

MODULE V

MUNICIPAL FINANCE



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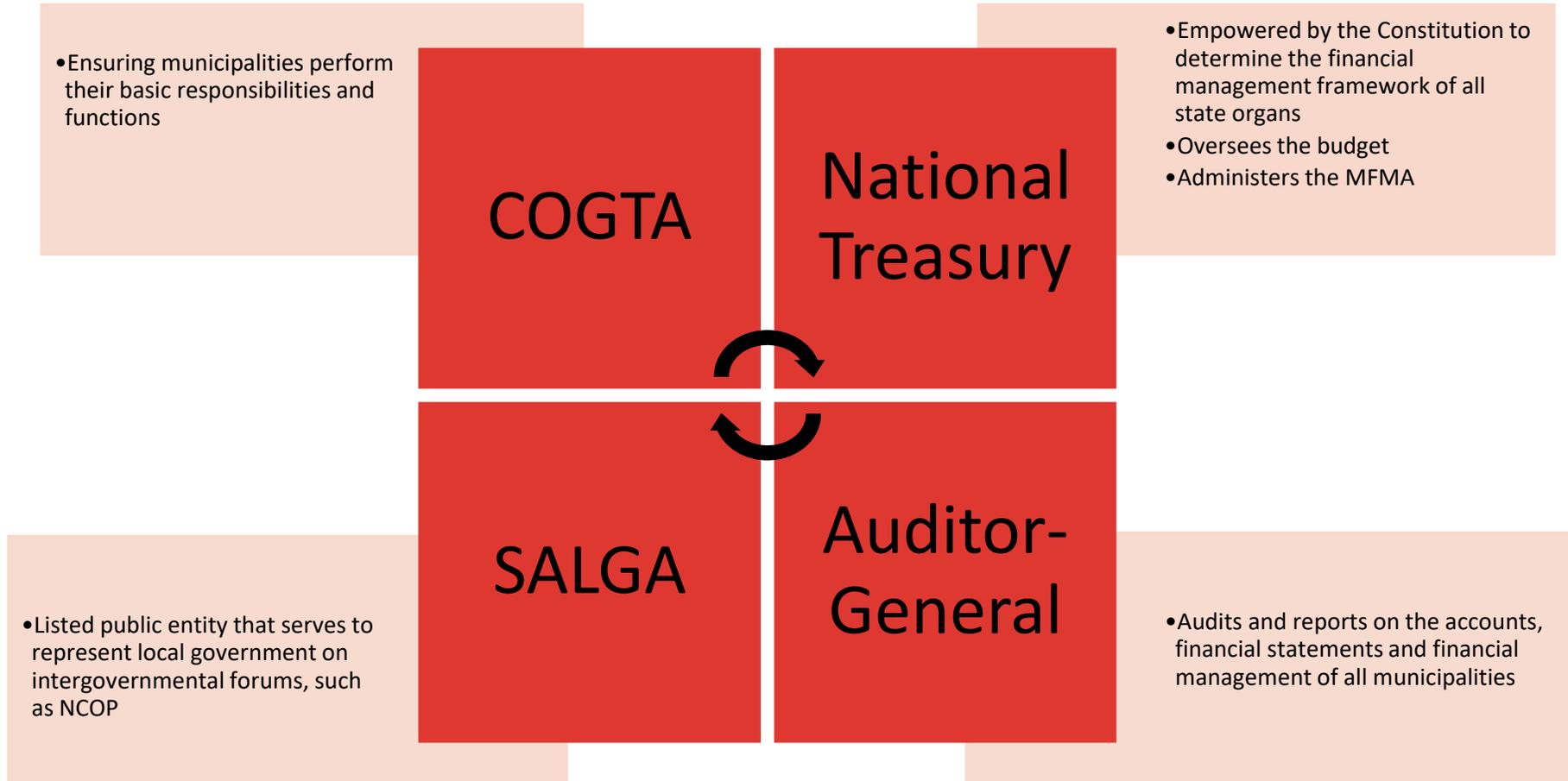
What is Municipal Finance?

- The Constitution creates local government as one of three levels in South Africa in order to provide services to residents in a particular geographic area.
- Theoretically, the provision of services is most efficient when decision-making is carried out by the level of government closest to the citizen.
- Local government should be “developmental” i.e. work towards a better life for all South Africans.
- To give effect to this principle, national government sets aside an “equitable share” of government revenue for provincial and local government.

Legislative framework

Law	Description
Local Government Municipal Finance Management Act 56 of 2003 (MFMA)	<ul style="list-style-type: none">• Secures the sound and sustainable management of the financial affairs of municipalities.• Aims to foster transparency by mandating budget and reporting requirements.
Division of Revenue Act (DORA)	<ul style="list-style-type: none">• Provides for an annual Act to determine the equitable division of nationally raised revenue between national, provincial and local government.
Local Government: Municipal Systems Act 32 of 2000	<ul style="list-style-type: none">• Provides a framework for planning, performance management systems, effective use of resources and organisational change.• Establishes a system for municipalities to report on their performance.• Requires municipalities to adopt Integrated Development Plans (IDPs) – five year strategic plans.
Local Government: Municipal Structures Act 117 of 1998	<ul style="list-style-type: none">• Provides for ward committees and their responsibilities.• Ward committees serve a vital role in linking communities, ward councillors, and the municipality.
Local Government: Municipal Property Rates Act 6 of 2004	<ul style="list-style-type: none">• Regulates the power of a municipality to impose taxes.

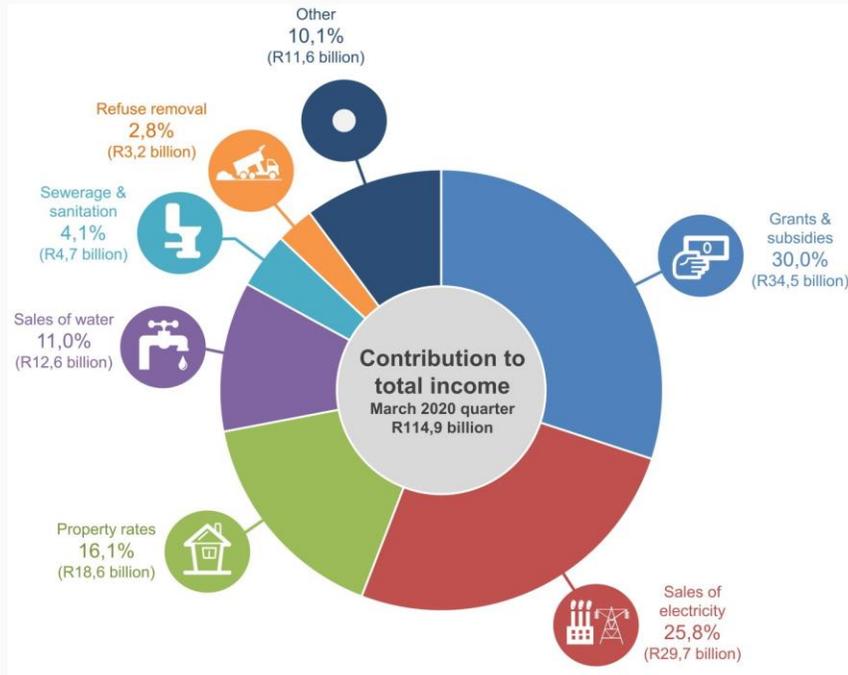
Important actors



Municipal Income

Where does municipal money come from?

Total income received or generated across all 257 municipalities, for the quarter ended March 2020*

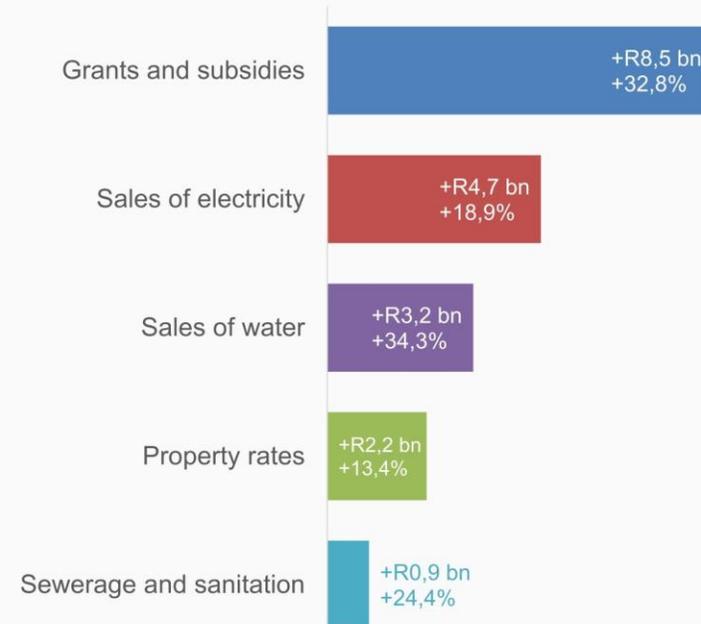


*January to March 2020 Percentages have been rounded and may not sum to 100%

What are the drivers behind increased income?

Municipal income increased by R19,8 billion in the quarter ended March 2020 compared with the quarter ended March 2019.

These items saw the biggest increases

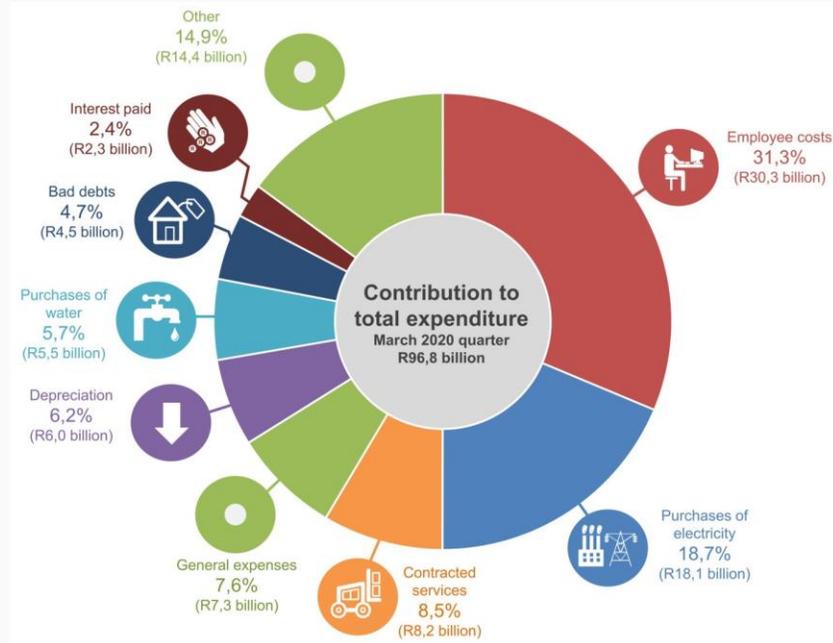


Source: Quarterly financial statistics of municipalities, March 2020

Municipal Expenditure

Where does municipal money go?

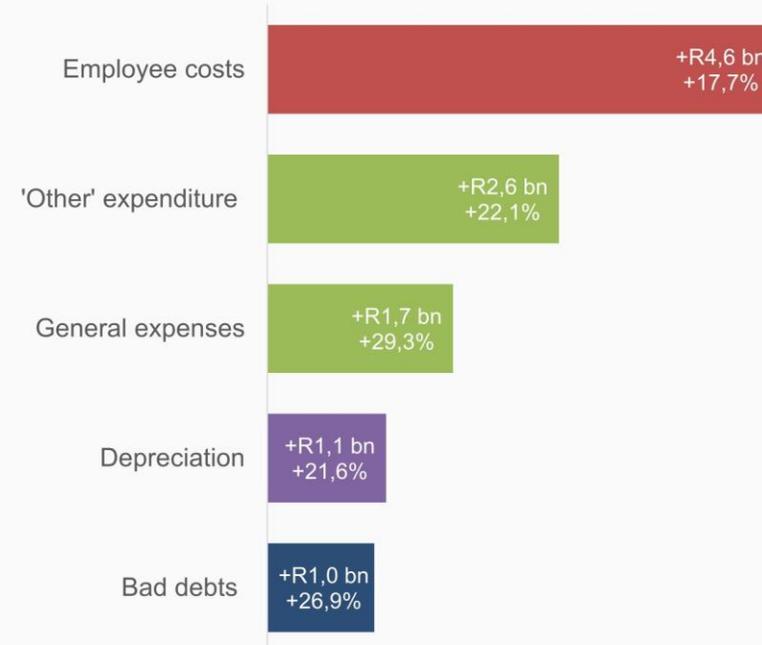
Total spending across all 257 municipalities, for the quarter ended March 2020*



*January to March 2020 Percentages have been rounded and may not sum to 100%

What are the drivers behind increased spending?

Municipal spending increased by R10,6 billion in the quarter ended March 2020 compared with the quarter ended March 2019. These items saw the biggest increases



Source: Quarterly financial statistics of municipalities, March 2020

The current state

- According to the Back to Basics programme, municipalities have to report on:
 - Putting people and their concerns first
 - Supporting the delivery of ,municipal services to the right quality and standard
 - Promoting good governance, transparency and accountability
 - Ensuring sound financial management and accounting; and
 - Building institutional resilience and administrative capability
- Municipalities resemble businesses in some way:
 - They provide services, charge for those services and do so as a monopoly
 - The municipal annual report has an income statement, balance sheet and cashflow statement
 - Municipalities can go bankrupt
 - Operating surplus or deficit is a key indicator of financial health
 - BUT: residents cannot easily change suppliers as customers do
 - AND: they are part of the SA's democratic system, and councillors are directly responsible to citizens
- Widespread failures in financial reporting and growing urbanisation, combined with the added stresses of the COVID-19 crisis, are putting increased pressure on municipalities

Reporting on municipal finance

Auditor-General Reports:

- Provide an assessment of municipalities' compliance with financial reporting frameworks and statutory requirements.
- Go further than private sector audits by also assessing "the stewardship of public funds, implementation of government policies and compliance with key legislation."
- The AG does not set out to detect fraud, or to evaluate service delivery

National Treasury:

- Guidance about how best to achieve sound management.
- Produces the Budget Review, containing essential information about local government finances.

Integrated Development Plans:

- Important tools for municipal accountability and transparency.
- Also provide opportunities for residents and affected stakeholders to input into local governance.

Open Data Platforms:

- Vuleka Mali is SA's centralised open budget data platform:
<https://vulekamali.gov.za/>
- Municipal Money provides information specifically about municipalities:
<https://municipalmoney.gov.za/>

FURTHER READING



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Suggested resources

- ARTICLE 19, 'Acting on UN Human Rights Council Resolution 33/2 on the Safety of Journalists' (2017) (accessible [here](#)).
- C. Silverman, 'Verification handbook: The ultimate guideline on digital age sourcing for emergency coverage', (undated) (accessible [here](#)).
- CPJ, 'Safety kit for journalists covering the South African election,' (2019) (accessible [here](#)).
- IEC, 'Municipal elections handbook', (2016) (accessible [here](#)).
- Media Monitoring Africa, 'Disinformation and 'fake news' during elections: Proposals for the upcoming 2019 General Elections in South Africa' (2018).
- Press Council, 'Code of Conduct and Ethics for the South African Print and Online Media: Decoding the Code sentence by sentence', (1 January 2019) (accessible [here](#)).
- Press Council, 'Guidance notes: A brief for journalists covering the elections', (February 2019) (accessible [here](#)).
- UNESCO, 'Journalism, 'fake news' and disinformation': Handbook for journalism education and training', (2018) (accessible [here](#)).
- Dullah Omar Institute, 'Electing Councillors: A Guide to Municipal Elections,' (2016) (accessible [here](#)).
- Municipalities.co.za, 'The Local Government Handbook South Africa 2021,' p 15 (accessible [here](#)).
- South African Cities Network, 'State of City Finances 2020,' (2020) (accessible [here](#)).

For more information and resources, please visit:

<https://elections.sanef.org.za>.

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