AGENDA ITEM 3

## NARRATIVE REPORT TO THE PORTFOLIO COMMITTEE ON COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

## Wednesday, 28 October 2015

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| **SUBJECT: THE COST OF TRANSITIONING OF MUNICIPALITIES** |

1. Purpose

The purpose of this memorandum is to brief the Parliament Portfolio Committee on cost of transitioning of municipalities for 2013/15 municipal boundaries redetermination.

1. SUMMARY AND BACKGROUND
   1. During 2013, the MDB finalised a process of confirming the outer boundaries of municipalities in preparations for the 2016 local government elections. On 8 August 2013, the MDB published 157 cases in terms of section 21 of the Demarcation Act. It had subsequently:
   2. Confirmed 147 cases;
   3. Varied 5 cases; and
   4. Withdrew 5 cases.
   5. The majority of cases dealt with the realignment of voting districts, and with communities / traditional authority areas that were split.
   6. Only the Gauteng and KwaZulu-Natal Provinces saw a reduction in the number of municipalities.
   7. In respect of Gauteng:

(i) Westonaria and Randfontein local municipalities will be amalgamated into a single local municipality (reduction of 1 municipality).

* 1. In respect of KwaZulu-Natal:

The following municipalities have been amalgamated (reduction of 7 municipalities):

1. Vulamehlo and Umdoni;
2. Hlabisa and the Big 5 False Bay;

(iii) Umtshezi and Imbabazane;

(iv) Ezinqoleni and Hibiscus Coast;

(v) Emnambithi/Ladysmith and Indaka;

1. Kwa Sani and Ingwe; and
2. Ntambanana/ Mthonjaneni /Umhlathuze.
   1. Most of the variations were based on communities being split, and it became necessary to keep those communities intact.
   2. The above redeterminations have seen a reduction of 8 municipalities.
   3. Between February and April 2015, the minister requested the MDB, in terms of section 22(2) of the Demarcation Act to determine or redetermine the boundaries of various municipalities.
   4. In total, 34 requests were made to the MDB by the Minister, as follows:

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| --- | --- | --- | --- |
| PROVINCE | NO. | PROVINCE | NO. |
| KWAZULU-NATAL | 11 | LIMPOPO | 5 |
| EASTERN CAPE | 5 | MPUMALANGA | 5 |
| FREE STATE | 2 | NORTH WEST | 4 |
| GAUTENG | 1 | NORTHERN CAPE | 1 |

* 1. Ninety (90) municipalities were affected through the above request.
  2. On 21 October 2015 the MDB confirmed the redetermination of the Ikwezi/Baviaans/Camdeboo**.**
  3. The Summary of changes in terms of the Section 22(2) of the Municipal Demarcation Act requests is as per the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **PROVINCE** | **NO.** | **AFFECTED LMs** | **COMMENTS** |
| **KwaZulu-Natal** | **1.** | Mooi Mpofana (as part of Umgungundlovu) and Umvoti (as part of Umzinyathi) (2). | No reduction in the number of municipalities. Portion of Mooi Mpofana (Cadham voting district) will be incorporated into Umvoti. |
| **Mpumalanga** | **2.** | Mbombela and Umjindi (2). | Reduction of 1 municipality. |
| **Free State** | **3.** | Mangaung and Naledi (2). | Reduction of 1 municipality. |
| **North West** | **4.** | Ventersdorp and Tlokwe (2). | Reduction of 1 municipality. |
| **Northern Cape** | **5.** | Mier and //Khara Hais (2) | Reduction of 1 municipality. |
| **Limpopo** | **6.** | Mutale, Thulamela, Makado and Musina (4). | No reduction in the number of municipalities. Parts of Mutale are incorporated into Thulamela and Musina. Parts of Makhado and Thulamela are incorporated to form a new municipality. |
| **7.** | Aganang, Blouberg, Molemolle and Polokwane (4). | Reduction of 1 municipality – Aganang is disestablished. Portions of Aganang are incorporated into Blouberg, Molemolle and Polokwane. |
| **8.** | Fetakgomo and Greater Tubatse (2). | Reduction of 1 municipality. |
| **9.** | Modimolle and Mookgopong (2) | Reduction of 1 municipality. |
| **Eastern Cape** | **10.** | Gariep and Maletswai (2). | Reduction of 1 municipality. |
| **11.** | Nxuba and Nkonkobe (2). | Reduction of 1 municipality. |
| **12.** | Inkwanca, Tsolwana and Lukhanji (3) | Reduction of 2 municipalities – All 3 municipalities amalgamated into 1. |
| **13.** | Camdeboo, Baviaans and Ikwezi (3) | Reduction of 2 municipalities – All 3 municipalities amalgamated into 1. |
| **Summary** | **(i)** | 28 local municipalities affected. | |
| **(ii)** | There will be a reduction of 13 municipalities (257 municipalities). | |

1. **DISCUSSION** 
   1. A working group consisting of officials from the Department of Cooperative Governance, the KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs, the South African Local Government Association, the Financial and Fiscal Commission and the National Treasury prepared estimates of the costs involved for the redetermination of municipal boundaries.
   2. The total costs, in respect of the Municipal Demarcations (2013/15) is estimated at **R416,2** million for :

* Restructuring costs: **R7, 2 million** determined for each merger. A total of **R151, 2 million** is needed for all 21 mergers;
* Human resources costs: **R10 million** determined for each merger. Atotal of **R210 million** is required in for all 21 mergers; and
* Project management costs: **R5 million** for each affected Province. A total of **R40 million** is needed for the 8 provinces. **R15 million** for support at National level.

* 1. The total amount of **R139 million** has been provided over three years (2015/18). **R39 million** for 2015/16, **R50 million** for 2016/17 and **R50 million** for 2017/18.
  2. There is therefore a shortfall of **R277, 2 million.**
  3. Additional funding has been requested from the National Treasury, during the 2015 Adjusted Estimates of National Expenditure (AENE) process, to assist the rest of the municipalities to cover the costs of amalgamation as permitted in terms of Section 30 (2) of the Public Finance Management Act.

1. **RECOMMENDATION**

It is recommended that the Portfolio Committee:

* 1. Notes the contents of the presentation.

1. **cONTACT PERSON AT DEPARTMENT:**

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1. **APPROVED BY:**

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**MINISTER FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**