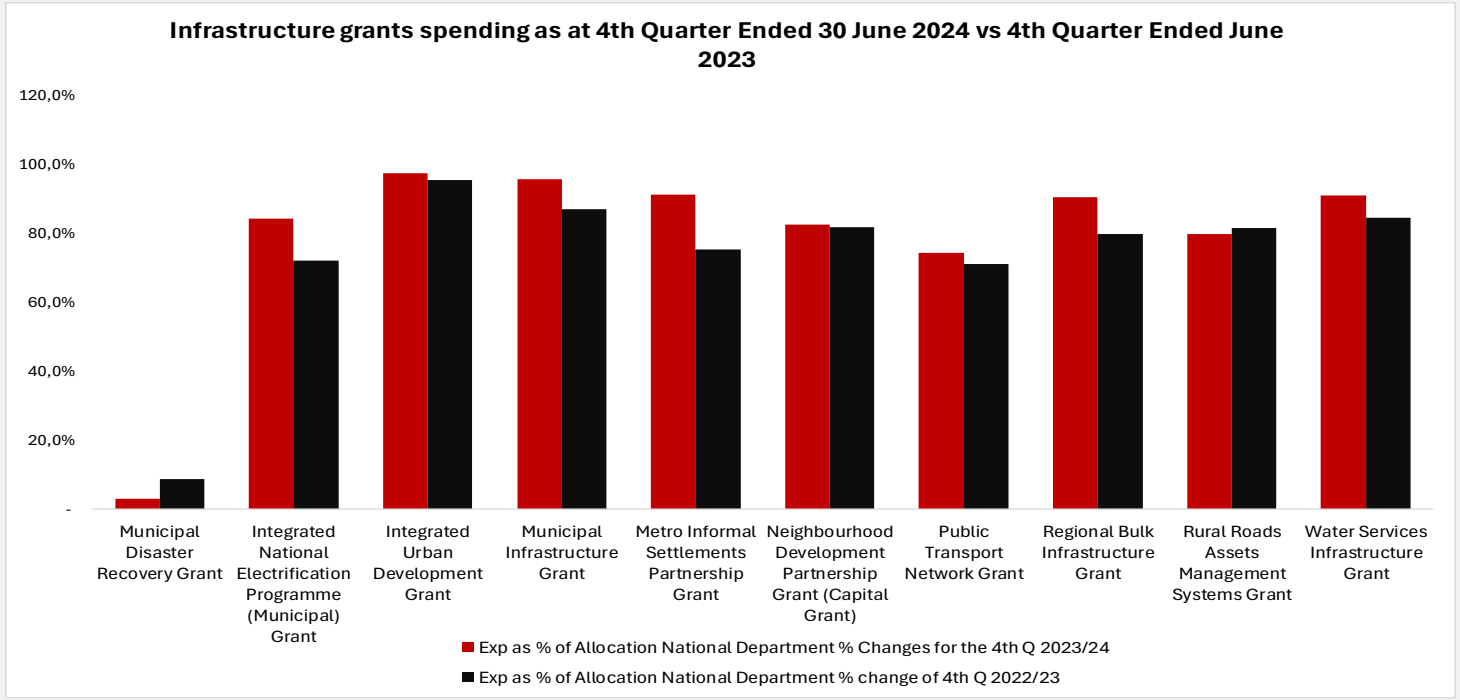
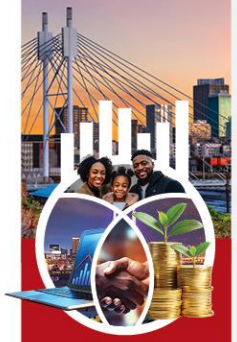
Infrastructure Grants Spending As at 4th Quarter Ended 30 June 2024 vs 4th Quarter Ended 30 June 2023





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10. SECTION 71 – Cont.

Variances Between Actual Expenditures by NTOs and Municipalities

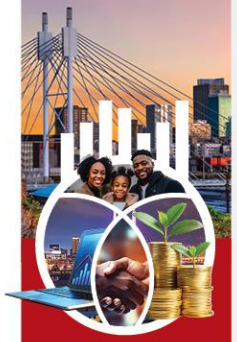
- Notable differences have been observed in the reports received from municipalities and National Transferring Officers (NTO's).
- The low expenditure reported by municipalities is an indication that municipalities are still not complying with the *m*SCOA accounting and reporting requirements.

Infrastructure grants spending as at 4th Quarter Ended 30 June 2024

R thousands	% Changes for the 4th Q: Exp as % of Allocation National Department	% Changes for the 4th Q: Exp as % of Allocation by municipalities
Municipal Disaster Recovery Grant	3,0%	112,8%
Integrated National Electrification Programme (Municipal) Grant	84,5%	77,7%
Integrated Urban Development Grant	97,7%	92,6%
Municipal Infrastructure Grant	95,9%	75,7%
Metro Informal Settlements Partnership Grant	91,5%	71,5%
Neighbourhood Development Partnership Grant (Capital Grant)	82,6%	76,0%
Public Transport Network Grant	74,4%	63,7%
Regional Bulk Infrastructure Grant	90,7%	61,7%
Rural Roads Assets Management Systems Grant	80,0%	55,6%
Water Services Infrastructure Grant	91,2%	64,3%
Total	**86,7%**	**73,2%**

Source: National Treasury Local Government Database

Grants that show notable differences: MDRG, MIG, RBIG, RRAMS & WSIG



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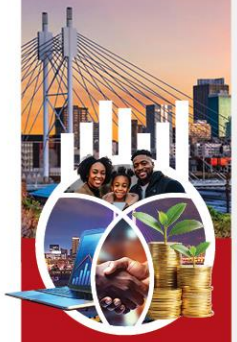
10. SECTION 71 – Cont.

2023/24 4th Quarter Results

AGGREGRATED CONDITIONAL GRANTS EXPENDITURE FOR THE 4th Quarter Ended 30 June 2024 (Preliminary results)

R thousands	Code	Adjusted allocation	Transfers	Year to date: 30 June 2024	Total Expenditure as % of Adjusted allocation	Total Expenditure as % of Transfers	(Over)	Under	(Over) as % of Transfers	Under as % of Transfers
Summary per Province										
Eastern Cape	EC	6 731 353	6 731 353	3 877 573	57.6%	57.6%	(330 239)	3 184 018	(4.9%)	47.3%
Free State	FS	1 904 432	1 904 432	1 429 434	75.1%	75.1%	(220 314)	695 312	(11.6%)	36.5%
Gauteng	GT	5 909 527	5 909 527	4 200 632	71.1%	71.1%	-	1 708 895	-	28.9%
Kwazulu-Natal	KZ	8 675 102	8 504 238	8 526 826	98.3%	100.3%	(1 787 907)	1 765 320	(21.0%)	20.8%
Limpopo	LP	5 435 627	5 437 627	5 873 534	108.1%	108.0%	(982 351)	546 444	(18.1%)	10.0%
Mpumalanga	MP	3 713 739	3 713 739	2 896 254	78.0%	78.0%	(541 544)	1 359 029	(14.6%)	36.6%
North West	NW	3 481 084	3 481 084	1 623 295	46.6%	46.6%	(0)	1 857 789	(0.0%)	53.4%
Northern Cape	NC	1 326 679	1 326 679	681 595	51.4%	51.4%	(17 355)	662 439	(1.3%)	49.9%
Western Cape	WC	5 346 926	5 344 926	4 032 068	75.4%	75.4%	(33 625)	1 346 483	(0.6%)	25.2%
Total		**42 524 469**	**42 353 605**	**33 141 211**	**77.9%**	**78.2%**	**(3 913 335)**	**13 125 729**	**(9.2%)**	**31.0%**
						Nett		**9 212 394**		



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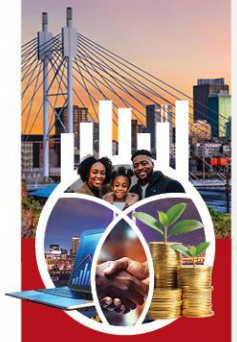
10. SECTION 71 – Cont.

2023/24 4th Quarter Results - Cont.

Over and underspending on conditional grants for the period 2020/21 - 2023/24

		2020/21			2021/22			2022/23			2023/24		
R thousands	Code	(Over)	Under	Nett	(Over)	Under	Nett	(Over)	Under	Nett	(Over)	Under	Nett
Conditional Grants	CG	(2 385 354)	18 545 234	16 159 880	(1 054 887)	16 356 071	15 301 184	(818 803)	20 000 081	19 181 278	(3 913 335)	13 125 729	9 212 394

Source: National Treasury Local Government Database



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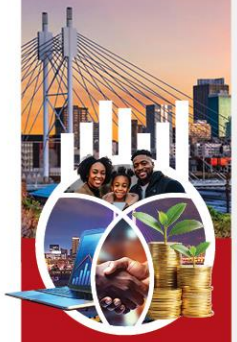
11. ROLLOVER
TWO TYPES

- **Untransferred funds by a department responsible for administering the conditional grants**
  - The form of a rollover is managed by the Treasury Committee, and it is approved by the Minister of Finance and the President through the tabling of the Amendment Division of Revenue bill
  - Departments are required to submit their motivation and request to NT for consideration

- **Transferred already made to municipalities into their primary bank account**
  - Transfers must be made before 31 March, but expenditure should be before 30 June
  - Approval and consideration is done in accordance with the guidance in the MFMA Circular

- **Parallel financial years between the two organs of state (provinces and municipalities)**
- **Adoption of budgets for municipalities must be done before the municipal year starts, 01 July**



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11. ROLLOVER – Cont.

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UNSPENT CG PROCESS

- In terms of Section 21 of the Division of Revenue Act, 2023 (Act No. 5 of 2023) as amended by the Division of Revenue Amendment Act (DoRAA) (Act No.24 of 2023), any conditional allocation or a portion that is not spent by the end of 2023/24 financial year reverts to the National Revenue Fund (NRF) unless the roll-over of the allocation is approved.
- The National Treasury (NT) may approve a roll-over of a conditional allocation to the 2024/25 financial year if the unspent funds are:
    - Committed to identifiable projects i.e. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated, spent and the balance per projects and
    - Provided that the municipality makes a submission in line with MFMA circular 128 of 2024 i.e. Compliance with the in-year reporting requirements in terms of Sections 71 and 72 of the MFMA and Section 12 of the 2023 DoRA, including the Municipal Manager and Chief Financial Officer signing-off on the information sent to NT

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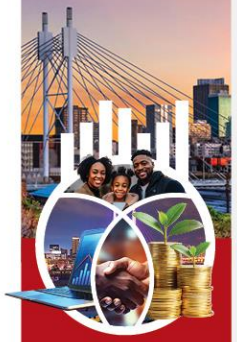
2030 NDP

30 YEARS OF FREEDOM



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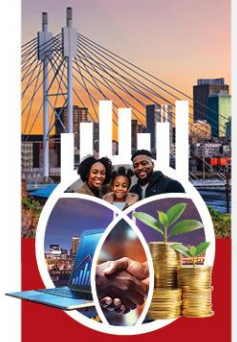
11. ROLLOVER – Cont.
UNSPENT CG PROCESS

- Municipalities that are unable to pay back the unspent funds may request repayment arrangements from NT in paying back the unspent Conditional Grants.
- The National Treasury may, subject to paragraphs (b) and (c) of section 21(1) of the DoRA, offset any funds that must revert to the NRF but not paid back by the date determined in the MFMA circular 128 against the December 2024 transfers of the equitable share.
- Municipalities must submit to NT rollover requests on or before 31 August 2025
- The rollover of unspent conditional grants is approved or rejected by National Treasury, with a differentiated approach towards Disaster funding and municipalities that received additional funds
- NT considers recommendations from the various sector departments, Provincial Treasuries against an application from the municipality



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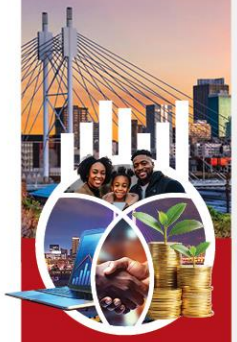
11. ROLLOVER – Cont.
UNSPENT CG PROCESS

- National Treasury facilitates this process through a rollover committee across all nine provinces during the month of September
- Municipalities' applications will not be considered if they fail to adhere to the criteria in the Circular (ie: the rollover must be cash backed and disclosed in the pre-Audited Annual Financial Statement, etc)



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11. ROLLOVER – Cont.

REQUESTS OVER THE PERIOD

Previous 10 years in Rollover Requests for the LG Conditional Grants

Financial years	Roll Over Requests	Roll Over Approvals	Roll Over Rejections	Total Offset	Percentage approvals	Percentage rejections
2014/15	3 460 580	1 400 664	2 059 916	1 472 563	40,5%	59,5%
2015/16	2 806 572	1 065 919	1 740 653	2 352 933	38,0%	62,0%
2016/17	2 251 213	992 149	1 259 064	1 906 083	44,1%	55,9%
2017/18	3 236 050	904 218	2 331 832	1 436 815	27,9%	72,1%
2018/19	4 441 629	1 806 917	2 634 712	1 984 796	40,7%	59,3%
2019/20	6 489 154	3 984 146	2 505 008	3 117 607	61,4%	38,6%
2020/21	3 260 627	1 161 800	2 098 827	2 584 235	35,6%	64,4%
2021/22	4 232 459	1 025 034	3 207 425	1 832 598	24,2%	75,8%
2022/23	6 801 166	3 203 465	3 597 701	3 373 731	47,1%	52,9%
2023/24	3 759 268	2 332 576	1 426 692	1 666 333	62,0%	38,0%
Total	**40 738 717**	**17 876 888**	**22 861 829**	**21 727 694**	**43,9%**	**56,1%**

National Treasury dataset

- **In-Year monitoring of the grant spending should minimize the rollovers**
- **Stopping and reallocation therefore allocates to best performing municipalities for early backlogs eradication and serviced delivery**
- **Rollover approval puts pressure on the next allocation and funds may have been misused**
- fiscus in-year and not to stop or discontinue projects.

Non-stopping of funds does not translate into spending, but protects fiscal dumping and possible grant misuse – No stopping for committed and shovel ready projects

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Thank You

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For information on local government finances, please visit:
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