

## THE KEY BAROMETER OF LOCAL GOVERNMENT

# The National Treasury 2011 Local Government Review

It is the most rigorous analysis of local government published by government. The 2011 Local Government Budgets and Expenditure Review, released in September, is the National Treasury's analysis of long-term trends in local government finances and performance. We will have a close look at the wealth of information in this report, in this and forthcoming issues of the *Bulletin*. We begin with a general introduction to the document, focusing on its purpose and importance as a barometer of local government.

### Good data, more accountability, better planning

The review has two main purposes. First, it aims to promote accountability. Citizens, taxpayers, and policymakers and oversight bodies in government have a right to know if municipalities are doing their jobs properly, serving the public and spending taxpayers' money wisely and honestly. Citizens have a right to hold their local representatives accountable by using their votes to reward or punish parties and councillors for their performance. But these rights have little value without access to accurate and reliable information about local government's actual performance. By providing data and analysis of that performance, the review acts as a weathervane of local government's state of health and is thus an instrument serving greater accountability to citizens.

Second, the review sends signals about future policy and plans. That makes future directions more predictable to everyone with an economic interest in local government. Municipalities provide services like water, sanitation and electricity that are needed for human life and economic

activity. Municipalities invest in social and economic infrastructure that promotes enterprise development, private investment and economic growth. Those investments help to reduce poverty, lessen inequality and create employment in our society. Poor people, investors, businesses and government departments thus have a direct and common interest in knowing exactly what municipalities and government are planning to do. Access to reliable information about those policies and plans is therefore an incentive to those who are entitled to public goods and services or have an interest in the growth of the local economy.

The review supports these two primary objectives (greater accountability and better planning) by releasing financial and non-financial data on local government to the public, providing an analysis of trends from 2006/07 to 2012/13 against a set of key indicators, and signalling new policy directions.

### Main objectives, themes and issues

The 2011 review is the third of its kind (Table 1). Its objective is to examine 'some of the key context differences between

rural and urban municipalities – highlighting the different kinds of developmental challenges they face, and the need for the regulatory and fiscal frameworks to respond to these differences’.

That focus is consistent with the fact that rural development and a differentiated approach to local government (Outcome 9 of the CoGTA Minister’s performance contract) are both key priorities for the Zuma government.

The review is structured around three key themes:

- local government’s contribution to economic growth;
- the different challenges confronting rural and urban municipalities, focusing on the provision of basic services; and
- good governance and accountability in the management of municipalities and resources.

The review explores these themes through an examination of seven trends, which are summarised in Table 2.

**Table 1: Local Government Budgets and Expenditure Reviews since 2006**

Year published	Period covered	Main focus
2006	2001/02–2007/08	Basic fiscal position of local government (but with limited data available)
2008	2003/04–2009/10	Socio-economic impact of local government
2011	2006/07–2012/13	Urban and rural differences

**Table 2: Trends for improved local government**

	Trend	Why it is important	What must be done
1	High-quality leadership and governance (this is crucial)	Essential for capacity, performance and accountability of local government	Senior management must be stabilised and technical skills infused into administration
2	Budgets funded in accordance with MFMA	Unfunded budgets are not credible due to either unrealistic revenue projections, excessive operating expenditure or over-ambitious capital expenditure	To get the basics right, municipalities must <ul style="list-style-type: none"> <li>• base spending budget on realistic revenue collection</li> <li>• eliminate waste</li> <li>• have sufficient cash reserves</li> <li>• improve billing and revenue management and</li> <li>• cost services properly</li> </ul>
3	Asset maintenance	Replacing assets is more costly than maintaining them, but investment in maintenance is too low	Tariffs for trading services must reflect true costs. Spending on and management of assets must be improved. Responsibility for electricity reticulation must be clarified
4	Funding of capital budgets	Municipalities must fund trading services through own revenue	Strike right balance between operating and capital budgets. Creditworthy municipalities should leverage private finance for capital investment. Expand use of development charges
5	Improve access to basic services and infrastructure	Necessary to combat poverty	Draw up effective regulations for land use and spatial planning. Devolve housing and transport completely to cities. Municipalities must boost employment (especially in domestic solid waste and public cleansing)
6	Better targeting of support	Needed to improve municipal capacity	Priority technical skills are sewage and water treatment plant operators, road maintenance supervisors, health inspectors, planning and project managers
7	Differentiated approach	Municipalities with more capacity should have more discretion, and those with less capacity more equitable support	Better data required on differentiation



Photograph: Chris Kirchoff, MediaClubSouthAfrica.com



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A differentiated approach to rural and urban municipalities is needed...

## How can we use the review to improve performance and accountability?

The availability of this information on local government is one thing, but using the review to extract better performance and accountability from local government is another. The crucial question is: what happens to this information after it is published? Is the document used as a benchmark and, if so, in what ways? Or does it sit on the shelf as a pretty red volume? There is obviously no way to know for sure, but it seems a vital question to keep in mind, given the problems facing local government: the frequency and violence of public protests, the rise of rates boycotts, and generally low public confidence in this sphere. Perhaps the National Treasury should have done more in the document itself to suggest how it could be used to good effect.

Ultimately, it is up to everyone with an interest in local government to put this document to good use. The principle must be that existing public institutions should be used more effectively to promote more responsive and accountable local government. The Community Law Centre would like to suggest three ways in which this review might be turned more effectively to that end:

First, given the importance of local government in our society, the challenges facing municipalities,

growing public concern over the state of local government, and the fact that so many government departments have a stake in the third sphere, Parliament should use its structures to promote a national debate on this review and improve its oversight over national departments that need to act on the findings.

The review should in fact be discussed in the National Assembly under a three-line whip. There is no reason to confine deliberations on it to the finance committees. At the very minimum, the portfolio and select committees on cooperative governance and traditional affairs should engage the key national and provincial departments in discussion of the contents of the report.

Second, if there is no such procedure already, a standing procedure should be instituted that the National Treasury presents the review to the SALGA AGM.

Third, as a matter of course, every municipal council and its oversight committees should engage the contents of the review. They could use the indicators as a benchmark for their own performance. The review should not only be used by planners and finance people in municipalities, but serve as a broader platform for promoting robust engagement between councils and managers over the quality of the local governance they provide.



Derek Powell  
Senior Researcher