



NCOP LOCAL GOVERNMENT WEEK

SALGA PRESIDENT'S CLOSING REMARKS

Advancing Our Collective Efforts to Changing the Financial State of Our Municipalities in South Africa

14 SEPTEMBER '22

**Cllr. Bheke Charles
Stofile**

SALGA President

Programme Director,

Chairperson of the NCOP and former Chairperson of SALGA, Hon
Amos Masondo

Deputy Chairperson of the NCOP, Hon Sylvia Lucas

Honourable Ministers, Deputy Ministers, Members of Parliament
and Provincial Legislatures and MECs

Members of the SALGA National Executive Committee and
Provincial Executive Committee members

All Executive Mayors, Mayors, Speakers, Chief Whips, MPAC
Chairpersons, Members of the Executive Committees and Mayoral
Committees

Invited Guests and Fellow South Africans,

On behalf of the South African Local Government Association, as joint
pioneers, together with the National Council of Provinces, of this
NCOP Local Government Week, it is indeed an honour to make this
closing remarks and express our sincere gratitude to all those who
made this Local Government Week a reality.

Honourable Chairperson,

The large number of both physical and virtual attendance, the active
participation, and the lively debates, exchanges and real
engagements exceeded our expectations. So much so, that I believe
this Local Government Week conducted under very difficult

circumstances and exploiting the “new normal”, has witnessed an unprecedented and major convergence of views that is ground breaking not only for local government, but similarly in unpacking the role of national and provincial government in supporting the sphere of local government. Let me also hasten to add that it has stirred both the national and provincial legislatures to play a more pro-active role in strengthening oversight over all three spheres of government.

Honourable Chairperson,

Despite the complexity of our different interests and challenges, I’m confident that we all agree that cooperative governance is at the epicentre of advancing the interest of local government and breathing life into the theme of this closing remarks on ***“Advancing Our Collective Efforts to Changing the Financial State of Our Municipalities in South Africa”***.

At the core of advancing our collective efforts is to address the biggest weakness that currently municipalities are owed R255 billion as at 31 March 2022, for services already consumed. This state of affairs affects the ability of municipalities to honour obligations towards creditors like Eskom and Water Boards.

The AG further states that 64% of the outstanding debt is irrecoverable and at 69 municipalities over 80% is irrecoverable.

Municipal customers do not pay their bills timeously with average debt collection period of 213 days adversely impacting the financial health of municipalities.

This state of affairs is amidst the challenges of unemployment, poverty and inequality as well as covid-19 economic meltdown are amongst factors that exacerbate the potential collapse of municipalities. Further to this, the country's fiscal framework perpetuates the structural factors that continue to impede or weaken municipalities in realising their constitutional mandate. For instance, the chronic underfunding of municipalities where they are allocated a meagre 9.1% of nationally raised revenue meanwhile they are assigned responsibilities and mandates of approximately 46% of the functions outlined in the Constitution.

In addition, municipalities are performing numerous unfunded mandates for which they are not receiving support from other spheres of government. This results in municipalities carrying a heavy financial burden which were not matched by the horizontal allocations to municipalities in terms of Equitable Share as well as own revenue that municipalities raise from levying rates and utility charges.

It is therefore recommended that as we move towards ***Advancing Our Collective Efforts to Changing the Financial State of Our***

Municipalities in South Africa the following becomes non-negotiables:-

1. Municipalities must be consistent in implementing their credit control policies to tackle the increasing debtors' book and a call to municipal consumers to honour their municipal bills.
2. There should be a call for decisive action to restructure the municipal debtors and enactment of the National Write Off Bill to extinguish the irrecoverable portion of the debtors' book.
3. The revision of existing Powers and Functions is imperative towards creating an ideal municipal functionality model after which funding should follow; and
4. Transfers for assigned functions should not be dependent on the Minister or MEC's discretion but must be directly transferred to municipalities.
5. For the increase in the vertical allocations to local government, all allocations to provinces for functions undertaken by municipalities on behalf of provinces must be taken away from provinces and be allocated directly to municipalities;
6. The funding for the District municipalities must be aligned to the additional functions assigned as per the District Development Model and the fuel replacement levy must be extended to the districts as well as the secondary cities; and

- i. **Amending the Tax Administration Act** so that before SARS pays tax refunds, they first check if the particular tax payer does not have monies due to his/her municipality. If the tax payer owes, the amount due to the municipality will be paid first before a refund is deposited to the tax payer account.
- ii. **Amend schedule 2 section 10 of the Municipal Systems Act** so that it is not only municipal councillors and employees who may not be in arrears with their municipal bills for a period more than three months. This requirement should be extended to all state employees and elected and appointed representatives in other spheres.
- iii. **Establish a District Revenue Collection Agency.** This will achieve better collection efficiencies and will free up municipal personnel to focus on more pressing service delivery efforts. SARS systems and processes would be considered in putting this together after due diligence is done.
- iv. **Amending the Procurement Regulations** to make it compulsory for any potential service provider to produce a Municipal Services Rates compliance certificate, prior to being awarded a government contract.

- v. **Amending the Vehicle Licencing Registration Regulations** to withhold the issuing of vehicle licences if municipal rates and service charges are outstanding.

These proposals will largely contribute towards creating financially sustainable municipalities, but in the same breath we should also be decisive on the following:-

- Political parties holding their political deployees accountable;
- Municipal Councils holding Municipal Managers and Chief Financial Officers accountable – it cannot be that no action is taken against senior managers when a municipality obtains a disclaimer audit opinion or has not been able to produce annual financial statements;
- Provincial and National government should be held accountable for interventions in municipalities where administrators have dismally failed in improving the state of affairs in municipalities; and
- Similarly there must be high level consequences, including with holding equitable share and grant funding transfers to municipalities that have a track record for not appropriately managing their financial affairs.

Honourable Chairperson,

As I said during the Panel Debate yesterday, since its launch in 2012, the previous Local Government Weeks had concluded on very useful outcomes, of which very few has found expression through implementation. As we conclude the two days of debate, examination, deliberation, analysis and engagement, as we define the way forward, let us be reminded of one of my favourite quotes in the form of the profound words of the former President of Burkina Faso, a Marxist revolutionary and pan-Africanist, Thomas Sankara when he said that:-

“You cannot carry out fundamental change without a certain amount of madness. In this case, it comes from nonconformity, the courage to turn your back on the old formulas, the courage to invent the future. Besides, it took the madmen of yesterday for us to be able to act with extreme clarity today. I want to be one of those madmen.”

Honourable Chairperson,

with these words in mind, it is therefore incumbent on us, that the solutions as proposed over the past two days must find expression through implementation with improved rigour and urgency....like madmen. As previously proposed by SALGA, we must ensure that specific people are assigned to work with us in driving these initiatives

and in processing recommendations through the government system, cabinet committees and other such approval structures.

We indeed have a responsibility, amongst others, to ensure a sense of urgency in the implementation of the tasks as directed and entrusted by this Local Government Week, and in doing so to build a Stronger, Capable, Accountable, Financially Viable and Sustainable Municipalities through enhanced Oversight and Accountability in the Local Sphere of Government.

In conclusion, we wish to thank everyone for participating in this 2022 Edition of the NCOP Local Government Week and wish you all safe travels back to your respective home.

I thank you.