

Updated Municipal Entities Report, information obtained from municipalities as at 30 June 2010

Introduction

A municipal entity is a mechanism used by a municipality to deliver services to its community. Each municipal entity is an “organ of state” and must comply with the legislative framework which ensures accountability, transparency and consultative processes, similar to requirements that apply to a municipality in its own right.

Municipal entities are accountable to the municipality or municipalities (e.g. a multi-jurisdictional entity) that established the entity. The entity must perform according to a service delivery agreement and performance objectives set by the municipality. As their debts, liabilities and decisions are made on behalf of the municipality, they may be disestablished if they fail to perform satisfactorily or if they experience serious or persistent financial problems.

Legislative framework

A legislative framework relating to municipal entities came into effect through amendments to the Municipal Systems Act (MSA) and the enactment of the Municipal Finance Management Act (MFMA). The provisions of the MSA, including Chapter 8A, came into effect on 1 August 2004. The bulk of the provisions of the MFMA took effect on 1 July 2004 with some transitional provisions based on municipal capacity.

The MSA defines three types of entities that may be established by a municipality with effect from 1 August 2004 (private company, service utility or multi-jurisdictional service utility). Prior to the MSA and MFMA requirements taking effect, municipalities used various arrangements to deliver services and manage the functions they performed. These included formation of trusts, section 21 companies and private companies. It is a requirement for municipalities to review these structures in view of the amended legislative framework and either convert them to an entity as per the amended legal framework or disestablish them, if they are no longer required. A review would cover such aspects as objectives of the entity, purpose for its establishment, activities being performed in an efficient and effective manner, providing value for money, sustainable budgets and viable funding, self sustainability, appropriateness of governance structures to provide effective municipal oversight, accountability, transparency and reporting.

Reporting requirements

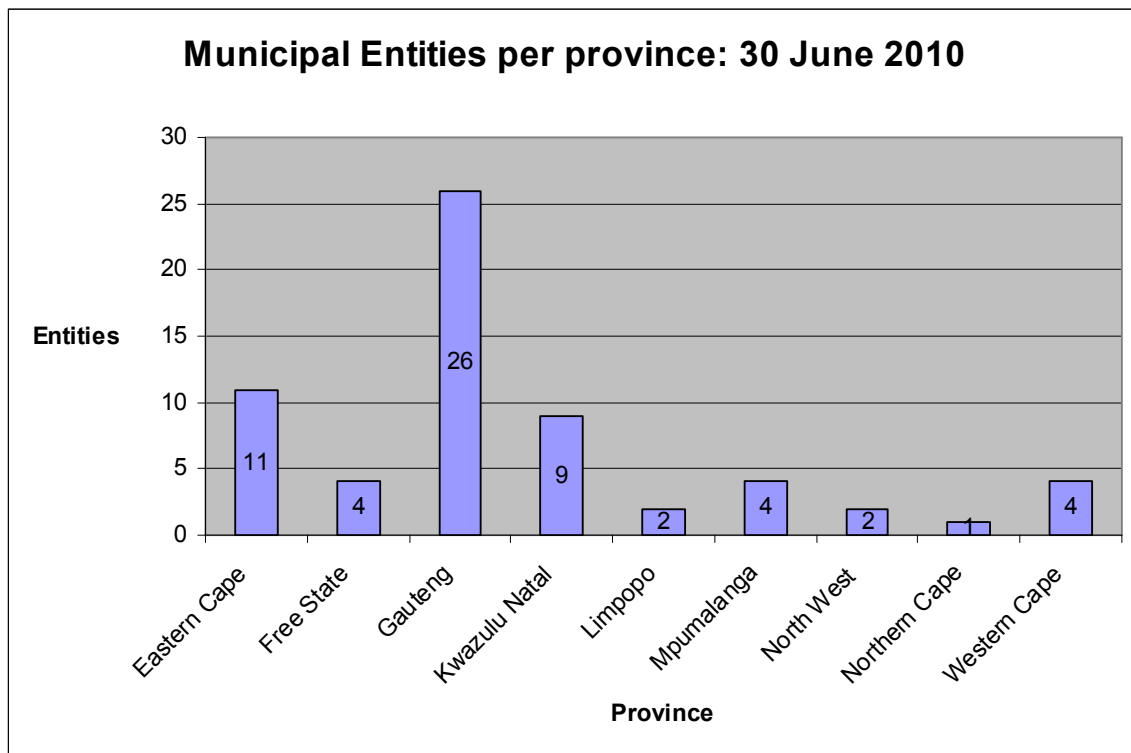
In terms of section 74 and 178 of the MFMA, municipalities are required to report to the National Treasury information on all municipal entities, including those structures in existence prior to the MFMA and MSA framework taking effect. Annexure A contains a list of updated information as at 30 June 2010. This information was first publication for the period ending 30 June 2006, available on National Treasury website. Whilst every

effort has been made to reflect information accurately, it is not possible to guarantee the completeness of reporting by all municipalities.

The updated information reflected in Annexure A show a total of sixty three municipal entities as at 30 June 2010. The largest concentration of municipal entities is in Gauteng province with twenty six, fifteen of which are controlled by the City of Johannesburg. This is followed by eleven municipal entities situated in the Eastern Cape province. From the sixty three municipal entities, we are advised that five are in the process of being disestablished, while one entity is under review.

The effect of the amendments to the MSA and enactment of the MFMA has resulted in a number of entities being reviewed and disestablished.

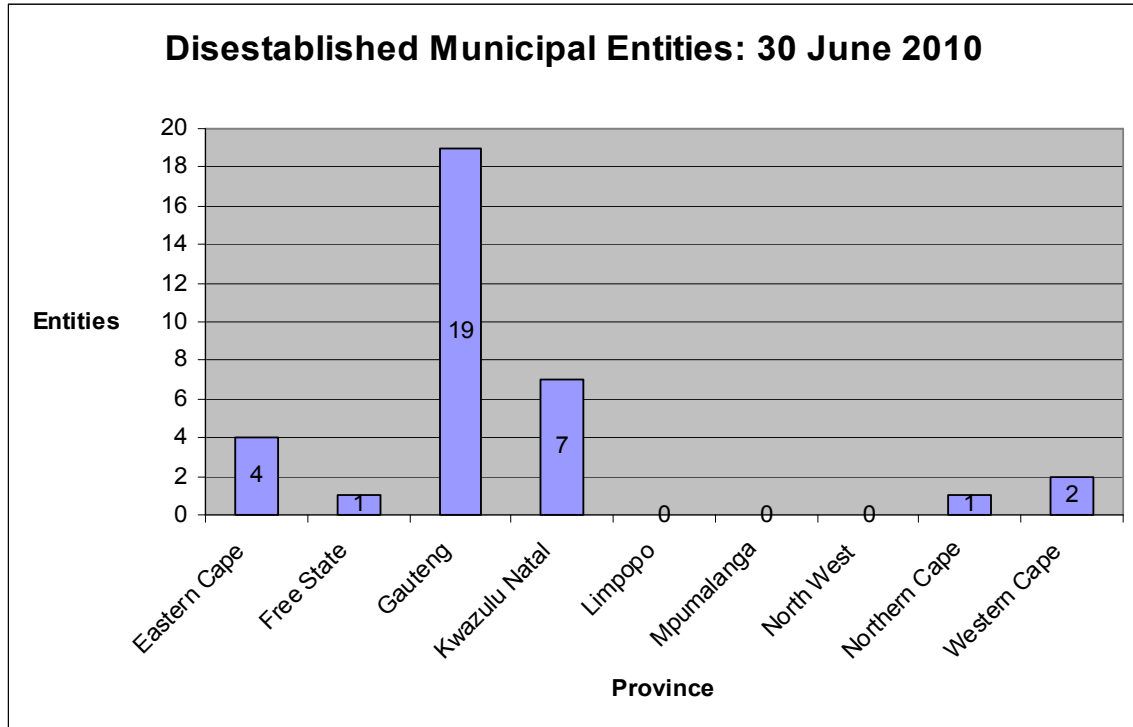
The following chart shows the sixty three municipal entities, per province.



Disestablished Municipal Entities

Since the first publication, twenty seven municipal entities were disestablished while seven were erroneously reported as being municipal entities and were corrected. A list of these entities can be located in Annexure B.

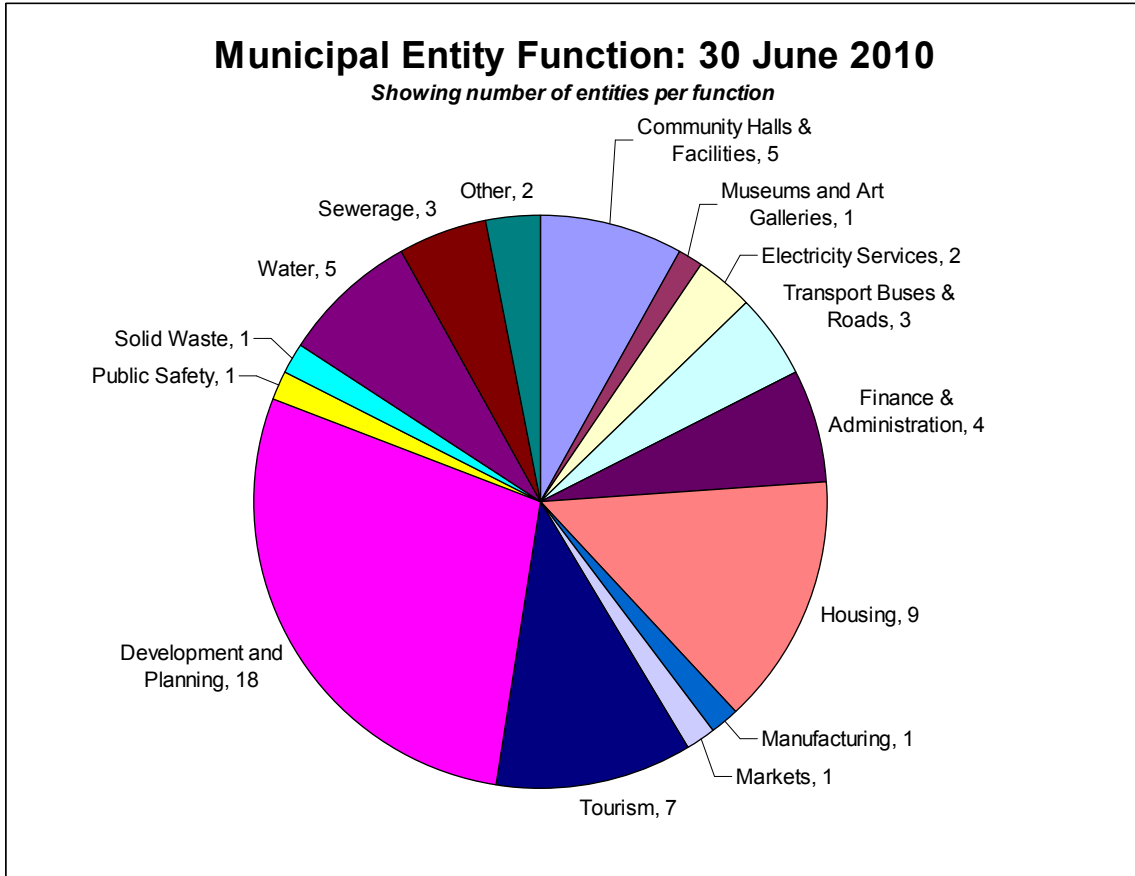
The following chart shows the disestablished municipal entities, per province.



Functions performed

The chart below depicts municipal entities and the functions they perform on behalf of municipalities. Eighteen entities perform developmental and planning functions, including activities such as economic and business development. Nine entities perform Housing related services. Seven perform tourism functions. Five entities perform Water Services and render support to Community Facilities, respectively.

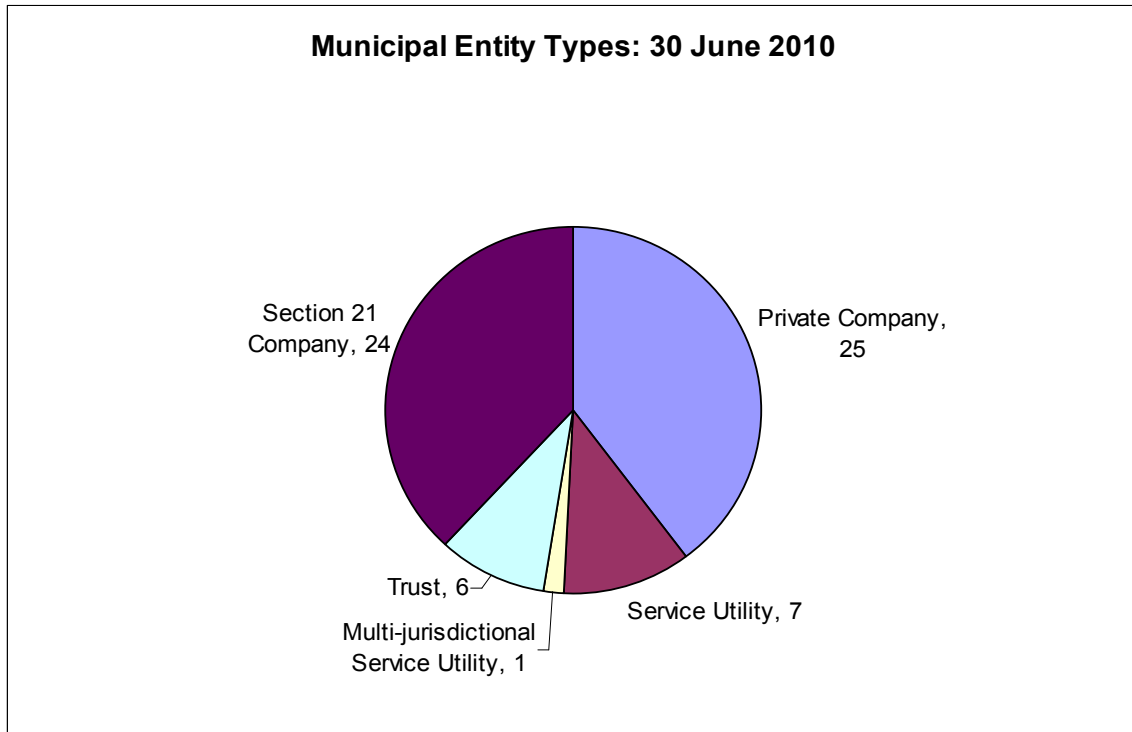
The following chart shows the municipal entities by function.



Types of municipal entities

Of the sixty three municipal entities, twenty five are *Private Companies*, twenty four are *Section 21 Companies*, seven are *Service Utilities*, six are *Trusts* and one is a *Multi-jurisdictional Service Utility*.

The following chart shows all sixty three municipal entities, per type.



Conclusion

This information is provided to assist policy makers and researches, promote transparency in public finance and to support government oversight responsibilities.

All information has been provided by municipalities and, whilst every effort has been made to reflect information accurately, it is not possible to guarantee the completeness of reporting by municipalities.

The list of municipal entities will be updated regularly to reflect changing information as provided by municipalities.

Contact

Municipalities are required to report on all entities in terms of the MFMA. A reporting format is provided for this purpose and can be downloaded from the National Treasury website www.treasury.gov.za/legislation/mfma. On the left hand side menu click on "Return Forms" and select "MFMA Quarterly Return Forms" and the "Municipal Entities Return". We are in the process of reviewing the reporting requirements.

Should any information be incorrect in this report, the municipality is requested to either complete a new Municipal Entities form and email it to the National Treasury (instructions are provided on the top of the form) or provide written communication substantiating the changes to the MFMA helpdesk facility, mfma@treasury.gov.za.