

**NCOP BRIEFING NOTE FOR THE MEC FOR FINANCE , NOMANTU NKOMO-RALEHOKO DURING THE NCOP DEBATE 11 SEPTEMBER 2020.**

Programme Director, Honourable Deputy Chairperson of the NCOP, Ms Sylvia Lucas

Minister of Cooperative Governance and Traditional Affairs, Honourable Dr Nkosazana Dlamini-Zuma Minister of Finance, Honourable Mr Tito Mboweni

President of the South African Local Government Association (SALGA), Councilor Ms Thembisile Nkadimeng

Deputy Minister of COGTA, Honourable Mr Parks Tau,

Deputy Minister of COGTA, Honourable Mr Obed Bapela,

Deputy Minister of Finance, Honourable Dr David Masedo

NCOP House Chairpersons, Honourable Ms Winnie Ngwenya and Mr Jomo Nyambi

Chief Whip of the NCOP, Honourable Mr Seiso Mohai Honourable

Honourable Members of Provincial Executive Councils

Members of the SALGA National Executive

Mayors and Councilors

Leaders of Stakeholder Organisations in the Local Government Sector

Ladies and gentlemen

Thank you for the opportunity to participate in a debate in the 2020 Local Government Week held under the theme Ensuring Capable and Financially Sound Municipalities.

Programme Director, before I start with the debate. I would like to convey my heartfelt condolences to the Bizos Family for their loss. George Bizos passing is a national loss. South African will forever remember him for his contribution in the fight against Apartheid. His name has been cemented in history.

Ladies and Gentlemen, Local government remains a pivotal sphere in the realization of the Developmental State as a vehicle of direct service delivery to citizens. The deliberations in the past week have been very insightful but mostly concerning as the state of the municipalities in South Africa continues to depreciate under severe financial strains due to several factors.

Let me take this opportunity to commend municipalities in Gauteng, as most of the municipalities in the province received unqualified audit opinions from the Auditor-General. However, the finding of the Auditor General does not exempt municipalities from some of the challenges expressed in the duration of the week.

On Tuesday the Minister of Cooperative Governance and Traditional Affairs, Honorable Dr Nkosazana Dlamini-Zuma stated that 46 municipalities in South Africa are under administration because of several reasons ranging from financial mismanagement to political instability.

In Gauteng, three municipalities are currently under administration due to financial mismanagement and as province we are also in process of implementing section 135 of the MFMA in Rand West City municipalities. Furthermore, 9 out of 11 municipalities are under financial distress. This means that majority of the municipalities in Gauteng are not financially sustainable such that municipalities do not have the ability to survive any form of pandemic or disasters.

The inability for the municipalities to withstand any form of disaster was echoed by the MEC of COGTA, Lebogang Maile on Wednesday when he reported that municipalities have collectively lost in revenue R8.9 billion over last four months which cannot be supplemented or recuperated which will result in future financial devastation.

A loss of R8.9 billion rand means a decline in operating expenditure and persistence of negative cash balances which will have dire implications for municipalities which will have an impact on the ability of municipalities to deliver

services and to develop and maintain the infrastructure required by its residents without increasing rates under a severe economic climate.

The implication of the financial deficit due to the financial loss is that most municipalities are most likely to experience application of either section 139 of the constitution or the section 135 of the MFMA. However, I would like to propose that much emphasis should place on section 135, as to avoid the implementation of section 139 as a last resort. It is in the backdrop of this realization that I believe that National and Provincial Treasury, now more than ever, should strengthen the support rendered to municipalities to ensure financial management.

However, the problem extends far beyond COVID-19. Over the year's government has registered that credit control is one of the biggest contributors to revenue control and thus creating a budget deficit resulting in the adoption of unfunded budgets. Furthermore, many municipalities have a poor human resource development and lack the required skills to address the problems in which local municipalities are facing.

It is in this regard, that I welcome the introduction of District Model and particularly the District hubs which will house critical and scarce skills such as engineers, planners and ICT specialists, which link and transfer skills to districts and local municipalities. I believe that will assist in bridging the gap between the existing skills available in municipalities and the skills required to addressing the issues facing municipalities.

Furthermore, I would like to forward the following intervention for the consideration of the NCOP

- Government needs to focus more on the implementation of section 135 of the MFMA. I believe that much emphasis should be focused on section 135 as to avoid the implementation of section 139.

- We need to strengthen the constitutional instrument of section 139, in that we ensure that the legislation achieve what it intends to achieve, and that roles, responsibilities and conditions are clearly articulated.
- Municipalities must conduct **Expenditure Review** and **eliminate unnecessary expenditure**
- National and Province must conduct an **institutional review** to assess capacity requirements in municipalities
- Ensure that Tariff proposals consider the following aspects: **Cost recovery, Affordability, Competitive** pricing by comparison to peers (other SA like sized municipalities) and Provision of free basic services in line with **indigent** policy with emphasis on being pro-poor;
- Rates and taxes policy review that ensures competitive pricing when one considers the rate in the rand, value exclusion and rebates offered by the City by comparison to other municipalities, while ensuring **alignment to the cost drivers** in the City that are funded from the rates account (public goods)
- Municipalities should roll out of the pre-paid and smart metering to improve collection ratio and manage consumption
- Municipalities should actively improve the level of confidence that indigents are not targeted through credit control processes thereby making it easier to develop and implement a comprehensive credit control policy. The result is an effective “zero tolerance” attitude towards the non-payment of debtors’ balances and therefore improved collection rates and cash inflows;
- **Municipal Council must establish Disciplinary Boards** to investigate and ensure consequence management where there has been transgression against legislation (MFMA).

- **Municipality can use the Financial Management Grant to** appoint independent person who will chair the Disciplinary Boards.
- Municipalities to operationalise the board so that the board can receive reports of allegations of financial misconduct and offences in terms of section 171 and 173 of the MFMA,
- In addition, it will also ensure and oversee that disciplinary processes are instigated, and cases finalized within the required timeframes against all transgressors.

Once again deputy Chairperson, thank you for the opportunity.

Thank you