

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 20187/2076**

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**2076. Ms D van der Walt (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**

(1)      (a) What amount does each specified municipality (Ba-Phalaborwa LM, Giyani LM, Greater Letaba LM, Maruleng LM and Grater Tzaneen LM) owe to the Mopani District Municipality in Limpopo to date, (b) for what period has each debt been outstanding, (c) what are the reasons for non-payment and (d) what steps has the specified district municipality taken to collect the debt;

(2)       Will he and/or his department intervene; if not, why not; if so, (a) by what date and (b) how?

**REPLY**

The information was provided by the Mopani District Municipality

1. (a) The Mopani District Municipality has entered into agreements with its local municipalities (Ba-Phalaborwa LM, Greater Giyani LM, Greater Letaba LM, Greater Tzaneen LM and Maruleng LM) through which its locals are appointed to become water service providers on behalf of the district. As part of the agreement, it is the requirement that each local municipality provides the district on monthly basis, with a report outlining the revenue collected against the billing, expenditure and age analysis of the creditors and debtors for water. In terms of the signed agreements, it is mandatory of the locals to pay back the profit to the district if profits have been accumulated on the provision of water on behalf of the district, and if the locals have operated the water business at a loss, it becomes the responsibility of the district to repay the local municipality for the losses incurred. It is against the above context that only Ba- Phalaborwa owes Mopani district, as it is the only local municipality within the district that has operated the water provision business on profit, which resulted to a recorded debt R180 million.

Subsequently, the Mopani District Municipality has an outstanding debt to its four (4) locals within the district that are operating the water function at a loss and the breakdown is as follows:

* Greater Tzaneen LM R179,6 million
* Greater Letaba LM R55 million
* Greater Giyani R27,6 million
* Maruleng LM R23,4 million
1. The reported figures on outstanding debt are as at June 2017 and are reflected on the audited Annual Financial Statements of 2016/17 financial year. According to the municipality, the current and latest available debt amounts that are reported on the MFMA Section 71 reports are mostly disputed, incorrect, and unreliable and regarded as not a true reflection of the arrear debt.
2. The debt owed by and to the Mopani District Municipality is as a result of the following:
	* The local municipalities are having an agreement to provide or operate the provision of water and sanitation on behalf of the district. It is a requirement that in terms of the signed agreement between the district and its locals, the revenue collected and generated be transferred to the district. However, in most instances, the clause is not implemented.
	* The four local municipalities owed by the district are operating the water and sanitation services at a loss as the revenue they generated is less than the expenses they incurred, and as a result the district is expected to reimburse its locals.

The Ba-Phalaborwa Local Municipality has been operating the electricity function at a profit and the profit generated is expected to be surrendered to the district municipality on annual basis. However, this local municipality failed to surrender the profit, which has resulted on the outstanding debt.

1. Ba-Phalaborwa LM has signed and is honouring a payment agreement of R1. 7 million with the district municipality. The district uses the payment from the local municipality to repay its debt owed to the Water Board. The district is facilitating a process to write-off some of the outstanding debt of its local municipalities.

In terms of the project closeout report, it was identified that the root causes of non- payment of debt are as a result of the various shortfalls in the Service Level Agreement (SLA) between the district and its locals and the lack of implementation thereof. The district municipality is in the process of amending the SLA to improve the identified gaps.

1. The department has supported the Mopani District Municipality with a Simplified Revenue Plan in the 2016/17 to 2017/18 financial years. The simplified revenue plan’s objectives are to improve revenue management, reduce municipal consumer debt and protect municipal revenue. The department has also assisted the district municipality to determine cost reflective tariffs and recommended to the Mopani District Municipality not to charge the same tariff in all its five local municipalities, but to rather have tariffs that are determined in accordance with the circumstances of the different Water Service Providers (WSP).

The primary responsibility for water services provision rests with local government. In terms of Section 84 of the Municipal Structures Act, the responsibility for providing water services rests with the district and metropolitan municipalities. However, the Act allows the Minister of Cooperative Governance and Traditional Affairs to authorise a local municipality to perform these functions or exercise these powers. The district (or authorised local) municipality is the water services authority as defined in the Water Services Act.

There can only be one water services authority in any specific area (that is, water services authority areas cannot overlap). The main duty of water services providers is to provide water services in accordance with the Constitution, the Water Services Act and the by-laws of the water services authority, and in terms of any specific conditions set by the water services authority in a contract.

Mopani District Municipality has entered into an agreement with Local Municipalities through which it appointed the Local Municipalities to become water services providers on its behalf. As part of the agreement, the Local Municipalities are to provide for the rendering of water services in an efficient, equitable, cost effective and sustainable manner. The WSP was obligated in terms of the agreement to submit on a monthly basis not later than the 10th of every month, a report outlining the revenue collected against the billing, expenditure per line item and the age analysis of the creditors and debtors for water.

**Adherence to WSP Agreement**

The local municipalities do not adhere to the WSP agreement, as a result, credibility of the financial reports from local municipalities is questionable. The cash collection reports as well as the expenditure allocated to water and sanitation activities lack credibility, which in the end, the amounts claimed by both the district and the local municipalities are mostly disputed.

**Disputes by local municipalities on non-payment as per the signed WSP agreement**

The local municipalities are indicating that Income and Expenditure for the water and sanitation services are running at a loss. The SLA requires the WSA to open a separate bank account for the water and sanitation services and the WSP must bank all cash received daily into this account and currently not happening and negatively affect the cash flow of the District Municipalities.