

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 2018/2005**

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**2005 PQ 2018//2005. Mr K J Mileham (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**

(1) With reference to the statement in his speech on the Budget Vote of his department on 15 May 2018 that only 7% of the country’s municipalities are considered to be functioning well, which (a) municipalities constitute the 7% of well-functioning municipalities and (b) criteria did the specified municipalities fulfil, which other municipalities did not, in order to be considered well-functioning;

(2) whether his department has put any measures in place to encourage other municipalities to fulfil the criteria that the well-functioning municipalities have met; if not, why not; if so, what are the relevant details? NW2164E

**REPLY:**

1(a) The following list of municipalities constitute the 7% well performing municipalities:

|  |  |  | Audit opinion | | | |
| --- | --- | --- | --- | --- | --- | --- |
| Municipality | Province | District | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
| Senqu | EC | Joe Gqabi | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Midvaal | GP | Sedibeng | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| King Cetshwayo District | KZN | uThungulu | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| uMhlathuze | KZN | uThungulu | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Umzumbe | KZN | Ugu | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Ehlanzeni District | MP | Ehlanzeni | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| ZF Mgcawu District | NC | ZF Mgcawu District | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Breede Valley | WC | Cape Winelands | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Cape Agulhas | WC | Overberg | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Cape Winelands District | WC | Cape Winelands | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Drakenstein | WC | Cape Winelands | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| George | WC | Eden | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Hessequa | WC | Eden | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Langeberg | WC | Cape Winelands | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Mossel Bay | WC | Eden | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Overstrand | WC | Overberg | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Swartland | WC | West Coast | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Theewaterskloof | WC | Overberg | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| West Coast District | WC | West Coast | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |
| Witzenberg | WC | Cape Winelands | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings | Unqualified with no findings |

All of these municipalities obtained an unqualified audit report with no findings for at least the past 4 years.

1. Over the past few years it has become clear that there could be three root causes for *distress i*n local government:
   1. A municipality that finds itself in distress due to failures in governance, financial management and administration (i.e. The institutional performance context), and
   2. A municipality that finds itself in distress because it spatially and socio-economically was and always will be a financially non-viable entity (i.e. the socio-economic context);
   3. A municipality that finds itself in distress as a result of systemic issues around powers and functions, fast growth in urbanization with expansion of capital infrastructure to fulfil increasing demand and an inability to grow operational revenue concurrent to ensure sufficient maintenance and operation of the infrastructure.

The manifestation of these root causes is however complex and often difficult to pinpoint. Distress could be a result of all three root causes or a combination of any two.

Whilst the above list focuses on sound financial management practices, it happened that a municipality such as Langeberg, for example, finds itself in the well-performing list with regard to financial management practices (audit outcomes), but simultaneously reflected on the distressed list of 87 because the Municipal Infrastructure Agent identified it as part of the 55 municipalities that are struggling to spend its Municipal Infrastructure Grant (MIG).

2) Yes, the Department has signed a Memorandum of Understanding with the National Treasury. Municipalities will be monitored continually and receive joint support from the National Treasury in the form of:

1. Financial Recovery Plans - the Municipal Financial Recovery Service (MFRS) was established in 2007 as a Directorate in the National Treasury within the Office of the Accountant- General, Chief Directorate MFMA implementation in line with section 157 of the MFMA. In terms of section 158, the functions of the unit include:

* Preparation of financial recovery plans;
* Monitoring the implementation of the recovery plan;
* Assisting municipalities to identify the causes of and potential solutions to the financial problems;
* Information is collected on municipal financial problems and on best practices in resolving such problems.

Assistance is based on requests received from the municipality or the province and provided in a collaborative and coordinated way with other national or provincial departments. In order to support municipalities with financial recovery, National and Provincial Treasuries use the Financial Management Capability Maturity Model (FMCMM)

1. The Financial Management Capability Maturity model (FMCMM) is a tool (comprising 21 modules) to drive improvements in the financial, institutional and capacity disciplines in municipalities. The objective is to ensure that support is directed to areas most in need, with changes resulting in progressive maturity assessment improvements.

The project involves NT working in conjunction with Provincial Treasuries to promote actions to support, monitor and report on FM issues in specific municipalities. Actual reviews/ reassessments will be conducted through the Provincial Treasuries, who will ensure the preparation and implementation of action plans to address remaining areas of weakness. (FMCMM support is included in the MFIP Technical Advisors activities.) Assistance, where required and requested, will be provided by NT in the re-assessment process to support the development of appropriate action plans and to monitor progress within established timelines.

1. DCoG has identified a strategic intervention aimed at enhancing the municipal revenue management and debt collection system in local government. The intervention comprises the following stages:

* Implementation planning and conducting an “As Is’’ assessment
* Development of an improvement plan (municipal-specific simplified revenue plan)
* Implementation of the municipal-specific simplified revenue plan

1. The Department of Cooperative Governance’s Provincial coordinators will provide support in the form of coordination of the technical task teams that work with municipalities to address the challenges identified.