



**SALGA 'S SUBMISSION TO THE NATIONAL COUNCIL OF  
PROVINCE (NCOP) PROVINCIAL VISIT TO GAUTENG ON**

**27 OCTOBER 2020:**

**CLLR. PETRUS TSOTETSI – SALGA NCOP REPRESENTATIVE**

**Chairperson of the NCOP**

**Honourable MECs for COGTA AND FINANCE**

**Honourable Members of the NCOP**

**Members of the Provincial Executive**

**Executive Mayors**

**Members of Public Service**

**Ladies and Gentlemen**

It is a distinct honour and privilege for me to address this gathering convened under the theme: **“Ensuring Capable and Sound Municipalities”**

Chairperson, as an introduction, Local government has come under a lot of scrutiny recently, perhaps necessarily so as this is the most visible sphere and at the coalface to the people. In addition, our system of wall to wall municipalities means that all developmental work happens within a ward and in a municipality. One way or another, almost all services our people receive or do not receive from government find the most concrete expression at a municipal level.

The South African Local Government Association (SALGA) has noted with concern, the Auditor General South Africa (AGSA)'s Audit Outcomes which indicated a regression from the previous year's audit results. This is indeed a call for concern and a setback towards the vision to achieve a developmental local government that is built on the pillars of clean governance and accountability. Furthermore, the Auditor General's report illuminate the lack of accountability, none compliance with Supply Chain Management, increased unauthorised, irregular, wasteful and fruitless expenditure without any consequence management, failure and disregard to implement AGSA recommendations. The results confirm that the Municipal Audit Support Programme (MASP) developed by SALGA for municipalities requires a much more rigorous and intensified approach, especially for most struggling municipalities. It is essential that SALGA works well with CoGTA and Treasury through their Operation Clean Audit programme. Joining resources between our respective agencies will yield better results.

Since 2010, our province used to pride itself as compared to others that none of our municipalities has experienced an application of section 139 interventions due to lack or poor financial management or inability to executive its executive obligations as outlined in the Constitution. Unfortunately, we have currently seen three of our municipalities in the province subjected to section 139 interventions at various levels due to their inability to manage their finances or inability to execute their constitutional obligations. As SALGA we don't condone section 139 as a corrective measure to resolve challenges in municipalities. Instead, we are of the view that collaboration between the three spheres of government through support and monitoring as advocated in section 154 of the Constitution and District Development model should be encouraged to address challenges in our municipalities.

Of particular concern in the AGSA report, is the high level of non-compliance with key governance legislation, political –administrative instability, high vacancy rate in senior positions, high level of Unauthorised, Irregular, Fruitless and Wasteful expenditure without any consequence management. Our observation is that the outcomes of the 2016 municipal elections has introduced a phenomenon of coalition

governments more especially in our province wherein there was no outright majority in some municipalities. We therefore, propose that there is a need to develop regulatory framework to manage coalition government in our municipalities to ensure political and administrative stability in our municipalities.

Whereas almost all municipalities have established MPACs, they in most instances, are under-capacitated both financially and administratively. Their oversight recommendations have no binding effect with very little to no follow through or execution. SALGA in partnership with the Provincial Treasury, COGTA and AGSA, have provided support and capacity building programmes to assist struggling municipalities in our province. Furthermore, we have also provided support to the establishment of Disciplinary Boards in almost all municipalities to address financial misconduct and consequence management.

The AG has highlighted the deteriorating financial health of our municipalities categorised as financially vulnerable. Many are struggling to pay some creditors including but not limited to Eskom and Rand Water. This is exacerbated by many municipalities struggling to collect revenue. Some municipalities in the province are struggling to pass credible funded budgets. To this end, SALGA in partnership with COGTA and Provincial Treasury has established Revenue Collection War Rooms in five municipalities. The main objective of these war rooms is to ensure that finance, water, electricity departments speak with one voice in the implementation of Credit control and Revenue enhancement policies and strategies. In addition to this, SALGA together with National Treasury, COGTA and other key stakeholders play an active role through the national revenue management and intergovernmental debts initiatives to address the issue of intergovernmental debts owed to municipalities. Furthermore, SALGA continues to engage National Treasury with proposals reviewing the grant framework in order to assist municipalities to improve their financial health.

Chairperson, I must highlight that our view, based on substantial evidence is that the current funding model is in fact not well matched with the (growing) functions and responsibilities of local government.

This is illustrated in the growing number of municipalities that are in financial distress or technically insolvent, despite scoring relatively highly on governance indicators. The cost base of local government has been significantly increased over the past ten years, without a concomitant increase in the revenue to finance these additional costs. Some of these additional costs come from additional responsibilities, while other costs are the result of outside requirements in respect of reporting and compliance. Currently available information suggests that if local government were to deliver all of its mandates, **the gap between own revenue and operating expenditure** would be substantial (we have estimated the gap to be approximately R36 billion for the current fiscal year).

There appears to be little appreciation within national government of the extent to which **Eskom's participation in the retail distribution of electricity is damaging the ability of municipalities to raise their own revenue**. A constitutional structure of three equal spheres of government – **that municipalities have their equitable share withdrawn because of outstanding accounts with Eskom** while other parts of government are not subjected to the same sanction in respect of money that they owe to local government. To this end, SALGA's view is that the powers and functions of municipalities need to be finalised as a matter of urgency. This is the only accurate foundation on which a new fiscal framework can be made.

As I conclude Honourable Chairperson, SALGA commit and pledge its support to both national and provincial government to improve efficiency, sound financial management towards the betterment of the lives of our communities.

I thank you!!