

LOCAL GOVERNMENT PLANNING AND BUDGET PROCESS

MUNICIPALITIES ARE RESPONSIBLE FOR PLANNING AND BUDGETING AT LOCAL LEVEL. THEY ARE REQUIRED BY LAW TO INVOLVE COMMUNITIES IN THESE DECISIONS.

THIS FACT SHEET EXPLAINS HOW THESE PROCESSES WORK. IT WILL HELP YOU TO PARTICIPATE IN YOUR COMMUNITY'S DEVELOPMENT AND MONITOR THE DELIVERY OF LOCAL GOVERNMENT SERVICES.



3 WHAT IS THE MUNICIPAL BUDGET AND HOW MUST IT BE DRAWN UP?



1 SEPTEMBER

At least 10 months before the start of the financial year, the Mayor must present Council with a schedule for the following year's budget preparation.¹

AUGUST - NOVEMBER

Between August and November of each year, the municipality works to review the IDP (see section 4 below) and prepare the next financial year's budget.

1 APRIL

By 31 March, three months before the start of the financial year on 1 July, the Draft Budget must be presented in Council.

APRIL

Immediately after the Draft Budget is tabled, it must be made public, together with all other relevant documents. The municipality must then invite the local community to express their views on the budget.⁴

APRIL - MAY

The MFMA says that the municipality must consider the local community's views on the Draft Budget.

1 JUNE

By 1 June (one month before the start of the financial year), local councillors vote to approve or reject the Draft Budget. If the budget is rejected, the Municipal Manager must rework the budget and present a revised version within one week.⁵

30 JUNE

The municipal Budget must be approved by 30 June (before the start of the financial year) and must be published on the municipal website within 5 days of approval.

30 JUNE - 28 JULY

Within 28 days of the Budget's approval, the Council must approve the Service Delivery Budget Implementation Plan (SDBIP). The SDBIP is a practical, detailed 1 year plan that says exactly what the municipality intends to do, by when, and how much it will spend to do it.

1 AUGUST

Within 1 month of the start of the financial year (i.e. 1 August), the municipality must conclude Performance Agreements with its top officials. These must be made public within 14 days of the SDBIP's approval.⁷

TO INFLUENCE THE BUDGET, YOU NEED TO KNOW SOME TECHNICAL WORDS. LOOK OUT FOR BOLD WORDS IN THE TEXT AND THEIR EXPLANATIONS IN BOXES LIKE THESE.

BUDGET TALK FINANCIAL YEAR This is a period of 12 months used for budgeting and accounting purposes. For South African municipalities, the financial year starts on 1 July and ends on 30 June the following year.

BUDGET TALK MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) The Municipal Finance Management Act (No. 56 of 2003) (MFMA) outlines how municipalities must manage their finances. It talks about revenue, budgets, debts, financial reporting, misconduct and the role of councillors, mayors and other key role players.

BUDGET TALK FINANCIAL MISCONDUCT AND MISMANAGEMENT This is the misuse of the municipality's finances by councillors or officials. It includes spending that is not authorized, against the rules, unproductive or wasteful. Councillors and officials should not use their positions for their personal profit, or to improperly benefit another person.

1 KNOW YOUR MUNICIPALITY

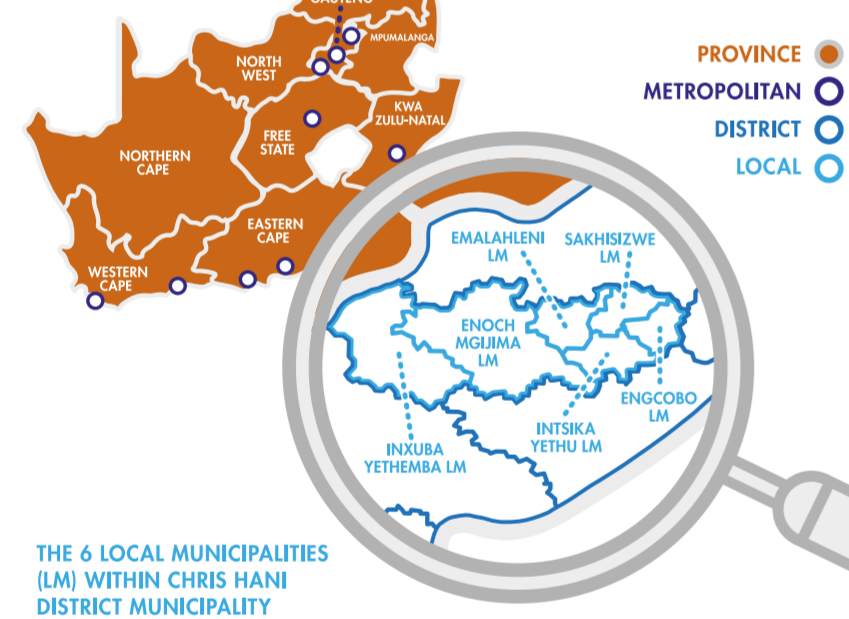
South Africa's Constitution is the highest law in the land. It sets out our rights and government's duties. It gives each sphere of government - National, Provincial and Local - different responsibilities.¹

- Some municipal functions are: Electricity, Water and sanitation, Refuse removal, Sports and recreation facilities, Early childhood development (ECD) facilities.
- Some provincial functions are: Health, Education, Housing, Social services.

The Constitution says that although the spheres are separate, they must work together to realise our rights. Some responsibilities are shared. For example, both a municipality and a province can contribute different resources to the same ECD centre. Be sure you understand who is responsible for the service about which you are concerned.

There are also 3 different kinds of municipalities:

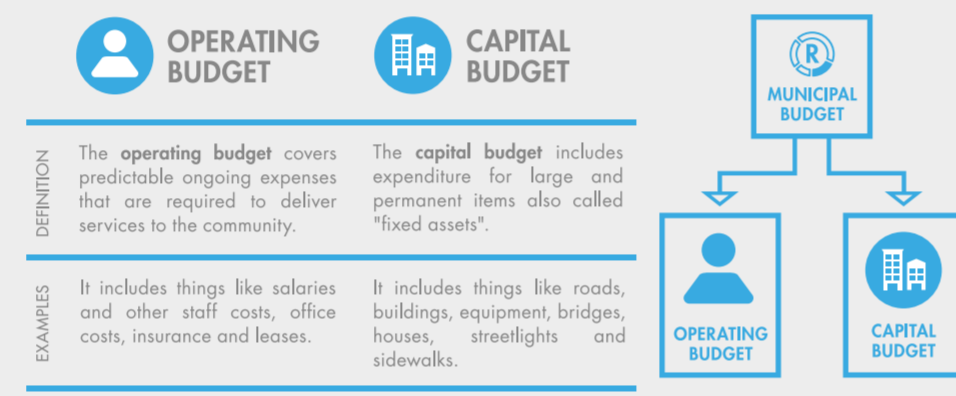
- Metropolitan municipalities are large cities and typically have more resources and responsibilities.
- Local and District municipalities govern smaller settlements and rural areas. A District municipality is made up of 4-6 local municipalities. Local and District municipalities share duties to cut costs and effectively use scarce resources (e.g. facilities, personnel).



THE 6 LOCAL MUNICIPALITIES (LM) WITHIN CHRIS HANI DISTRICT MUNICIPALITY

4 WHERE DOES MONEY FOR YOUR MUNICIPALITY'S BUDGET COME FROM?

MUNICIPAL BUDGETS ARE DIVIDED INTO TWO PARTS:



OPERATING BUDGET The operating budget covers predictable ongoing expenses that are required to deliver services to the community. It includes things like salaries and other staff costs, office costs, insurance and leases.

CAPITAL BUDGET The capital budget includes expenditure for large and permanent items also called 'fixed assets'. It includes things like roads, buildings, equipment, bridges, houses, streetlights and sidewalks.

REVENUE means income. Municipalities get some revenue from local taxes and payments for services, and some from the national and provincial governments.

EXPENDITURE refers to costs. Expenditure could be payments for maintaining infrastructure (like roads or recreation facilities) or the wages of people who work for the municipality.

BUDGET SURPLUS AND BUDGET DEFICIT When a municipality raises more income than it intends to spend, it has a budget surplus. When expenditure is larger than income, it has a budget deficit.

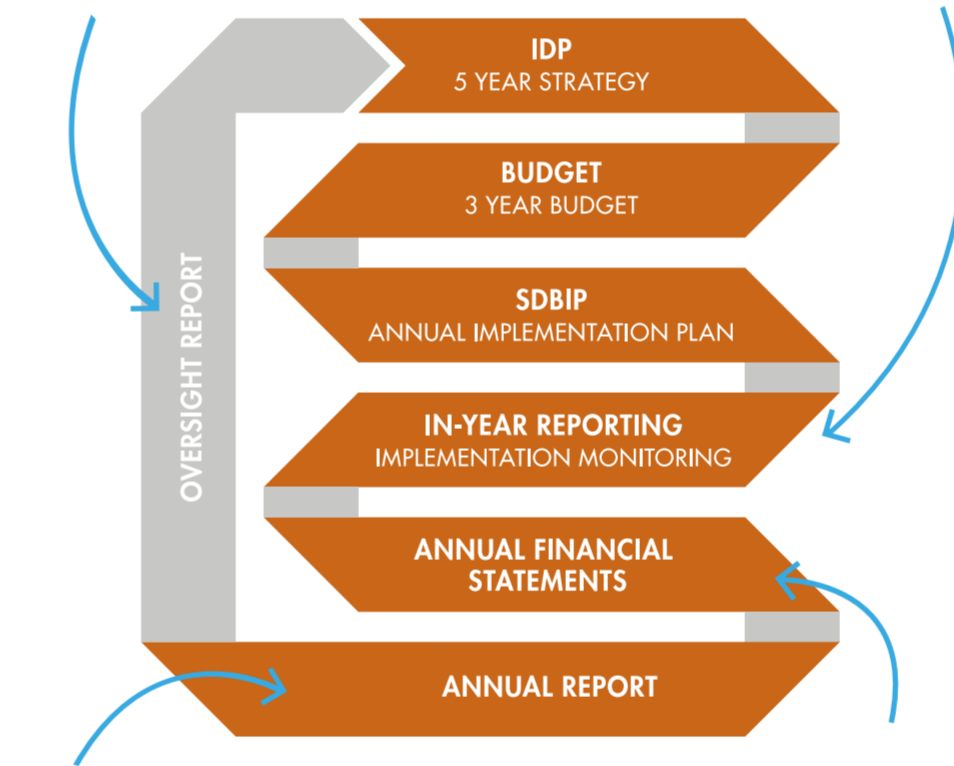
OVERSPENDING / UNDERSPENDING If a municipality spends more than it budgeted for, it is overspending. If it spends less than planned, it is underspending.

TRADE-OFFS When drawing up a budget, difficult decisions have to be made. Money spent on one thing means it cannot be spent on another, forcing us to 'trade' between choices. You can tell what your municipality really thinks is important by the trade-offs it makes in identifying its budget priorities.

5 HOLDING THE MUNICIPALITY ACCOUNTABLE

WHAT OFFICIAL PUBLIC DOCUMENTS TELL US IF THE MUNICIPALITY FOLLOWED ITS BUDGET AND IDP?⁸

- The Oversight Report is an analysis of the Annual Report (AR). It is compiled by councillors who do not have executive responsibilities. It includes a statement advising whether the Council has approved the AR with, or without reservations, rejected the report or asked for it to be revised.
- Council minutes: Several times a year, on a monthly or quarterly basis, the administration reports to the Council on its financial and service delivery progress. The Council's discussions of these reports are available in Council or Committee Minutes.



The Annual Report provides a record of the municipality's projects and service delivery progress in the previous year. It includes the AG's report on the Annual Financial Statements.

Every year, the municipality sends an Annual Financial Statement to the national Auditor-General (AG). The AG examines the Annual Financial Statement and reports back to the Council on whether it is accurate, trustworthy, and whether any financial mismanagement took place.

6 WHAT IS THE SDBIP? AND WHY IT IS IMPORTANT TO LOCAL COMMUNITIES?

According to the MFMA, every municipality must have a Service Delivery Budget Implementation Plan (SDBIP). It provides detailed information about how the municipality plans to fulfil its IDP and use its budget in the coming year.

The SDBIP is important because it allows us to measure how the municipality performs against service delivery targets and budget allocations.⁹ The SDBIP contains information on how much revenue the municipality intends to collect every month and how much it plans to spend each month. It also includes detailed service delivery targets: what will be delivered, when and where. The SDBIP can only be amended with the approval of the Council.

BUDGET TALK OVERSIGHT is the responsibility for making sure that systems or programmes work the way they are supposed to. It includes review, monitoring and supervision.

The Performance Agreements signed with municipal staff must be aligned to the SDBIP.

- MONITORING WHAT YOUR MUNICIPALITY IS BUILDING**
- The SDBIP must include a three-year capital works plan in sufficient detail to measure and monitor the delivery of capital projects such as housing, roads, sidewalks or sports fields.
 - The municipality must include the following information for each big capital project:
 - Ward
 - Project number
 - Name
 - Short description of what the project will deliver
 - Planned start date
 - Actual start date
 - Planned completion date
 - Actual completion date
 - Capital costs per month
 - Reasons for any changes in the project delivery
 - Responsible senior manager.

2 THE IDP: THE ROAD MAP FOR SERVICE DELIVERY AND DEVELOPMENT

The Integrated Development Plan (IDP) is the main planning tool for municipalities. It sets the priorities of the municipality for service delivery, budgets and capital investment over a 5 year period. Post elections 2016 your municipality should have developed a new IDP which will cover the years 2017/18 - 2021/22. The IDP is reviewed on an annual basis.

The Municipal Systems Act (Act 32 of 2000) says that municipalities must encourage people in the community to participate in drafting the IDP and deciding what it will prioritise. The graphic below outlines how.

Each year, the Council has to review, and report on its work. Has it met the objectives set out in the IDP? Has it spent its money in the right way? The Mayor and the municipal manager must report on these in the Annual Report which is presented in January, at the same time that the new municipal budget is prepared.



7 YOU HAVE A RIGHT TO PARTICIPATE IN THE PLANNING AND BUDGET PROCESS OF YOUR MUNICIPALITY

Voting in a local government election is only one step towards building a people-centred municipality that delivers the services your community needs.

- The Constitution says that municipalities:
 - have the authority to make laws and decisions about local development.
 - must give priority to providing basic services to everyone.
 - must encourage the community to participate in decision making.¹⁰

This means that your Council has to do more than just consult. It has to promote community participation in decisions that will affect how people live and work, today and in the future.

WHO IS INVOLVED IN LOCAL GOVERNMENT?

- The people who live and work in the municipality, as well as the organisations they belong to, such as civics, trade unions, political parties or business associations.
- Councillors are elected every 5 years to represent their wards or constituencies in the Municipal Council. There, they decide what needs to be done in the municipality. Large municipalities may also have Subcouncils.
- The administration or public service - the officials, managers and workers who make it all happen. They are not elected. They work for the Council, regardless of which political group is in power. Officials have the technical knowledge and skills to perform the specialised activities of municipal affairs.

Do people need houses? Is there clean water to drink? Are the roads full of potholes? What is the most important thing? What has to be done first? What can be done now? What needs more time or more money?

For all these questions, the municipality is required to give the community enough time and information for real involvement and discussion - and what the community says must be reflected in council decisions.

8 TAKE ACTION, ASK QUESTIONS!

MUNICIPAL ACTIVITIES ARE PUBLIC ACTIVITIES

TAKE ACTION ON THE BUDGET	HOW IS YOUR WARD COUNCILLOR PERFORMING?
Participate in the budgeting process!	Is your Ward Councillor fulfilling election promises made?
Monitor the quality of services in your community!	Does your Ward Councillor regularly visit to listen to the community and check service quality?
See how much money your municipality receives, and where it comes from!	Does your Ward Councillor take up the community's concerns with the Council and municipal administration?
Read Council minutes, progress or annual reports and compare them to your experience of services delivered!	Does your Ward Councillor report to your community about the work of government and what is happening in the area?
Attend Council and quarterly Ward meetings!	Is your Ward Councillor helping you talk to provincial government about services that are shared with municipalities? e.g. Health, education, housing.



NOTES

- For a full list of municipalities' responsibilities, please see Part B of Schedules 4 and 5 of the Constitution
- Buffalo City (East London), City of Cape Town, Ekurhuleni Metropolitan Municipality (East Rand), City of eThekweni (Durban), City of Johannesburg, Mangaung Municipality (Bloemfontein), Nelson Mandela Metropolitan Municipality (Port Elizabeth), and City of Tshwane (Pretoria)
- Municipal Finance Management Act (Act 56 of 2003) Section 21
- MFMA, Sections 22 & 23
- MFMA, Section 23
- MFMA, Sections 24 & 25
- MFMA, Section 57
- Adapted from Local Government Social Accountability Monitoring: A Guide for Municipal Journalists and Civic Actors.
- Municipal Systems Act (Act 32 of 2000), Section 57
- See chapter 4 of MSA for details on community participation.
- MFMA 127 (2)
- MFMA 130 (1) and (2)

RESOURCES:

Making Local Government Work: An activist guide (www.localgovernmentaction.org)
Local Government Transparency and Accountability: Activist Guide
Ndifuna Ukwazi & Social Justice Coalition Budget Fact Sheet 1
The Municipal Systems Act
The Municipal Finance Management Act
The Ward Committee Handbook
A Guide to Local Government Budget Advocacy
A Guide to Municipal Finance Management for Councillors
Monitoring Public Procurement in South Africa: A Reference Guide for Civil Society Organisations.
Local Government Social Accountability Monitoring: A guide for municipal journalists and civic actors.
Everything You Need to Know About Being a Councillor
Engaging with Government Budgets: An activist's guide to South African Government Budgets at Local, Provincial and National Level.
Municipal Money webpage: Key financial information on municipal performance, from National Treasury (municipalmoney.gov.za)

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GET INVOLVED IN YOUR MUNICIPALITY'S PLANNING AND BUDGET PROCESS

