



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

LOCAL GOVERNMENT WEEK NEWS BULLETIN

2020 EDITION 1

ENSURING CAPABLE AND FINANCIALLY SOUND MUNICIPALITIES



NCOP stands at the centre of implementing effective intergovernmental relations, NCOP Chair

The Local Government Week gives meaning to the NCOP's oversight work and to provide a shared understanding of how the NCOP can help promote a coherent oversight plan.

The National Council of Provinces' (NCOP's) Local Government Week is aimed at affording the three spheres of government an opportunity to share best practices and to reflect on opportunities and challenges preventing local government from achieving its service delivery obligations, **reports Abel Mputing.**

In his opening remarks, the Chairperson of the National Council of

Provinces, Mr Amos Masondo, stated that the drive to ensuring capable and financially sound municipalities is a constitutional obligation. As stated in the Constitution, "municipalities have an obligation to promote democratic and accountable government, and to ensure the provision of services in a sustainable manner".

Be that as it may, this is a responsibility that does not reside solely with

local government, but all spheres of government. "The importance of working together to build coherence in our oversight approach, in our support of local government, is foregrounded by the location of municipalities in the cooperative government scheme.

"The NCOP can't claim innocence to the grave findings that occasioned the Auditor-General's recent report on municipalities. The qualified report of

mismismanagement, wasteful expenditure, maladministration and breach of laws and supply-chain management cannot be blamed on local government alone."

He said the NCOP stands at the centre of implementing effective intergovernmental relations. And "in the spirit of working together, we must agree that these failures cannot be blamed on local government alone".

In his view, the Local Government Week gives meaning to the NCOP's oversight work and to provide a shared understanding of how the NCOP can help promote a coherent oversight plan. Local Government Week "is intended to allow the NCOP to respond to the challenges that have been brought to its attention to contribute towards the building of capable and financially sound municipalities".



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

And "in the spirit of working together, we must agree that these failures cannot be blamed on local government alone".

- MR AMOS MASONDO

Political meddling and approval of unfunded budgets are contributory factors to poor municipal management

Problems besetting out local government and the required interventions can be grouped into three areas namely; administrative challenges, structural challenges, political and people challenges.

The National Treasury believes that one of the main contributing factors to financial distress in municipalities is the approval of unfunded budgets. The Deputy Minister of Finance, Mr David Masondo, speaking at the Local Government Week, said the solution to this problem is that municipalities should only budget for and spend revenue that they have received or which they are realistically likely to receive. Mr Masondo says these views and solutions have been constantly echoed but are not implemented by municipalities, **writes Faith Ndenze.**

"We are working very hard as National Treasury on assisting municipalities in ensuring that their budgets are funded and that they must stop spending money that they do not have," he said.

The National Treasury says one of its priorities is to ensure that municipalities implement credit control practices. "A financially sustainable municipality must be able to balance its revenue inflow and outflow. Revenue losses are incurred daily in local governments through



Deputy Minister of Finance, Mr David Masondo.

losses in the distribution of electricity and water, as well as theft through illegal connection of these services in the municipal areas," said Mr Masondo.

Growing political meddling in administrative matters by some political leaders has been cited as another challenge that causes a huge strain in terms of a relationship between the political arm and the administrative arm of the local state. "In addition to this, many municipalities approve unfunded budgets.

Councils approve budgets that are not credible, they approve budgets that are not based on realistically anticipated revenue and expenditure.

By so doing, they effectively begin their financial years through failure," he said.

Mr Masondo said in order to understand the continuous interventions in fixing the problems in this important sphere of our government, one needs to first understand the problems that are plaguing this sector in terms of revenue, expenditure and financial management broadly.

"The problems in this sphere are multifaceted. Problems besetting out

local government and the required interventions can be grouped into three areas namely, administrative challenges, structural challenges, political and people challenges. The Auditor-General (AG) has cited poor financial management, poor governance, poor oversight, poor leadership in municipalities as the root cause for the poor financial performance in our municipalities," he said.

Despite the National Treasury's interventions, such as the municipal

finance improvement programme, the audited outcomes reported for local government, have been regressing year on year. "Notwithstanding some success in some of our municipalities, the performance of many of our municipalities has unfortunately become synonymous with failure. There has been evident convergence in the findings between the AG, the National Treasury, as well as the Department of Corporate Governance," he said. 🇿🇦

We need effective oversight over municipalities - Minister Dlamini-Zuma

These challenges call for strengthening of oversight structures and a more active role by various legislative houses, including the NCOP.



Minister of Cooperative Governance and Traditional Affairs, Dr Nkosazana Dlamini-Zuma.

Speaking during the opening of the 2020 Local Government Week Programme of the NCOP, the Minister of Cooperative Governance and Traditional Affairs Dr Nkosazana Dlamini-Zuma urged government at all levels to work collaboratively, **writes Abel Mputing.**

She began by painting a bleak picture of the state of municipalities. "At year-end, municipalities owed R53 billion to creditors of which R11.3 billion was owed to Eskom and R6.24 billion to water boards. The municipalities that tend to lack on service delivery," she

continued, "are the ones with low revenue streams."

The solution, she believes, is to "evaluate whether current funding formulae and the make-up of our municipalities are appropriate to advance us towards a better life for all".

Dr Dlamini-Zuma noted that the Auditor-General's report for the 2018/19 financial year highlighted mismanagement and long-standing challenges that have not been addressed. "These challenges call for strengthening of

oversight structures and a more active role by various legislative houses, including the NCOP."

All spheres of government acting in silos is responsible for the lack of coordination and effective oversight over municipalities, the minister stated. And this has created a distance between government and the people.

However, she believes that the inception of the District Development Model (DDM) will move the three spheres of governance from acting in silos when planning, budgeting and implementation and towards a situation that will allow "us to reimagine a better and integrated concept of community, district and nation". She further stressed that the DDM concept will establish a developmental and appropriately capacitated local government, which would function as networks and facilitation systems for intergovernmental planning.



President of Salga, Ms Thembi Nkadimeng.



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

“The legislative process should be fast-tracked to formalise the role of MPACs, so that they can play an effective oversight role”.

- MS THEMBI NKADIMENG

Salga wants Parliament to fast-track legislation to formalise role of MPACs

Ms Nkadimeng believes that even though most municipalities have established MPACs, they are under-capacitated and under-resourced.

The South African Local Government Association (Salga) has urged Parliament to fast-track the legislative process that will formalise the role of municipal public accounts committees (MPACs) to enable them to play an effective role in municipalities, **reports Faith Ndenze.**

The President of Salga, Ms Thembi Nkadimeng, made these remarks during the National Council of Provinces' Local Government Week virtual event today. Ms Nkadimeng said even though Parliament is currently processing amendments to the Structures Act, which will clarify through legislation the role of MPACs, parliamentarians must play a more active role in ensuring that preventative controls are implemented. “In particular, the legislative process should be fast-tracked to formalise the role of MPACs, so that they can play an effective oversight role,” she said.

Ms Nkadimeng believes that even though most municipalities have established MPACs, they are under-capacitated and under-resourced. Junior councillors are deployed to lead them and most of their oversight recommendations have no binding effect, with very little to no follow through or execution.

“The MPACs don't carry the weight of the Select Committee on Public Accounts. Hence they have not been able to refer their findings to investi-

gative agencies, table forensic reports or hold the executive leadership of the municipality accountable. By and large, they have tended to be partisan and have lost their strategic intent and significance,” she said.

Salga has also lamented the lack of mayoral oversight over what happens in municipal administration, of municipal councils over mayors, mayoral committees and executive committees. This is despite the fact that the Auditor-General's 2018/2019 municipal audit outcomes confirmed that in the case of independent assurance and oversight at municipal level, mayors must provide 25%, municipal councils 26% and MPACs 27%.

“With the exception of the attempts made by opposition parties in councils, there is very little oversight played by mayors over what happens in the municipal administration and similarly very little oversight by municipal councils over the mayor and mayoral committees or executive committees,” she said. 🗣️

Write off municipal debt and install prepaid water and electricity metres - Salga

“When equitable share is received, payments to Eskom improve by a small margin, but this also affects the other services that were meant to be covered by the equitable share”



The South African Local Government Association (Salga) wants the introduction of a national Bill that will write off household municipal debt in exchange for the installation of prepaid water and electricity metres, **writes Faith Ndenze.**

Speaking on municipal debt during the opening of the provincial week, Salga's President, Ms Thembi Nkadameng, said that when it comes to debts owed to municipalities by households, it is a well-known fact that an average of 59% of those debts are not recoverable. "In 55 municipalities more than 80% of debts cannot be recovered and debt collection at 99 municipalities was more than 90 days," she said. It is for this reason, among other considerations, that Salga has tabled the introduction of such a Bill.

Salga also wants the municipal debts to Eskom to be resolved. Ms Nkadameng said the municipal debt to Eskom continues to rise while the debt owed to municipalities by their customers, including organs of state is

also rising sharply. This will be worsened by the impact of the Covid-19 pandemic. "Observations are that the adherence to payment arrangements is still problematic for a number of municipalities while the historical debt is also accumulating interests."

Generally, the municipalities with overdue balances also struggle to pay their current account, resulting in the overdue balance increasing. "When equitable share is received, payments to Eskom improve by a small margin, but this also affects the other services that were meant to be covered by the equitable share", she said.

Other considerations tabled by Salga includes amending the Tax Administration Act to allow the South African Revenue Service (Sars) to first check whether the particular tax payer owes money to their municipality prior to paying out tax refunds. This will allow SARS to pay the amount due to the municipality before a refund is deposited to the taxpayer's account.

Salga also wants schedule 2 section 10 of the Municipal Systems Act to be amended to ensure that all state employees, elected and appointed representatives in all the spheres of government may not be in arrears with their municipal bills for a period exceeding three months.

She said the establishment of a District Revenue Collection Agency is another matter tabled for consideration by Salga. "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", she emphasised.

Salga is also proposing the amendment of 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. 🇿🇦

The line between political and administrative leadership must always be maintained in municipalities

Appointment of incompetent service providers and the poor management of contractors due to technical incapacities,” the Deputy Minister said.



Municipal support and guidance by Treasury, the Department of Cooperative Governance and Traditional Affairs and other structures, will only be provided to a certain limit, the ultimate responsibility to improve financial management in local government lies with the administration and municipal councils, **writes Sakhile Mokoena.**

This was the sentiment of the Deputy Minister of Finance, Dr David Masondo, during the Local Government Week, which is organised by the National Council of Provinces (NCOP) together with the South African Local Government Association (Salga).

Deputy Minister Masondo said all the interventions and programmes that seek to help municipalities achieve sound financial management, will not be sustained without the will and desire by the administration and councils to improve financial management.

“We produce the state of local gov-

ernment reports annually and indicate areas that municipalities need to work on, in most instances the red lights get ignored,” said the Deputy Minister.

He added that the performance of many municipalities in the country was synonymous with failure, and that it was time for municipal leadership to take responsibility for the poor performance of municipalities.

The Deputy Minister was speaking on the subject: “Improving the state of local government revenue and expenditure: a closer look into interventions to improve municipal spending conditional grants and build sound revenue systems for municipalities”.

He said some of the main contributors to financial distress in many municipalities was the common practice of “approving unfunded budgets” and “lack of forward planning”. He proposed, as a solution, that municipalities should only approve budgets for

revenue that they have received.

According to Deputy Minister Masondo, the passing of unfunded budgets would mean that municipalities begin the financial year on a failure. He said the Treasury was working hard to ensure that municipalities do not spend money they do not have.

Another concern raised by Dr Masondo was that a large portion of the Municipal Conditional Grant goes unspent every year and this has a negative impact on service delivery. Poor budgeting results in municipalities using conditional grants to fund operational programmes.

“There is lack of forward planning in appointing service providers to implement projects, appointment of incompetent service providers and the poor management of contractors due to technical incapacities,” the Deputy Minister said. 🇿🇦