



MINISTER IN THE PRESIDENCY: REPUBLIC OF SOUTH AFRICA

Private Bag X1000, Pretoria, 0001, Union Buildings, Government Avenue, PRETORIA
Tel: (012) 300 5200, Website: www.thepresidency.gov.za

**NATIONAL ASSEMBLY
WRITTEN QUESTION FOR WRITTEN REPLY**

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501. Mr C Brink (DA) to ask the Minister in The Presidency:

With regard to the problems identified in the Twenty-Year Review South Africa 1994-2014 by the Department of Performance Monitoring and Evaluation in the Republic's municipalities, what improvements have been registered since the conclusion of the review in terms of (a) governance, (b) institutional and financial weaknesses and (c) the weak service-revenue link?

NW557E

REPLY:

That many municipalities are in a crisis of various forms is well known. According to the State of Local Government Finances and Financial Management Report (2018/19), over 160 municipalities are experiencing some form of financial distress, based on the financial health assessment. Manifestation of financial distress is starkly revealed by the amount of outstanding municipal debt which stood at R132.9 billion as per the audited Annual Financial Statements for 2018/19. This exceeds the total amount allocated to local government through direct and indirect grants from the national fiscus (R114.9 billion). While households continue to be the largest contributor to outstanding municipal debt comprising 64.8 per cent of the total, there is wide-spread non-payment across all customer segments.

Similarly, the Auditor-General in the latest local government audit outcomes (2018/19 financial year) reflected on a constant regression in municipal financial health and sustainability. Municipalities are faced with even further challenges due to the impact of the economic slowdown and the Covid 19 pandemic on economic activity and household incomes. The year-on-year increases in tariffs (often above the inflation rate) is also putting the affordability of services beyond the means of many households.

Governance in local government continues to face recurring challenges relating to lack of political leadership, political interference and poor municipal administration. Failures in governance compounded by external factors such as weak local economies, a low rates base and large indigent populations make it difficult for municipalities to raise sufficient revenues and attract skilled and qualified staff to meet their service duties. The Honourable Member will therefore recognize that the factors giving rise to the crisis in local government are

complex and multifaceted. Improvements in the situation is not likely to occur overnight. It is therefore going to take time with concerted effort by all key stakeholders.

National and provincial departments together with entities that have a key stake in local government such as SALGA, have placed the transformation of municipal leadership and administration as a key agenda of government. In this regard various initiatives have been and continue to be implemented to improve governance and institutional instabilities.

In the area of governance, the Department of Cooperative Governance has developed the Local Government: Municipal Structures Amendment Bill, 2021. The amendments are intended to address, amongst others, the problems that were experienced in the implementation of the Act since its inception these problems mostly related to the administration and the management of municipal elections, as well as strengthening oversight and good governance in municipalities.

These proposed amendments relate to the following:

- Ensuring that a person removed from office as a councillor may not stand for re-election within 2 years after vacating office;
- Enabling that a person designated by the MEC to call a meeting in instances where the Speaker / Acting Speaker refuses to do so. The aim is to ensure that the MEC intervene in instances where a speaker or acting speaker of a municipal council refuses to call a meeting when required to do so;
- Confirming that the number of councillors determining the quorum for a meeting of the council must be the number of councillors as determined by the MEC prior to the election of all municipalities;
- Clarifying that a presiding officer does not have a casting vote in respect of matters listed in Section 160(4) of the Constitution. These matters include the passing of by-laws; approval of budgets; Imposition of rates and other taxes, levies and duties; and Raising of loans;
- Strengthening the functions and oversight role of Speakers;
- Creation of the Office of the Whip for all municipalities;
- Ensuring that there is a uniform formula that will be implemented across the country for the composition of an EXCO;
- Ensuring that all municipalities establish ward committees within 4 months after a “general” election of all municipalities (unless extenuating circumstances permit otherwise);
- Establishment of an oversight committee (Municipal Public Accounts Committee - MPAC) to strengthen oversight and promote governance in municipalities. The amendment will exclude municipal office-bearers from being part of the MPAC, and it will also provide for their roles and responsibilities.

The Bill will be considered by the National Assembly on 16 March 2021, whereafter it will be referred to the President for consideration. Once assented-to by the President, the Act will go a long way in addressing various governance challenges in municipalities.

To combat the ailing financial situation, National Treasury as at January 2020, had assisted the 33 most affected municipalities with the development of appropriate financial recovery plans. To further address this problem, distressed municipalities have put in place revenue enhancements strategies to improve weaknesses in the municipalities’ revenue and debt management function.

Moreover, a Revenue Management work stream has been put into effect by the collective effort of National Treasury, the Department of Cooperative Governance and provincial treasuries and their associated municipalities to achieve the following objectives, amongst

others: Strengthening support with respect to oversight of municipal revenue budget assessments with a view to protect and optimise municipal revenue streams (provincial specific strategies to specifically include this); Assessing the credibility of the municipal revenue base and its revenue generation potential to maximise revenue collection (General Valuation Roll and supplementary valuation processes); Assisting with establishing a revenue committee at the municipality with a revenue champion to lead.

The Department of Cooperative Governance introduced the Back-to-Basics programme in 2016. The programme focuses on 5 pillars of support, viz. good governance, sound financial management, putting people first, delivering basic services and building capacity. The programme ensures that municipalities are constantly monitored on the functionality of oversight structures, effectiveness of council meetings, the existence and efficiency of consequence management, and compliance with the legislation, amongst others. This programme has later been enhanced with other planning, budgeting and reporting reforms such as the Municipal Finance Management Act, Circular 88, that has standardised and rationalised reporting on key performance indicators of critical functions in municipalities. This is meant to effectively measure progress and enhance accountability on the delivery of services in local government.

The Municipal Standard Chart of Accounts (mSCOA) Regulations, promulgated on 22 April 2014 by National Treasury, prescribes the uniform recording and classification of municipal budget and financial information at a transaction level. All municipalities and municipal entities had to comply with the Regulations by 01 July 2017. mSCOA is one of the key game changers to address municipal performance failures. This standard classification framework enforces the link between planning (IDP) and the budget through the project segment and enables more meaningful annual reporting and linking performance management to clear strategic service delivery objectives thereby improving accountability.

In an effort to professionalise local government and strengthen institutional weaknesses, substantial resources have been made available towards capacity building programmes and skills development. Newly elected councillors upon assumption of their roles were placed on a programme that ensured capacitation on legislation applicable to local government, key municipal processes, basic concepts of financial management and service delivery. This is to enable councillors play a far more effective role in the delivery of their responsibilities. For other capacity building initiatives, particularly relating to municipal administration, government has allocated R6.6 billion (for the period 2020/21 to 2022/23) to support municipalities.

Prescribed minimum competency levels were introduced 13 years ago for Municipal Managers, Chief Financial Officers (CFOs) and Chief Executive Officers (CEOs) of municipal entities where they exist, Senior Managers, SCM managers and Middle Managers including other officials dealing with financial management (FM) and supply chain management (SCM). Out of 2 747 municipal officials, 1 565 officials meet the minimum competency levels as at 31 January 2020. Out of 248 CFOs, 128 (51.6 per cent) have achieved minimum competency levels. Overall, 53.7 per cent of senior managers have achieved minimum competency levels. This is only mildly promising, but not acceptable and much work still needs to be done to ensure that senior managers in local government have the skills and competencies to do their jobs.

Action has also been taken where municipal governance has virtually collapsed and service delivery failures are rampant. As at January 2020, there were 36 interventions in terms of Section 139 of the Constitution. Most of these interventions were in North West Province (9 municipalities), followed by KwaZulu-Natal Province (8 municipalities) and Mpumalanga (6

municipalities). Gauteng only recorded one intervention, while Limpopo and Northern Cape only recorded two interventions.

The National Development Plan emphasises the need for capable and functional municipalities to meet developmental outcomes. This is one of the main reasons for the introduction of the District Development Model (DDM). The district-driven model is directed at proactively monitoring key municipal actions, improving the socio-economic conditions specific to the municipalities, reporting poor performance and unlocking bottlenecks to fast-track service delivery. Specifically, through the DDM, immediate short-term service delivery improvement actions and local government stabilisation and institutional strengthening actions is being initiated starting with the OR Tambo and Waterberg district municipalities.

DRAFTER OF THE REPLY

Name: Mr Hassen Mohamed

Designation: Head: Local Government, Human Settlements and Water and Sanitation

Contacts: hassen@dpme.gov.za; 084 678 9115

Recommended /Not Recommended



Director-General DPME

Mr Robert Nkuna

Approved / Not approved



Hon. Khumbudzo Ntshavheni, MP

Acting Minister in The Presidency

Date: