

Updated Municipal Entities Report, information obtained from municipalities as at 30 June 2014

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.

In terms of the MSA, there are three types of entities that may be established by a municipality with effect from 1 August 2004 namely, 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 of such entities would cover such aspects such 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.

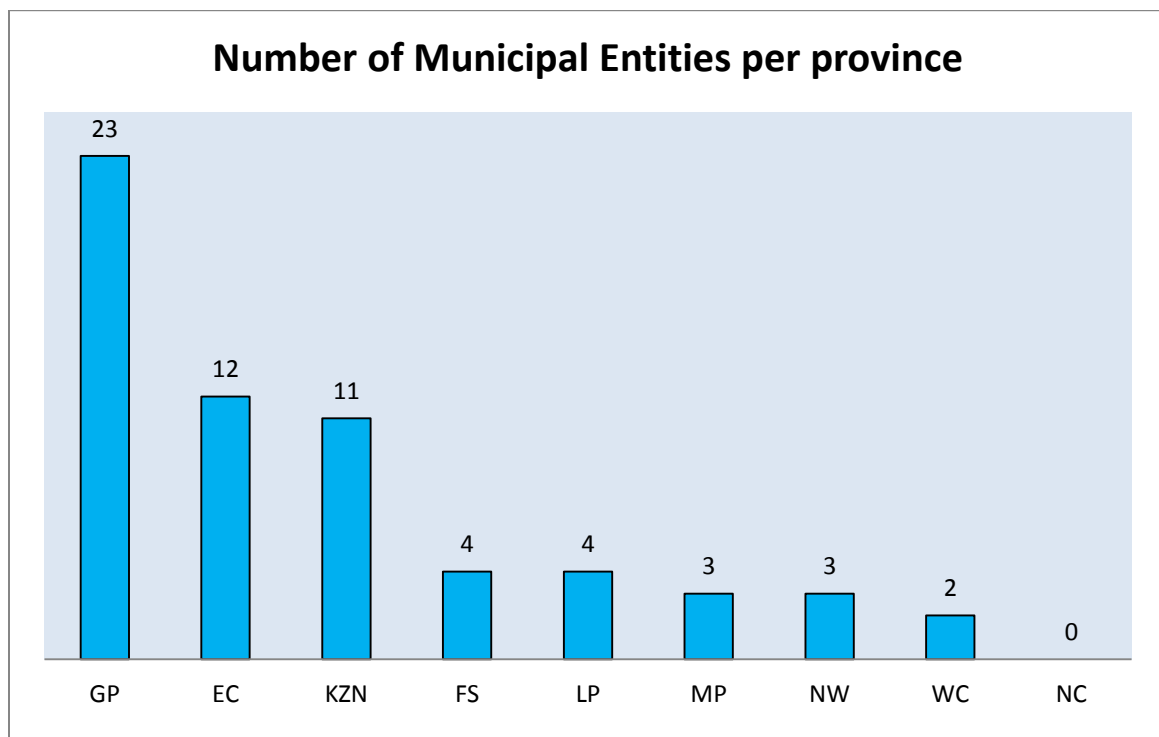
Reporting requirements

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 2014. This information was first published for the period ending 30 June 2006, available on the 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 initial list of municipal entities was published on 30 June 2006 and updated in June 2010. There were 91 municipal entities as at 30 June 2006, this number was reduced to 63 in June 2010. The updated information reflected in Annexure A shows a total of sixty two municipal entities as at 30 June 2014. The largest concentration of municipal entities is in Gauteng Province with twenty three, thirteen of which are controlled by the City of Johannesburg. This is followed by twelve municipal entities situated in the Eastern Cape Province and eleven in the KwaZulu-Natal Province. The Northern Cape Province's municipalities do not have any municipal entities.

The following graph shows the sixty two municipal entities, per province.

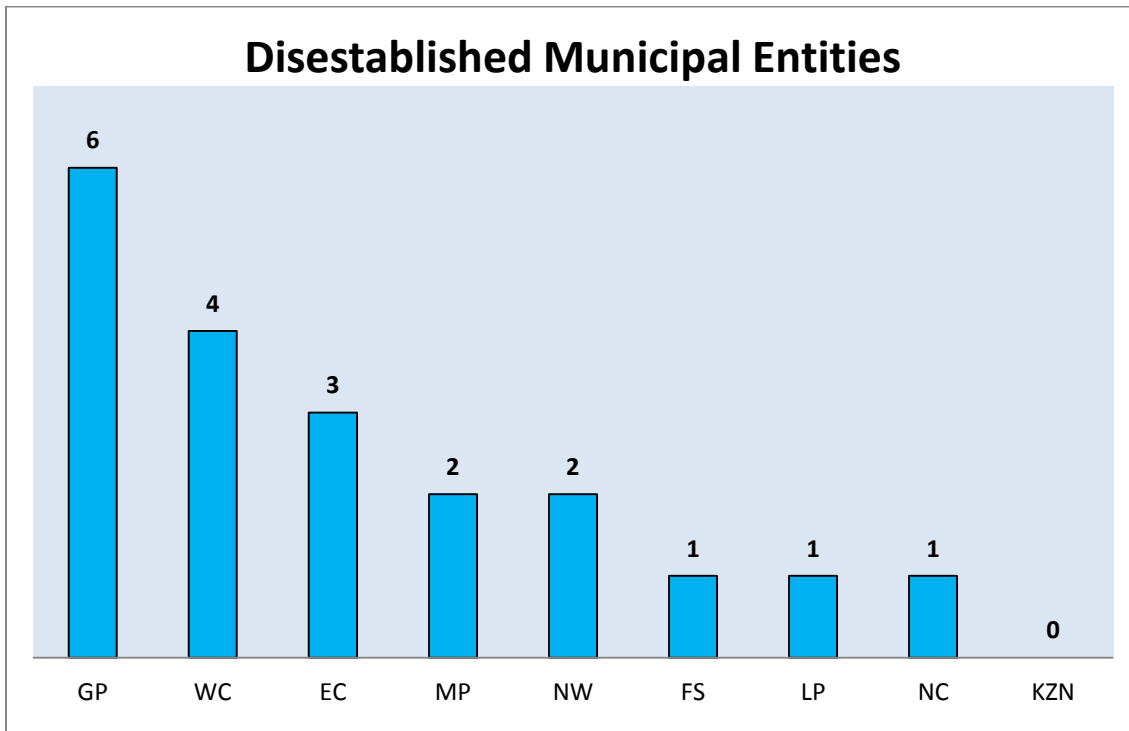


Disestablished Municipal Entities

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

Since the publication in June 2010, twenty municipal entities were disestablished (six in Gauteng, four in Western Cape, three in Eastern Cape, two in Mpumalanga, one each in Free State, Limpopo, and Northern Cape). Two municipal entities (one in the Western Cape province and were erroneously reported as being municipal entities and were corrected. One municipal entity which was erroneously excluded in June 2010 has since been disestablished. A list of these entities can be located in Annexure B.

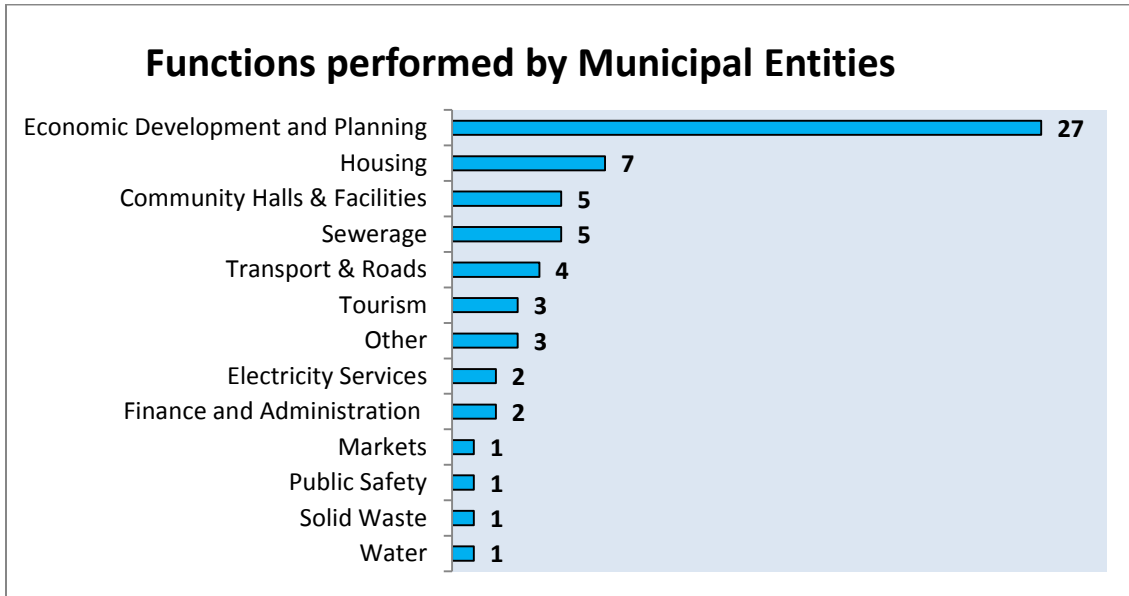
The following graph shows the disestablished municipal entities per province



Functions performed

The following municipal functions are performed by the municipal entities; twenty seven perform economic development and planning including business development. Three (3) perform tourism functions. Five entities perform sanitation/sewerage functions, 7 perform housing related services and five support community facilities respectively.

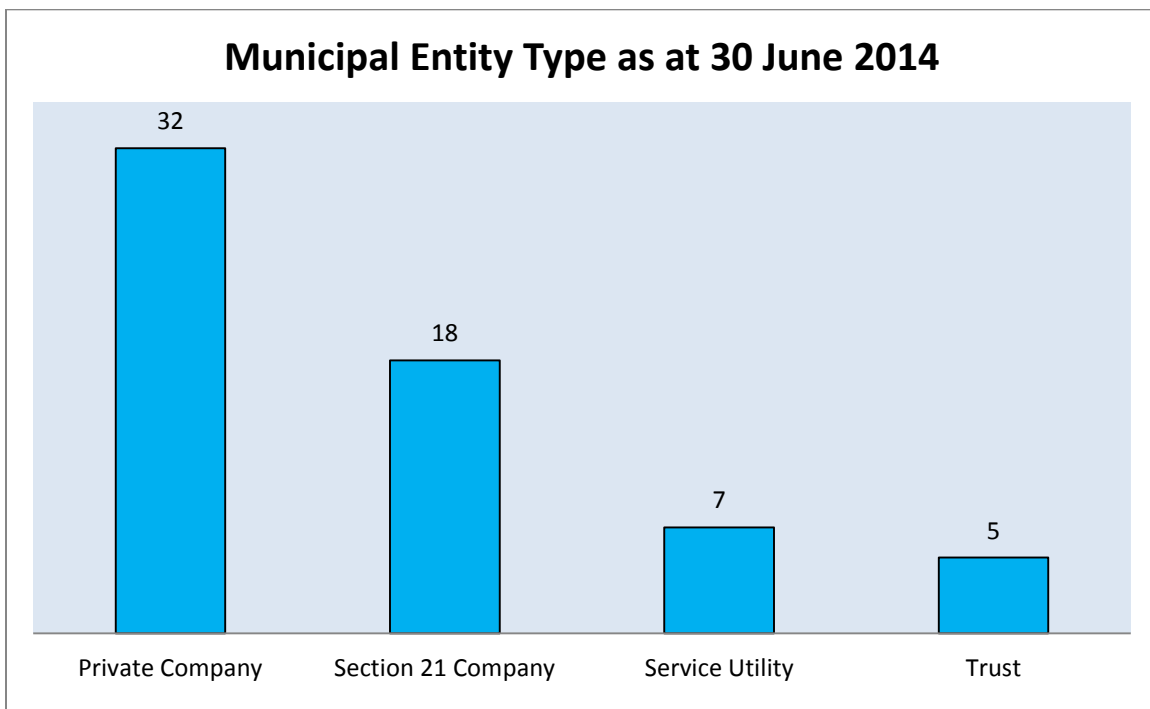
The following graph shows the municipal functions performed by the municipal entities.



Types of municipal entities

Of the sixty two municipal entities, thirty two are *Private Companies*, eighteen are *Section 21 Companies*; seven are *Service Utilities* and 5 are *Trusts*.

The following graph shows the different types of entities.



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 and when 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 http://mfma.treasury.gov.za/Return_Forms/Pages/default.asp. On the left hand side menu click on "Return Forms" and select "MFMA Quarterly Return Forms" and the "Municipal Entities Return".

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 in how to complete the form are provided on the top of the form) or provide written communication substantiating the changes to the MFMA helpdesk facility, mfma@treasury.gov.za.