



Municipal Financial Transparency Webinar

Section 71 report

Know where your money goes:

Tracking municipal spending

15 October 2025 – Mandla Gilimani

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MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) SECTION 71 REPORT

Objective of Presentation

- To inform the public on the monthly reporting of Municipalities on their performance of financial affairs to the National Treasury and, in turn, to parliament.
- To empower the public so they can interpret the section 71 for their respective municipalities
- To inform on monitoring and accountability of financial matters
- To inform the public that NT uses the monthly and quarterly section 71 reports as a mechanism and as a monitoring tool to track performance and intervene where necessary
- To determine what types of financial management information would be useful for civil society to interact with and to publicise
- To make aware the importance of public funds, resource allocation transparency and accountability

Why is S71 of MFMA Necessary?

- To publish credible information on the performance of municipal budgets and conditional grants
- To monitor municipal spending patterns
- To assist with providing information for oversight by various stakeholders
- As SA is a signatory to the Open-Government-Partnership (OGP). the aim is to make financial matters more visible to civil society.



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OUTLINE OF THIS PRESENTATION

1. Where are we heading?
2. Early warning systems
3. Reporting framework and timelines
4. What to look for in s71 reports
 - Billed revenue trends and growth in debtors
 - Expenditure analysis and growth in creditors
 - Capital expenditure analysis
 - Cash position of Municipalities
 - List of external loans
 - Monthly repairs and Maintenance
 - Over and under spending
5. Annexures

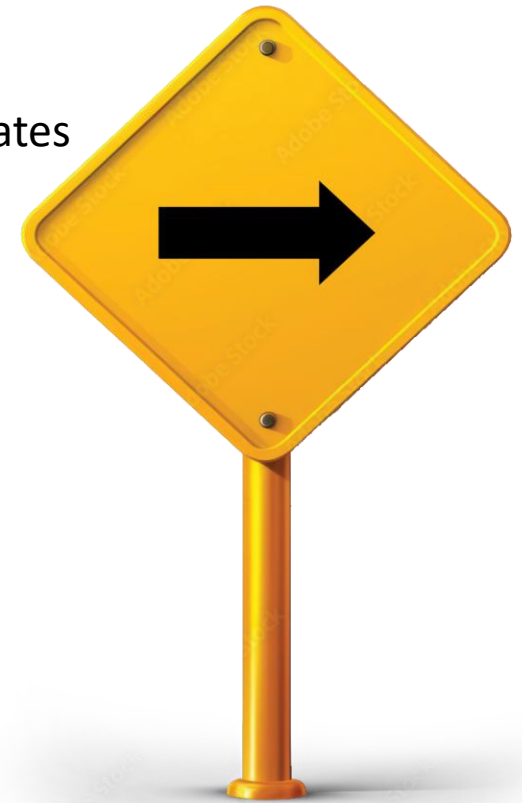


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1. WHERE ARE WE HEADING? *An Overview of Local Government*

Significant progress has been achieved over the last 20 years, however, much more is required:

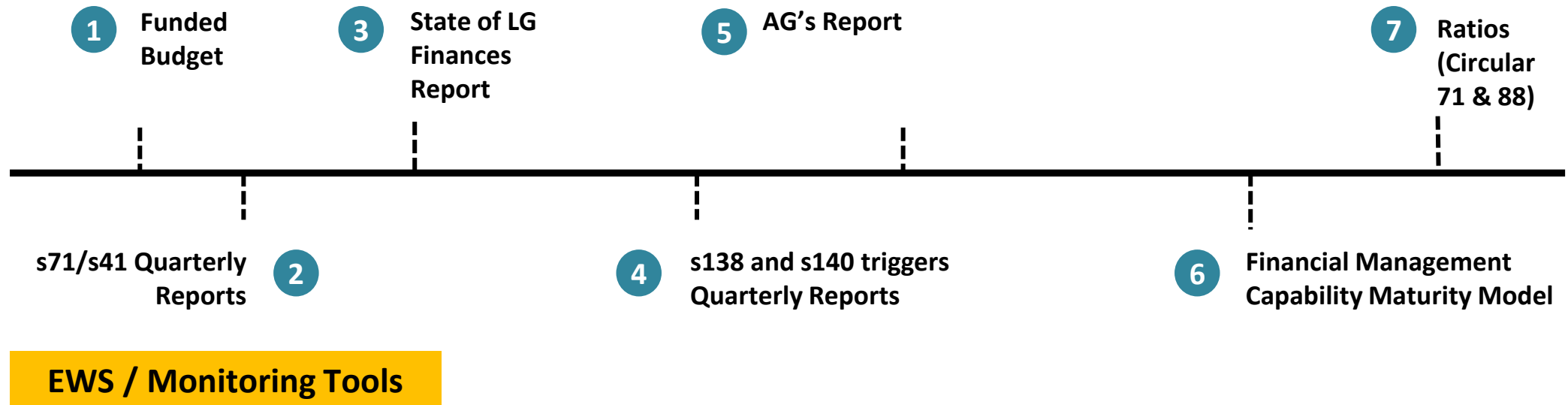
- Improve the quality of local government information to better inform national policy debates
- Ensure a credible budgeting process as a key ingredient to improve management by:
 - (a) *Facilitating alignment of budget to national priorities to improve service delivery outcomes*
 - (b) *Over time, correlate credible budget with audit outcomes*
- Prevent municipal financial difficulties before they occur through our early warning systems – to form basis of recovery plans
- Ensure comparability of information across municipalities to aid resource allocation decisions and to reduce the reporting burden to municipalities
- Strengthen the link between policy formulation, planning, budgeting, implementation, reporting and monitoring, i.e. accountability and service delivery



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2. EARLY WARNING SYSTEM MONITORING TOOLS

- Early Warning Systems exist to ensure monitoring of LG financials as depicted below
- These tools provide an opportunity to identify potential financial troubles **before** they escalate



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3. REPORTING FRAMEWORK & TIMELINES

- Timely information on the state of municipal finances
- Areas of risk highlighted; ***“Early Warning System”***
- Measures performance of municipalities aligned to National priorities
- Promotes the principles of accountability & transparency
- Proactive management of the budget in relation to actual performance
- Enables stakeholders to structure policy to the benefit of local government
- Assesses compliance to the legal framework; and
- Improves financial information pertaining to LG thereby strengthening the planning & budgeting capability



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3. REPORTING FRAMEWORK & TIMELINES – Cont. ANNUAL, QUARTERLY & MONTHLY REPORTING

- The reporting requirements for municipalities are specified in section 71 & 72 of the MFMA & the Municipal Budget and Reporting Regulations (MBRR)
- There are three concurrent streams for municipal reporting framework – prior year, current year and next MTREF cycle
- The MFMA guides on the timeframes which municipal budgets must be tabled and adopted. It also requires municipalities to adjust their budget half yearly to cater for revenue and expenditure adjustments.
- The MM should report monthly expenditure to the Mayor and quarterly to Council. This would allow the municipality to devise a strategy to deal with deviations should its revenue and expenditure plans not materialise
- Reasons for adjustments are narrated on a s72 form, which will also include the targets vs the mid-year performance
- At year-end an annual report is produced in which the annual performance of a municipality is determined including the opinion of the AG. The Annual Report is accessible to anyone interested which includes potential investors, citizens or residents.



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS?

- s71 reports are critical for municipalities
- Flexibility to determine trends and analysis throughout the spheres of Government
- Formulation and contents of reports
- It is for citizens to interact with the report to better understand its information and to interpret the data
- Councilors must use this information to better debate on facts and figures

- 4a. Billed revenue trends and growth in debtors
- 4b. Operating expenditure analysis
- 4c. Capital expenditure analysis
- 4d. Growth in creditors
- 4e. Cash position of municipalities
- 4f. List of external loans
- 4g. Monthly repairs and maintenance expenditure
- 4h. Over and under spending



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4a. Billed revenue and how does its trends/analysis look like

- For a municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. This can be derived from service charges, property rates and transfers
- The trend suggests that most municipalities bill mainly in the first quarter, as many municipalities facilitate annual billing

Why must citizens interact with the report?

- Citizen can observe the main source of revenue of their municipality
- To better understand its information and interpret the data

Why councilors must use this information

- Councillors can monitor trends to better convey to communities the municipal performance and encourage payment of services rendered
- To better debate on facts and figures at council meetings.

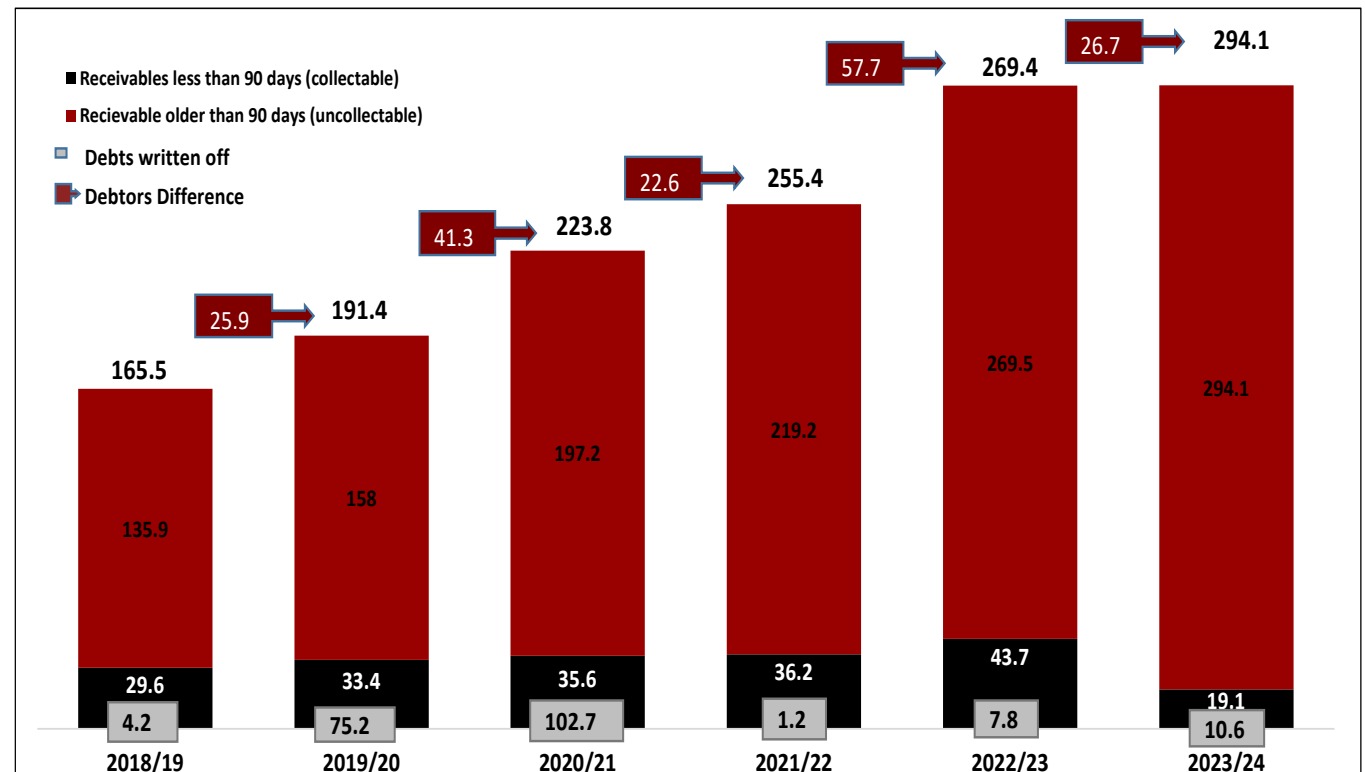


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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

Growth in Debt

- As a result of the increase in the culture of non-payment for services rendered by the municipality, there is visible growth in debtors (i.e., an increase in revenue owed to the municipality by mostly households, business, and organs of state)



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4b. Operating expenditure and how does its trends/analysis look like

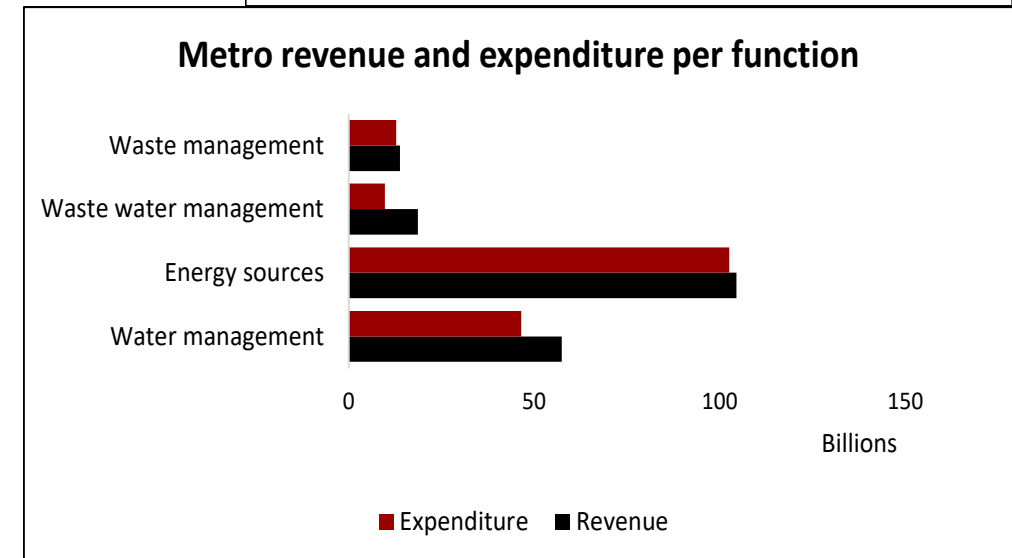
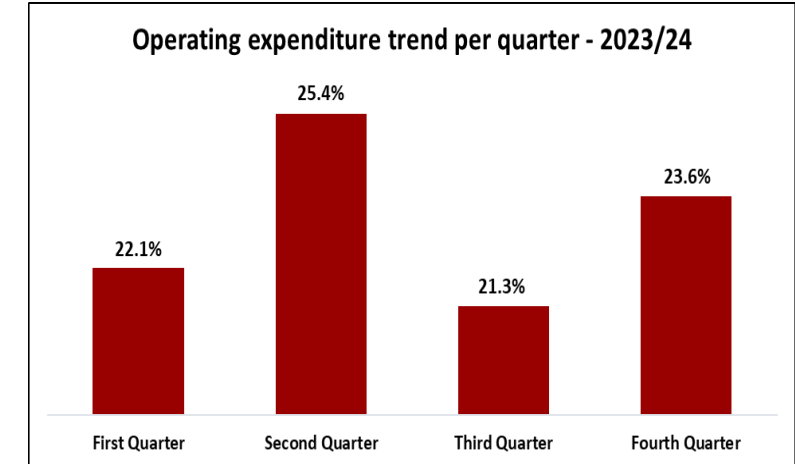
- These are day to day running costs of running a municipality which include employee related cost, bulk purchase to keep water and electricity on and costs spent on contractors.

Why must citizens interact with the report?

- Citizens must interact with the expenditure to keep their municipalities in check that they do not spend money on non-priority spending. For example, by paying exorbitant fees through consultants whereas there are well capable people permanently employed that can do the work done by consultants
- To better understand its information and to interpret the data

Why councilors must use this information

- Council are often guilty of putting expenditure pressures while the municipality is not making enough revenue for those expenditure pressures. They therefore have to be the ones that promotes cost containments especially when the municipality is struggling to collect revenue
- To better debate on facts and figures



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4c. What is Capital expenditure and how does analysis look like

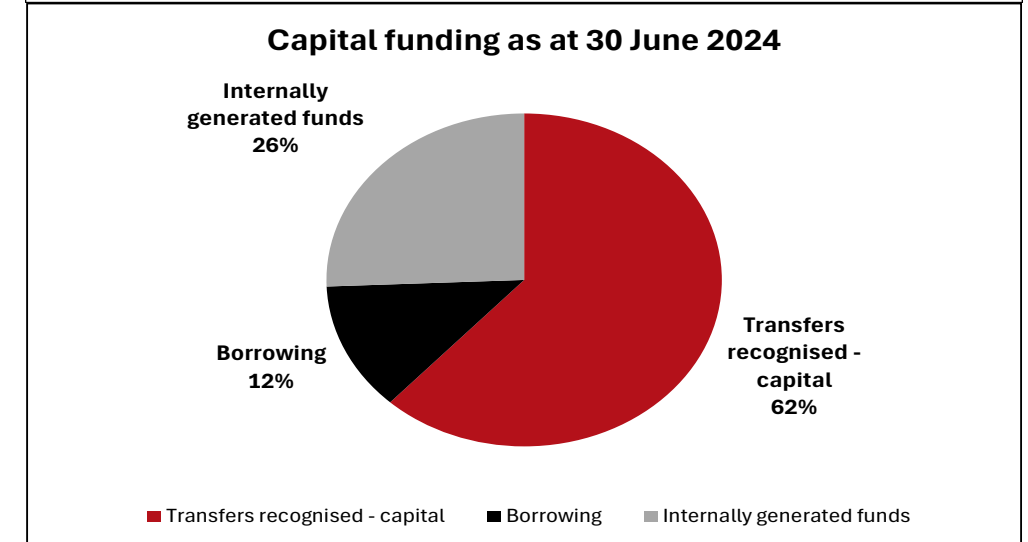
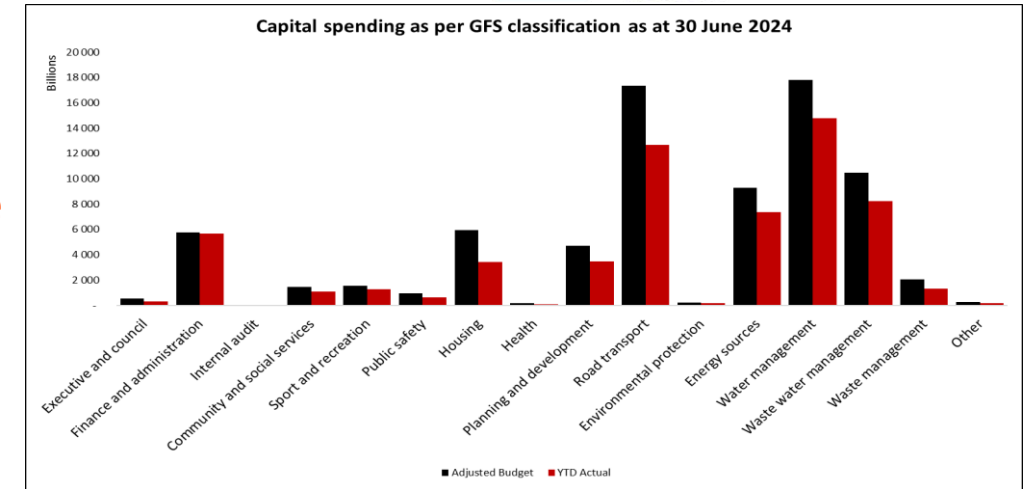
- Capital expenditure is spending on infrastructure such as water treatment works, roads and electricity substations.
- Most municipalities depend on grant from National Government to fund their capital budgets

Why must citizens interact with the report?

- The Citizens need to be aware of the infrastructure projects taking place in their space and need to know the source of funding for those projects
- to better understand its information and to interpret the data

Why councilors must use this information

- Council should use section 71 to track capital expenditure, and have mitigation measures when there are delays
- To better debate on facts and figures



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4d. Growth in creditors and how does its trends/analysis look like

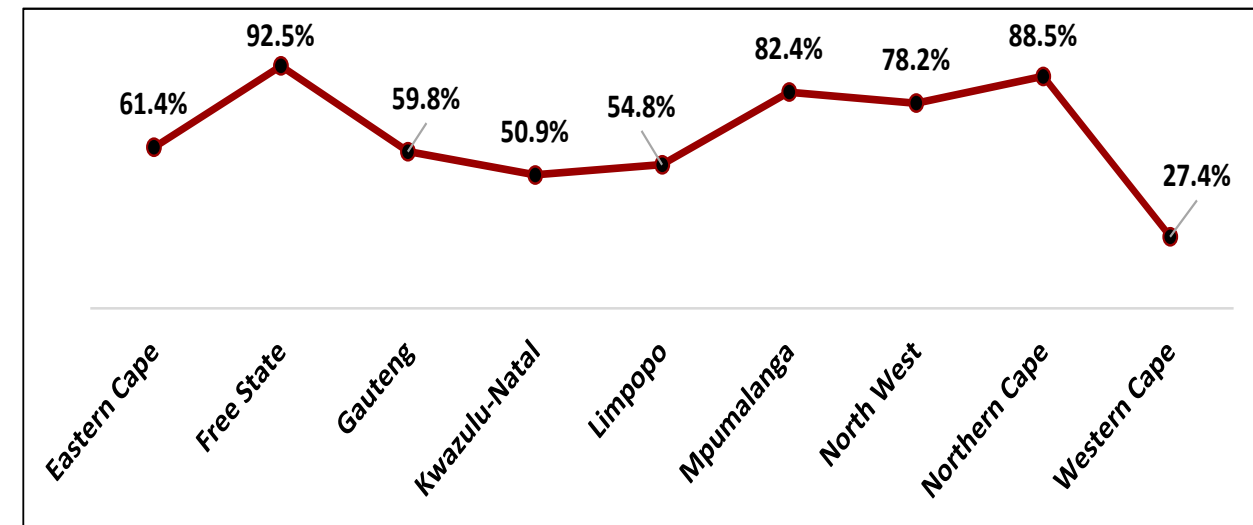
- Creditors refer to the amount is owed by the municipality to suppliers for the services rendered to a municipality

Why must citizens interact with the report?

- As citizens are responsible for paying for services, they must also keep the municipality in check that they pay creditors like Eskom and the Water Boards and third parties like SARS, AG and Pension Fund as there is a growing trend for a municipality struggles to balance funding choices they tend to ignore to pay for bulk services and would rather opt to pay for things like water tankers
- to better understand its information and to interpret the data

Why councilors must use this information

- For non-interruption of services Council should make sure that their municipality pays bulk suppliers current accounts
- To better debate on facts and figures



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4e. Cash position of municipalities

What is a cash position?

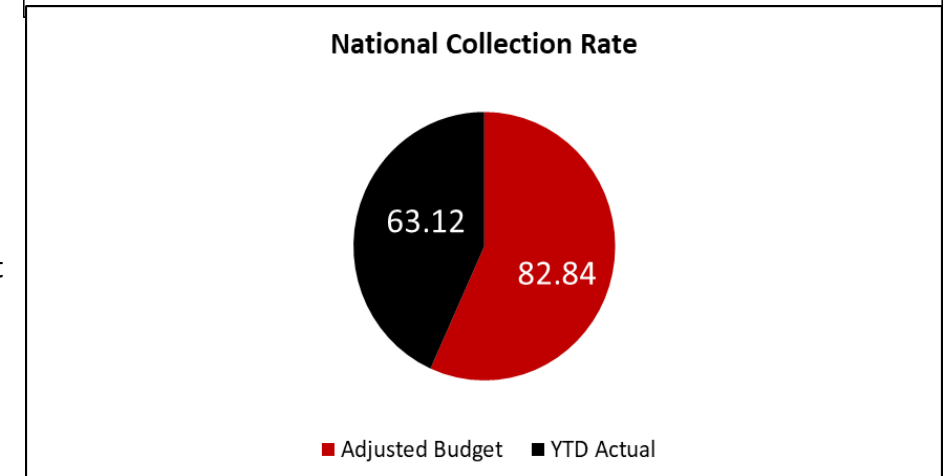
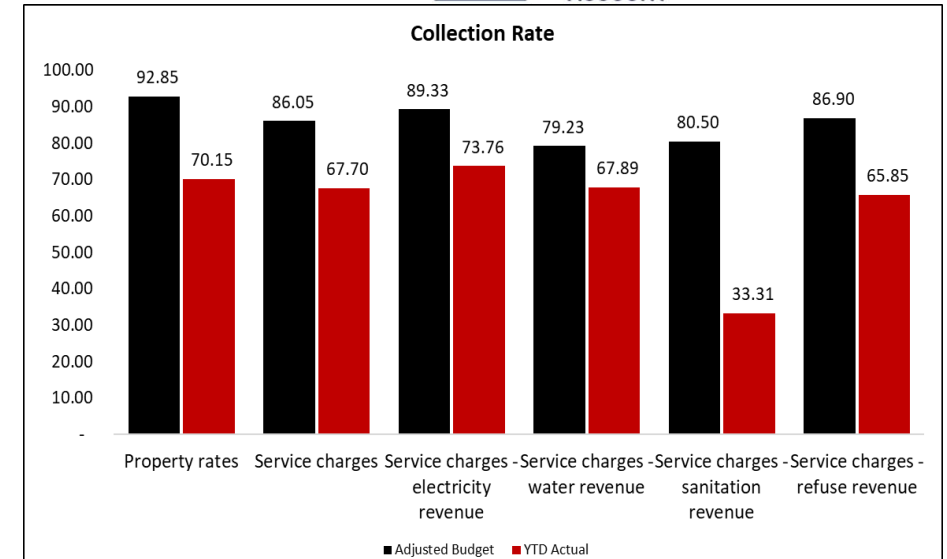
- It is the bank balance of the municipality which includes cash and investments. It shows the ability of a municipality to pay liabilities and other current obligations

Why must citizens interact with the report?

- Public should interact with cash balances of their municipalities so that they can assess whether their municipality has enough cash to meet monthly fixed operations without collecting additional revenue in that month
- To better understand its information and to interpret the data

Why councillors must use this information

- Councillors should be empowered to interpret s71 reports and cash position of a municipality so that they are able to exercise their oversight responsibility. For example, should the municipality not be collecting enough revenue, Council can propose measures that can be taken to improve revenue collection, which might include making sure that they eradicate the culture of non-payment in their communities by advocating why communities should pay for services rendered by the municipality



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4f. List of external loans

- As part of the funding sources for infrastructure, municipalities are allowed to borrow up to 45% of their operating budget to invest in infrastructure projects, subject to a healthy cashflow position to repay the borrowing

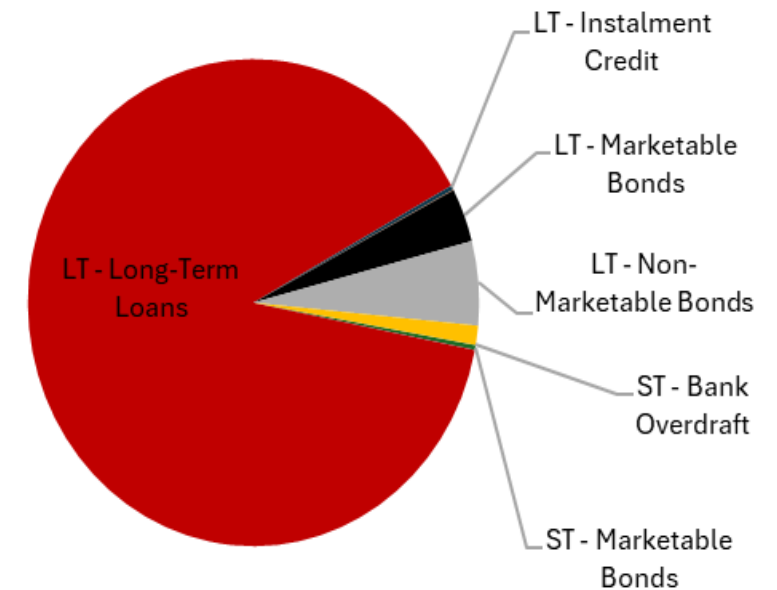
Why must citizens interact with the report?

- Public needs to know the financial position of their municipality, whether the municipality can borrow to fund infrastructure pressures
- To better understand its information and to interpret the data

Why councilors must use this information

- Council needs to be aware of the cash position of the municipality so that they can take a decision whether the municipality can borrow or not for the purpose of infrastructure generating assets
- To better debate on facts and figures

External Borrowing by Type as at 30 June 2024



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4f. List of external loans – Cont.

Types of external loans

- The list of external loans are stated and where ST refer to Short Term and LT to Long Term
- **Why citizens must interact with the report**
- Public needs to be aware that it is wrong for their municipality to borrow for operations.
Municipalities should ideally borrow for revenue generating assets. Therefore, the type of borrowing undertaken by a municipality will indicate the borrowing approach and period.
- **Why councilors must use this information.**
- Council should be empowered to know which type of loan is good for the municipality that they can approve, subject to the ability of the municipality to repay such.
- To better debate on facts and figures

Type

ST - Bank Overdraft
 ST - Other Short-Term Loans
 ST - Marketable Bonds
 ST - Non-Marketable Bonds
 ST - Other Securities
 LT - Long-Term Loans
 LT - Instalment Credit
 LT - Financial Leases
 LT - Marketable Bonds
 LT - Non-Marketable Bonds
 LT - Other Securities

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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4g. Monthly Repairs and Maintenance expenditure

Monthly repairs and maintenance expenditure

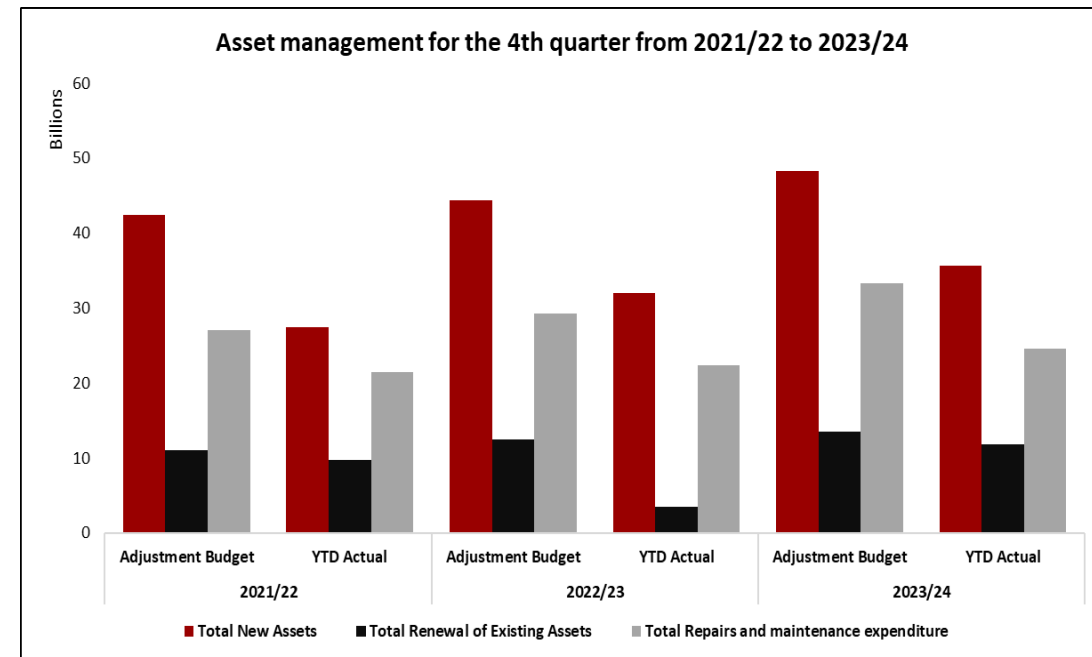
- In a municipal context asset management comprises of two distinct expenditure classifications, namely: operational repairs and maintenance, including preventative maintenance; and asset renewal as part of the capital infrastructure budget.
- Across all provinces; limited priority is given to this strategic spending area by municipalities. This directly contributes to significant inefficiencies within the system through, among others: increasing water and electricity losses; deficient reticulation infrastructure; service delivery disruptions; revenue losses etc.
- The municipalities are continuing to invest more on new assets instead of prioritising repairs and maintenance and renewal of existing assets.

Why citizens must interact with the report

- To keep municipal assets in good condition, citizens should ensure their municipality sets enough budget aside to look after the assets.

Why councilors must use this information.

- Council should ensure that before budget is approved, it has enough budget for maintenance of municipal assets



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4. WHAT TO LOOK FOR IN QUARTERLY S71 PUBLICATIONS? – Cont.

4h. Over and under spending report

What is over and under spending and its analysis

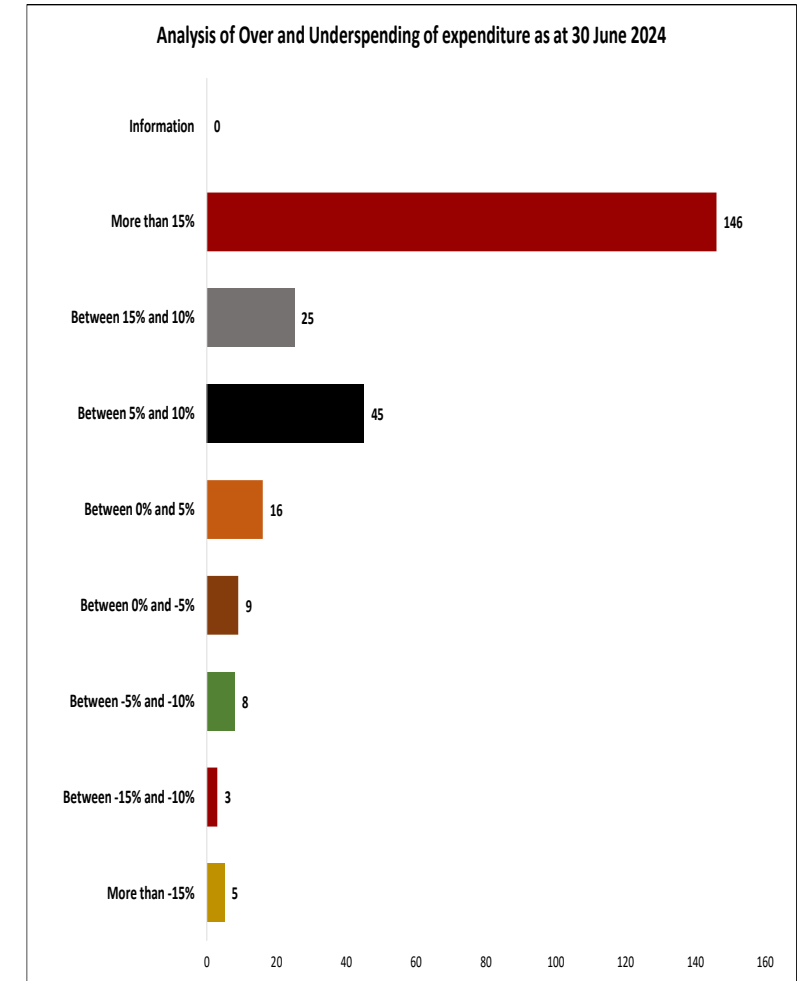
- Overspending is spending above the budget that was approved by Council

Why citizens must interact with the report

- Municipalities should spend not deviate for more than their operating budget as this indicates bad plan. This in a nutshell will indicate how a municipality performed in their budget in a certain quarter
- To better understand its information and to interpret the data

Why councilors must use this information.

- Council should keep the administration in check to ensure that budgets implementation deviations are within the norms
- To better debate on facts and figures



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Thank You



For additional information on national and provincial budgets, please visit our new budget data portal:
<https://vulekamali.gov.za>



For information on local government finances, please visit:
<https://municipalmoney.gov.za>

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