Session Overview | August 2025

Benchmarking Municipal Finance: Using Data to Support Better Municipal Planning

South Africa ranks 4th globally for transparency in local government finance data, according to the 2023 International Budget Partnership's Open Budget Survey. There is an extraordinary amount of municipal financial data available, and accessing this information is relatively straightforward once you know where to look. The key first step for municipal officials and planners is to actively use this data, tapping into the rich resources at their disposal to support more informed decision-making, beyond compliance and reporting.

National Strategic Hub's third Insight Exchange explored how benchmarking municipal finance (comparing financial data across municipalities over time, and between similar contexts) can help generate useful insights to support better governance and planning. The discussion highlighted practical steps, key lessons, and cautions for accessing and working with municipal financial data.

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Why benchmark municipal finance data?

Municipal budgets directly affect the delivery of basic services such as water, sanitation, roads, and electricity. Benchmarking financial data can help:

- Identify potential financial risks early
- Learn from other municipalities' practices
- Support evidence-based advocacy for policy or budget changes
- Improve transparency and promote accountability

Where does the data come from?

National Treasury's Local Government Database and Reporting System

The promulgation of the Municipal Finance Management Act (MFMA, 2003) laid the foundation for the LG financial management, budget and reporting reforms in South Africa. The Local Government Database and Reporting System (LGDRS) was developed in 2009 to facilitate the collection, storage and publication of financial and non-financial data on municipal performance at a central point. It can be accessed via the GoMuni portal.

A sound reporting system facilitates transparency, better in-year management and oversight of budgets and better policy decisions on funding allocations across all spheres of government. The reports available on the LGDRS are management tools and early warning mechanisms for municipal management and councils to improve municipal performance. The aim of an early warning system is to provide government with timely information on the state of municipalities' finances that highlights possible areas of risk so that such risks can be investigated and mitigated before they give rise to serious problems.

There is a need for information on municipal performance by various stakeholders such as South African Reserve Bank (SARB), Statistics South Africa, the South African Revenue Services (SARS), Department of Water and Sanitation (DWS), National Energy Regulator of South Africa (NERSA), department of Cooperative Governance (DCoG), the Auditor-General (AGSA), the World Bank and universities. This central reporting system eliminates duplication of effort where various departments request the same information from the same municipality. In addition, the Municipal Money portal on the LGDRS provides information about municipal spending to the public, thereby promoting transparency and enabling citizens to hold their municipalities accountable.

Both public and registered users can access a range of reports and datasets through the portal. Becoming a registered user unlocks access to additional reports and documents, essential for analysts, planners, and officials who need deeper insights for rigorous benchmarking and strategic planning.

The LGDRS is a valuable tool and national asset for monitoring municipal fiscal health, supporting evidence-based policy, and strengthening financial governance across local governments.

South African Cities Network's State of City Finances Reports

The South African Cities Network (SACN) publishes the flagship **State of City Finances Reports**. Since 2011, these biennial reports provide longitudinal and comparative analysis of the financial health of South Africa's cities. The reports focus on understanding cities' revenue and expenditure patterns, infrastructure investment, tariff affordability, and systemic challenges affecting their ability to meet developmental mandates.

SACN's analysis helps understand the macro-trends affecting metro finances and supports advocacy for reforming how cities are financed to better align budgets with policy goals such as spatial transformation and sustainable urban development. These reports serve senior municipal officials, politicians, and government stakeholders interested in improving city financial management and sustainability.

National Strategic Hub Portal

The National Strategic Hub plays an important role by compiling, checking, and packaging municipal finance data into user-friendly dashboards. These dashboards make it easier for planners and officials across the country to access insights on the financial health and expenditure of Districts, Metros and Local Municipalities.

Relevant Dashboards on the National Strategic Hub Portal include:

- **District Diagnostic Profiles**, which provide financial and governance information at aggregate district, district municipality and local municipality levels.
- **The State of Municipal Financial Health Dashboard**, offering an overview of municipal fiscal and audit trends at municipal level.
- **The Municipal Infrastructure Grant Dashboard**, which tracks allocation and spending of the Municipal Infrastructure Grant in non-metro municipalities.

The NSH welcomes feedback from users and sector experts to improve data quality and usability, helping to bridge the gap between raw data and actionable insights.

Practical tips for benchmarking municipal finance data

- **Use the data but check for accuracy.** South Africa has good access to local government financial data, but data across municipalities may lack full standardisation and completeness.
- **Adjust for missing data before aggregating.** Not all municipalities submit complete data, so ensure averages or totals reflect only municipalities with valid data.
- **Choose a fair basis for comparison.** Municipalities vary in size and function, so comparing total expenditure without context can be misleading. Dividing revenues and expenditures by an appropriate base (per capital, per kl of water sold, per km of road, etc.) can provide a fairer and clearer comparison.

- **Be consistent with classifications.** Municipal spending can be categorized in multiple ways (by function, item, or project). Confirm you're comparing like with like across municipalities.
- **Consider functional differences.**
  For example, municipalities distributing electricity or water incur different costs than those that don't. Group municipalities by their functional roles for fair comparisons.
- **Account for changes in reporting over time.** The introduction of the Municipal Standard Chart of Accounts (mSCOA) in 2019 changed expenditure recording, which affects trend analyses.
- **Combine data analysis with local knowledge.** Use dashboards and portals to analyse trends but engage municipal officials to accurately interpret the numbers.

Common challenges

- Incomplete or inconsistent data can distort results. It's important to verify data quality before analysis.
- Municipalities feeling threatened by what the data shows. Benchmarking should prompt questions, not just produce rankings. Data comparisons are a starting point for understanding and improvement, not judgement.
- Linking expenditure to actual outcomes is difficult. While financial data shows spending, it often doesn't clearly show what was achieved with that spending. Performance data is still developing
- Data quality depends on municipal capacity and continuity. Staff turnover and limited resources affect data accuracy. However, accurate reporting benefits municipalities through improved funding allocations and planning.

How can municipal planners use benchmarking?

Benchmarking helps planners to:
- Identify unusual spending patterns and investigate reasons
- Track fiscal pressures such as rising personnel costs or reduced capital investment
- Monitor infrastructure grant usage and highlight bottlenecks
- Advocate for resources aligned with local priorities
- Communicate financial realities clearly to decision-makers and communities

Looking ahead: Linking spending to outcomes

A key area for development is better connecting financial data with performance and impact information. This would help planners understand not just how much money is spent, but how effectively it supports service delivery and community outcomes. Achieving this will require improved data systems and coordination between sectors.

For those interested in exploring municipal finance data, start here:

GoMuni Portal >

National Strategic Hub:

National Strategic Hub Portal >

District Diagnostic Profiles: Governance and Financial Management >

Provincial Diagnostic Profiles: Governance and Financial Management >

State of Municipal Financial Health and Performance >

State of Municipal Infrastructure Grant >

SACN:

SCODA – South African Cities Open Data Almanac >

State of City Finances Reports >

NEXT MONTH

Proactive Planning with Data for Children

📅 Tuesday **2 September 2025**

🕐 14:00–16:00

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