

OPENING ADDRESS BY THE MEC OF COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS (COGHSTA) MR BASIKOPO MAKAMU ON THE OCCASION OF THE INAUGRAL MUNMEC FORUM OF THE 6TH ADMINISTRATION: POLOKWANE, CAPRICORN DISTRICT

22 August 2019

Programme Director

SALGA Provincial Executive Committee

Mayors

Speakers

Chief Whips

Head of Department

Government Officials

Treasury and Office of the Auditor General

Municipal Demarcation Board

Ladies and Gentlemen

Good Morning

This is the first MEC/Mayors Forum since the dawn of the 6th Administration of our democratic dispensation. Since then I have been up and about as part of the activism expected of public representatives of a New Dawn heralded by President Cyril Ramaphosa.

In the past week alone, I attended the Waterberg District Municipality Intergovernmental Relations Summit and then proceeded to meet the Executive Committee of Greater Tubatse Local Municipality on their challenges and how best to manage and eventually overcome.

Today here we are to confer and recommend on the State of Local Government in the Province ahead of the Premier's Intergovernmental Forum.

Let me start with the clarification of the Role and Importance of the MEC/Mayors Forum:

ROLE/IMPORTANCE OF MUN/MEC

- Consideration of provincial policies and legislation relating to matters affecting local government interests in the Province;
- Coherent planning and development in the Province;
- Implementation of national and provincial policies and legislation with respect to matters affecting local government in the Province;
- Provide input and implement directives from the Limpopo Premier's Intergovernmental Forum; MUN/MEC Forum, Speakers' Forum; Municipal Public Accounts Committee (AMPAC) Forum and other Intergovernmental Forums and Engagements;
- Provide mutual support in achieving government imperatives;
- Enhance service delivery in the Province through co-operation; and
- Implement the Back to Basics plan in line with set targets in an integrated manner.

The Objectives of the Forum are to:

- Promote and facilitate intergovernmental relations and cooperative governance between sector departments, SALGA, District Municipalities and Local Municipalities;
- Seek unity of purpose and coordination of effort around the Province's development priorities; and
- Ensure effective and efficient service delivery.

State of Municipalities

Provision of Basic Services

- Overall unsatisfactory performance considering the 2016 and 2018 GHS results (Decline in water and electricity provision with negligible increase in sanitation and refuse removal).
- Concerted effort needed to focus on water and refuse removal: Water: An urgent intervention plan needed between Department of Water and Sanitation, COGHSTA and

Municipalities, Refuse Removal: Implementation and Resourcing of the Provincial Waste Management Strategy targeting the PGPs.

MIG PROJECT MILESTONES

2019/2020 Implementation timelines:

- All technical reports to be submitted to sector departments – JULY 27, 2018
- Sector departments provides recommendations to municipalities – Sept. 28, 2018
- Municipalities submit ALL project registration forms – October 1, 2018
- COGHSTA to provide approval letters for ALL projects – Nov. 30, 2018
- Municipalities to submit Project Implementation Plans to COGTA – April 30, 2019

Eight projects in the submitted projects implementation plans are yet to be registered (delayed submission) as follows:

Mopani (6 projects)

Capricorn (2 Projects)

VBS IMPACT ON APPOINTMENTS

- All municipalities which invested with VBS had their municipal managers and chief financial officers suspended except Polokwane and Makhuduthamaga Local Municipalities.
- Subsequent to this, the following municipal managers resigned; Vhembe District Municipality and Lepelle-Nkumpi Local Municipality. The following chief financial officers resigned; Vhembe District Municipality, Ephraim Mogale, Elias Motsoaledi and Fetakgomo Tubatse Local Municipalities.
- These suspensions and resignations created management gaps in the affected municipalities, which affected stability and performance.

Financial Health Assessment

- There is a decrease of financial viability from 16 municipalities in 2015/16 to only 6 in 2017/18 (viz Molemole, Capricorn, Ephraim Mogale, Collins Chabane, Thulamela and Waterberg)- These are municipalities that have sufficient cash and investments to pay creditors.
- 3 district municipalities that are Water Services Authorities are insolvent (unable to pay creditors from available cash and investments). Vhembe, Mopani and Sekhukhune are insolvent. Only Capricorn has sufficient cash and investments to pay their creditors (financially healthy).
- This is a concern considering that the 3 are Water Services Authorities, and also have a role to support the Provincial Growth Points, especially Vhembe and Sekhukhune
- Although the financial health of Thabazimbi and Modimolle-Mookgophong could not be fully assessed due to insufficient information, their high Eskom and Magalies Water Debt put them at high risk of bankruptcy/insolvency.

Key Audit Findings

The followings were key general audit findings in municipalities for 2017/18 financial year and past financial years:

- Non-compliance with Supply Chain Management policies and legislation
- Poor records management
- Assets Management
- Material misstatements on annual financial statements
- Unauthorized, Irregular, Fruitless and Wasteful expenditure
- Revenue management

Municipal Debts

- Outstanding debts for property rates amounted to R **199 051 843.83** as at 31st March 2019.
- Most of government properties are built in the rural areas and unregistered with deeds office. Custodian departments acknowledge the properties but dispute paying municipalities due to their registration status.

- Departments also indicated that payment of unregistered properties raise queries from Auditor-General during audit.
- Debt will be disputed until these properties are registered. Departments of Public Works and Rural Development and Land Reform should ensure speedy finalization of the processes to avoid financial collapse of municipalities. Department of Public Works, Roads and Infrastructure should prioritise the programme.

Debts owed by Municipalities to Water Boards

- Non cost-reflective tariffs.
- Revenue collected from electricity sales used for other municipal operational expenses.
- Payment agreements signed but not honoured.

Integrated Development Planning

- All municipalities have adopted the IDP Process Plans and Frameworks in the case of Districts, which guide the development and review of IDPs.
- All municipalities have adopted their 5-year IDPs.
- The approved 2018/19 MEC IDP Report is in place.
- Non-alignment of IDPs/Service Delivery Budget Implementation Plans in some municipalities that affect the ratings of IDPs remains a challenge.

Spatial Planning and LED

- All municipalities had approved LED strategies, although some were not reviewed.
- The challenge remained with implementation of these strategies and as a result, it is imperative that an assessment should be conducted on the feasibility of these strategies.
- Municipal Development Tribunals were established in accordance with the Spatial Planning and Land Use Management Act (SPLUMA) provisions. In some instances, local municipalities opted for a district shared service. This resulted in challenges on areas where the district Development Tribunal was dysfunctional and affected development initiatives in local municipalities.
- Skills Capacity within respective municipalities to drive a developmental agenda as espoused on SPLUMA remained a concern.

Public Participation and good governance

- All municipal councils were established in accordance with the legislation and are functional to date, however there are some municipalities, which are showing a signs of regress, i.e. Mogalakwena and Fetakgomo Tubatse as they convene more special councils as opposed to ordinary council meetings. Those council meetings are characterized by violence.
- Convention of more special council sittings are indicative of poor planning with the consequences of poor service delivery. Special Council Sitting should be exceptions than the norm.
- Ward committees were established in all municipalities except few at Collins Chabane Wards 7,8 and 14) and Thabazimbi Wards 5 and 11.
- All Intergovernmental Relations structures were established and functional, however some Mayors are not attending District IGR forums.
- 303 ward councilors failed to convene community feedback sessions. (Lepelle Nkumpi, Molemole, Greater Tzaneen, Maruleng, Ephraim Mogale, Makhuduthamaga, Lephale, Mogalakwena, Bela-Bela, Modimolle-Mookgophong and Thabazimbi.

Financial Health for Provincial Growth Points Municipalities

- None of the prioritised PGP is financial healthy- Musina, Fetakgomo Tubatse insolvent- Musina owes Eskom R80 million
 - Polokwane, Mogalakwena and Lephale are solvent (though in terms of their liquidity ratio they are still unable to pay creditors).

Status of the Budgets: Funded versus Non-Funded

IMPLICATIONS:

- Urgent intervention required in Musina and Fetakgomo Tubatse - The two are designated SEZs and the municipalities will not be able to finance organograms /structures as well as infrastructure (both new, replacements and maintenance required to support the envisaged growth

Emerging Negative Trends

Negative:

- Disruptions of MIG funded Infrastructure projects implementation by communities seeking contractor to cede 30% of the value of the project; citing provisions of Preferential Procurement Regulations 2017 (with specific reference to subcontracting)
- Infrastructure projects being divided into very small portions; delaying the completion of the project; resulting in Projects exceeding the appointments figures and period and end up non-compliance to SCM prescripts on expansion of contract (exceeding 20%), and becomes irregular expenditure.

Interventions Planned for the Coming 12 Months

- Training of ward committees to ensure they master their work.
- Provincial Executive to enforce ward councillors to convene community feedback meetings.
- Mayors and Municipal Managers to prioritise IGR forums and ensure they are functional

Non-Response to Request for Information by the State Capture Commission

Around the 28th of June 2019 received a courtesy letter from the Judicial Commission of Inquiry into State Capture, also known as the Zondo Commission, on the intention to request certain information from municipalities. Shortly thereafter the Commission issued such letters to municipalities in the province.

As per the Letter dated 19 August 2019 from the Commission, 14 municipalities haven't complied with the request for certain information that will help it fulfil its task to Inquire into Allegations of State Capture, Corruption and Fraud in the Public Sector including Organs of State.

The Commission has also requested me to assist in having the outstanding municipalities to comply with the request for certain information.

I have since issued letters to each of the 14 municipalities to comply with the Commission request for information. Further than that I use this occasion where all municipalities are in attendance to register a plea for these municipalities to comply with the request of the Commission.

IN CONCLUSION

Key issues are on the agenda and appeal for our attention to deal with them and so usher a New Dawn in local government.

At the end of the meeting we will issue a set of recommendations to set us on a new trajectory for local government in the province.

As we set out to receive various reports and engage in frank discussions, let us bear in mind that the success of this hard-won freedom and democracy is in local government and therefore in our hand.

Let's rise to this challenge.

I thank you.