



GAUTENG PROVINCE

CO-OPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

Update on the state of municipalities in Gauteng

25 APRIL 2022

1. Introduction

A warm welcome to you all and thank you for attending this media briefing where we will be giving an update on the health and well-being of municipalities in Gauteng.

With the changed political environment within the local government terrain leading to a prevalence of hung councils and coalition arrangements, the work that CoGTA does in providing oversight and support has become even more critical, given the propensity of coalition arrangements to collapse and bring instability to municipal governance.

We want to turn local government in the province into people-centred centres of excellence that will be more effective in delivering services to citizens and bringing about a better life for all in a qualitative manner. In order to achieve all this, we are placing greater emphasis on strengthening oversight and support for our municipalities and also looking to inculcate a culture of accountability and consequence management within the local government sphere, so that we can turn things around and move towards a positive trajectory in all the critical indicators and matrices within the local government sphere.

2. Financial Performance

Although municipalities reported surpluses, revenue performance remains a challenge due to uncollectable old debt. Vigorous implementation of credit control policies and debt management policies is critical to improving the status

The financial constraints in municipalities affects the timeous payment of creditors within 30 days of invoicing especially as relates to big creditors such as Eskom and Rand Water. The municipal accounts therefore attract fruitless & wasteful expenditure due to interest on late or non-payment.

Municipalities in the province are owed a huge amount, indicative of revenue collection problems. R79.4 billion is owed to municipalities, categorised in the period of “Over 90 days”. The majority of this amount is owed by household consumers, R70.3 billion, which is 75% of the total debt, followed by commercial (business) at R20.1 billion, which is 21% of the total debt.

CoGTA is assisting with integrated revenue enhancement strategies for each municipality, with the strategies focusing on the need for municipalities to concentrate on an integrated revenue value chain. This approach recognises that various functions; namely, spatial and town planning, property valuation, billing etc. are all inter-related and therefore have to be dealt with in an integrated way.

CoGTA is in the process of developing Municipal Viability Strategies, tailored for each individual municipality, with the purpose of developing an intervention for each municipality aimed at setting them on a trajectory of sustained growth and viability.

The total for Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE) for the 2020/21 financial year, was recorded at R23.62 billion, a decrease of R14.28 billion from the 2019/20 financial year where the figure was an unacceptably high R37.86 billion. Only R593.01 million, (3%) of the R23.62 billion was addressed by municipalities in the 2020/21 financial year.

The highest 2020/21 UIFWE was recorded by the City of Johannesburg followed by the City of Tshwane at R16.62 billion and R13.39 billion respectively. The City of Ekurhuleni, Merafong and Midvaal did not incur unauthorised expenditure in the 2020/21 financial year.

As CoGTA, we have worked with the municipalities to produce UIFW Expenditure Reduction Strategies and it is now incumbent upon municipal councils to ensure that these UIFW Expenditure Reduction Strategies together with policies and processes are approved, they are effectively implemented and that progress is reported quarterly to council, as a form of monitoring and evaluation.

We have developed and completed templates for UIFW expenditure registers that are compliant with the MFMA circular 68. Investigations case registers have been assessed as part of the UIFW Expenditure Reduction Strategies, so as to identify cases that could possibly

be referred for forensic investigation. Cases have been clarified and categorised and recommendations have been made on steps to take.

3. Eskom and Rand Water

The outstanding amount owed to Eskom by Gauteng municipalities increased from R9.49 billion to R9.75 billion as at 13th of April 2022, with only three municipalities reporting no overdue accounts, City of Ekurhuleni, Lesedi and Midvaal. Merafong continues to make payments on a weekly basis to address the outstanding debt owed to Eskom, the municipality has proposed a new payment plan just recently. Rand West meets on a weekly basis with Eskom, Gauteng Provincial Treasury and CoGTA in the province, on its outstanding debt.

CoGTA in the province together with Gauteng Provincial Treasury, continues to engage Eskom for amicable solutions in dealing with the overdue debt owed by Gauteng municipalities. According to Rand Water, at last count, the outstanding amount owed by municipalities increased from R2.94 billion to R3.15 billion, with the City of Johannesburg and Midvaal reporting to have only current accounts.

The City of Ekurhuleni is on the extended payment term relief program to pay 70% of the bill and settle the 30% within 45 days. The City is adhering to the relief options terms and conditions. Rand Water attached Emfuleni's bank account in December 2021 but that was changed after a payment of R252 million was made by the municipality. Rand Water further applied to attach immovable assets for the remaining balance owed by Emfuleni. Discussions with Rand Water continue in seeking a long-term solution on the outstanding account.

Merafong City has a 36 months payment arrangement with Rand Water, but is not honouring the payment arrangement. The municipality was served with a notice of late payment letter on 05 November 2021, which it still has not responded to, although the municipality did pay an amount of R3 million in February 2022. Rand West City is on a 12 months interest free long-term option, although the municipality is not honouring the payment arrangement entered into with Rand Water.

4. Provincial government debt to municipalities

The outstanding amount owed by Gauteng Provincial Government Departments to Gauteng municipalities for rates and services is R449 million. COGTA in the province along with Gauteng Provincial Treasury established a Debt Management Committee (DMC) to facilitate a process of resolving government debt as an inter-governmental relations intervention between the various spheres.

The DMC has managed to facilitate payments to municipalities amounting to R 12.9 billion, with the biggest beneficiary being the City of the Johannesburg at R 5, 6 billion, followed by the City of Tshwane at R3, 3 billion.

5. Audit outcomes

The 2020/21 regularity audit has been completed for all Gauteng municipalities. Two municipalities achieved clean audits, whilst seven obtained an unqualified opinion with findings. The two most disconcerting audit opinions are the ones on Rand West and Merafong, both adverse, owing to certain material findings.

Slow responses and lack of urgency by administrative leadership to addressing the Auditor General of South Africa's (AGSA) findings as well as internal audit findings will result in the repeat of findings and regression of audit outcomes in the 2021/22 financial year, although we do acknowledge that capacity constraints in some municipalities are a major factor, something that CoGTA is trying to help those municipalities to address.

CoGTA is leading the Operation Clean Audit - Provincial Coordinating Committee (OPCA-PCC). The committee is a monitoring and supporting structure consisting of both government and key finance professional bodies across the province. The committee meets on a quarterly basis to assist municipalities with resolving issues on the audit action plans. The AGSA assists on a quarterly basis by monitoring the assessment of key controls and the implementation of corrective actions with regards to key control deficiencies identified.

6. Governance and institutional stability

From a total of eleven Gauteng municipalities, only three Municipal Manager positions are currently filled and eight are vacant, with acting incumbents. The current vacancy rate for municipal senior managers in Gauteng municipalities is 30%. High senior management

vacancies have the potential to affect municipal institutional stability, functionality and compromise service delivery.

Municipalities are continuously adopting unfunded budgets that cannot meet financial obligations and this negatively impacts on service delivery and sustainability of municipalities. This also results in financially distressed and dysfunctional municipalities. Seven municipalities adopted unfunded budgets in the province: Emfuleni, Midvaal, Merafong, Rand West, Mogale, West Rand and Sedibeng.

Out of the eleven municipalities in the province; one, Ekurhuleni, is stable. Another one, Midvaal, is at a very low risk of being dysfunctional. Seven municipalities are at risk and require very close monitoring and support: Tshwane, Johannesburg, Mogale, Rand West, Lesedi, West Rand and Sedibeng. Two municipalities are dysfunctional and also in financial distress, Emfuleni and Merafong.

Emfuleni and West Rand municipalities are under Section (1) (b) and Section 139(5) interventions respectively, with Emfuleni also under Section 63 of the Water Services Act.

CoGTA arranged an assessment week, between the 11th and 14th of April 2022, where all municipalities were afforded the opportunity to present their Draft Five-year Municipal Integrated Development Plans (IDPs) 2021-26. Provincial Sector departments gave comments on their findings across all draft IDPs, focusing on their areas of commitment.

As part of their analysis, provincial sector departments also provided their areas of support to municipalities. The provincial government will now consolidate the comments on the draft IDPs that will be deliberated on by provincial EXCO, after which the feedback will be shared with municipalities to include in their final IDPs, with the aim of bringing about greater alignment in terms of planning and implementation between the various spheres of government in the province. As COGTA MEC, we will then provide final comments on the final adopted 5 year IDPs as required by Section 32 of the Municipal Systems Act, 32 of 2000.

7. Service delivery

There are high electricity losses around the province due to illegal connections, bypassed meters, destruction of underground electrical infrastructure and non-maintenance of electricity infrastructure. Most of these losses can be curtailed with the cooperation of communities and behavioural changes as communities partner with government to ensure that infrastructure that is meant for service delivery within communities is protected and taken care of.

Most community protests in the province have been due to electricity and housing shortages, as well as general lack of service delivery. In this regard, it is important that issues raised in community complaints and petitions be urgently attended to by municipalities as they have the potential to result in service delivery protests or community unrest over delivery of basic services.

We must tackle and address the issue of inadequate basic service provision to informal settlements. We have to deal with the issue of high water and electricity losses in the province as well as illegal dumping, which remains a huge challenge across all municipalities.

Communities and households must work with our municipalities in order to end the practice of non-payment for services, which has a crippling effect on the ability of municipalities to properly deliver basic services. We are working very closely with our municipalities in order to resolve challenges with poor infrastructure replacement and maintenance, which of course has a negative impact on service delivery, along with the broader issue of the lack of funding for ageing municipal infrastructure.

8. Conclusion

At its core, leadership is about problem solving and finding innovative, creative solutions to complex issues and it is at the local government sphere that we find most of our problems as a society. It is for this reason that we are working very closely with our municipalities, in line with our Section 154 responsibilities, in order to resolve problems that create service delivery lags and lead to dissatisfaction and instability within our communities.

The problems are many and require a new approach and attitude to governance at local government level, one that acknowledges the importance of working together intergovernmentally, across the political spectrum in a non-partisan manner in order deliver on the promise of a better life for all to the people of Gauteng.

Thank You!!!