

**Speech by Mireille Wenger,
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Western Cape Government
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Ministerial Briefing Session on Fiscal Leakages
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Good afternoon, Honourable Chairperson of the NCOP, Honourable members:

It is a pleasure to join you this afternoon to report back on the Western Cape's progress in mitigating against fiscal leakages so that we ensure that every cent of public money is spent delivering services to the people.

To do so, we need to ensure Value for Money when spending so that we get the bang for every buck.

Overview of WCG policy position and programmes for the Province

The Western Cape Government's (WCG) Fiscal Strategy targets this 'Value for Money' by using four key principles to inform, shape, and manage resources in the provincial budget process to fulfil our municipal oversight responsibilities.

These principles include protecting basic services outcomes; unlocking allocative efficiency; enhancing productive efficiency and enabling long-run fiscal sustainability.

To protect basic services outcomes, the WCG budget prioritizes the delivery of core basic social services in healthcare, basic education, community development, integrated human settlements, and social development because we place people first, and strive to be a government that they trust.

To unlock allocative efficiency, we are committed to spending public monies on the right mix of goods and services, in line with government's priorities, while being responsive to changes in the local economy and service delivery environment, while taking account immediate and impending risks.

This calls for dexterity in budget repositioning as we assess the trade-offs between spending votes and programmes, to maximise the outcomes and impact of public spend, particularly in the context of an extremely tight and constrained fiscal environment.

In other words, our budget choices need to ensure we are positioned to achieve our growth and development objectives.

We have renewed our focus on enhancing productive efficiency to allow us to maintain or expand service delivery within a narrowing fiscal envelope, aiming to deliver public goods and services at the lowest cost, rather than purely engaging in cost containment.

To this end, we are examining how to reduce any duplication of functions and activities across government through improved coordination and functional reassignment. We aim to use innovative and alternative methods to deliver services, including deepening partnerships with non-governmental agencies. We are also exploring new service delivery models that lower baseline costs, enhance impacts or which introduce innovative service delivery solutions.

In particular, we are using various engagement forums to effectively translate departmental plans to align them with the provincial budget, specifically to address the medium- and long-term priorities and risks.

Honourable Chairperson,

To ensure long-run fiscal sustainability, we need to proactively manage risks to protect the Western Cape's long-term fiscal sustainability.

We do this by adhering to the national fiscal consolidation imperative, responding to key risks with proactive or pre-emptive mitigation measures; by applying a sustainable Compensation of Employees (CoE) management strategy; and advancing opportunities to generate additional revenues, including reviewing existing charges and exploring new revenue sources.

One intervention on this front is the Fiscal Transition Support Facility (FTSF), which was established to address spending pressures through proactive restructuring measures. The Facility provides fiscal support for the once-off upfront costs of investment in new service delivery approaches and technologies that will achieve long-term savings and improved outcomes over time. Examples of items

that have been funded from this facility include home-based care, tele-health and delivery of services online.

We are particularly keen that the FTSF supports service delivery innovations, using recent technological advances to improve the capability of the public sector 'to do the right things differently', that is, to deliver services more efficiently, at lower cost and towards greater developmental impact.

The Western Cape Provincial Treasury will continue working with provincial departments to assess the efficiency and effectiveness of selected programmes, such as roads infrastructure, youth and skills development, realising Value for Money in these critical growth and development areas.

Overview of WCG policy position and programmes for municipalities

Turning to the municipal sphere, we recognize that "Every system is perfectly structured to get the results that it gets."

The Western Cape has relatively few municipalities in financial distress. We work closely with those that are, including by intervening timeously when necessary.

The work we do in struggling municipalities helps us better understand how flaws in our local government system have allowed for fiscal leakages.

Fiscal leakages through abuses of the procurement system at the local level are well understood and have been extensively discussed.

I am also very concerned about leakages that occur through the appointment of unqualified people to posts that are often unnecessary or are overpaid. Municipal services require good municipal staff to deliver them, and I want to be clear that those hard-working officials delivering services need to be paid fairly.

However, in instances where municipalities run into financial difficulties, we often find that a significant number of appointments have been made without being budgeted for, and often those new appointments do not make a meaningful contribution to expanding or improving the services of the municipality.

In instances like this, we need mechanisms that make it much easier to reduce staff costs. It cannot be right that local residents have to pay higher rates and service charges to sustain the salaries of people not needed.

Our system makes it very easy to incur additional costs, but very difficult to reduce them. The amendments to the Municipal Systems Act signed into law this month have some helpful provisions to discourage this practice, but we also need mechanisms to address the existing bloated structures in municipalities across the country.

We are very proud that more than half of all the clean audits in municipalities across the country are in the Western Cape. We also see how this improved compliance with financial reporting requirements drives much lower levels of irregular expenditure. However, we still have work to do to reduce this further.

One of our biggest challenges now is to translate our foundation of good governance into an acceleration of growth in local economies. A clean audit does not in and of itself mean that everything is perfect. But, a municipality that does not have its house in order, will find it nearly impossible to deliver services.

To this end, the Provincial Treasury provides extensive support to municipalities to enable them to manage their own finances effectively and deliver on their mandates for service delivery. Where a municipality encounters a financial crisis, the province intervenes in terms of section 139(5) of the Constitution, as was done in Beaufort West Municipality in June 2021.

Grant support is provided to selected municipalities for targeted revenue enhancement projects, and socio-economic intelligence via the Provincial and Municipal Economic Review and Outlook (PERO & MERO) publications and Socio-economic Profiles (SEP) assists municipalities with strategic planning and budgeting.

The province has also implemented an asset management project, piloted in the Overberg District and selected municipalities within the Winelands District Municipality to develop appropriate governance structures and systems that enable municipalities to implement robust asset management strategies.

The Western Cape Provincial Treasury has implemented the Western Cape Supplier Evidence Bank (SEB) at the municipal level which is a cloud-based solution that gives all municipalities access to all suppliers bidding documentation/Supplements and integrated with the National Treasury Central Supplier Database.

From a financial governance perspective, Provincial Treasury ensures ongoing support, guidance and monitoring of the functionality of municipal oversight

structures, such as the Municipal Public Accounts Committee, and together with SALGA and the Department of Local Government provides council induction training on public expenditure management.

Conclusion

In conclusion colleagues, the Western cape Provincial Treasury has numerous strategies in place to mitigate fiscal leakages. While not perfect, we have certainly made strides to ensure value for money for residents and are deeply committed to continuously learning from and improving on these strategies. Through these interventions, we aim to maintain and continuously improve on the Western Cape's strong municipal audit performance, for the benefit of all our residents.