SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION

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REVIEW OF WHITE PAPER ON LOCAL GOVERNMENT: Implications for Public Finance, Governance, and Service Delivery Transformation

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Outline of the presentation

- Background
- Premise
- Proposals / Outcomes
- Conclusion

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Background

1998 White Paper on Local Government is a **foundational policy document**

Established the framework for **developmental local government**

Introduced a **new model** of local government focused on **co-operative governance, community participation, and a system of metro, district, and local municipalities**

Served as a **cornerstone** for subsequent legislation and remains a **critical policy** for evolving local governance in South Africa.

LOCAL GOVERNMENT LEGISLATIVE FRAMEWORK

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Inspiring service delivery

White Paper on Local Government (1998)

Municipal **Demarcation** Act (1998)

Municipal **Structures** Act (1998)

Municipal **Systems** Act (2000)

Disaster Management Act (2002)

Traditional Leadership & Governance Framework Act (2003)

Municipal **Finance** Management Act (2003)

Municipal **Property Rates** Act (2004)

Intergovernmental Relations Framework Act (2005)

WHITE PAPER THEMATIC AREAS

SECTION B: DEVELOPMENTAL LOCAL GOVERNMENT

SECTION C: COOPERATIVE GOVERNANCE

SECTION D: INSTITUTIONAL SYSTEMS

SECTION E: POLITICAL SYSTEMS

SECTION F: ADMINISTRATIVE SYSTEMS

SECTION G: MUNICIPAL FINANCE

Review Process

Step 1: Discussions Document to trigger conversation and proposals

Step 2: Submissions due by 31 July 2025

Step 3: 262 stakeholder submissions to be Consolidated

Step 4: Oct – Dec: Further Consultation

Step 5: March ‘26: Revised WPoLG

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Premise

- **Constitutional architecture**, given further expression in the applicable **legislation, is fundamentally sound**
- The **current system** of local government is now **well-established**
- Various **reform initiatives** undertaken over the years have had little impact in practice – **A need to define the role of Nat/Prov Govt towards LG**
- There are many areas of **success that we can build on**
- Not advocating for an **overhaul** of the entire local government system
  - Rather, it is believed that a need exist to effect **necessary reforms** to the current local government system to make it work better

Outline of the presentation

Background

Premise

Proposals / Outcomes

Conclusion

Outcomes of the reform process

SALGA's proposals seek to achieve the following outcomes:

1. Municipal structures are fit for purpose
2. Municipal councils perform functions and exercise powers which are appropriate to local developmental needs and commensurate with their capacity
3. Municipal councils provide stable and effective political governance
4. A professional municipal administration provides effective and efficient service delivery
5. Local government fiscal framework secures sufficient revenue for municipalities to meet their service delivery mandates
6. In delivering municipal services, municipal finance management is clean, efficient and effective
7. Municipalities work closely with and for their communities
8. As service delivery cuts across spheres of government, intergovernmental relations through their structures and procedures are cooperative and inclusive of local government
9. The supervision of municipalities by other spheres of government ensures that municipalities achieve their development goals

(1) Municipal Tiers

- The structures of LG are simplified by **retaining district municipalities in rural areas**
- In the remaining areas, in addition to metropolitan municipalities, and stand-alone municipalities, the following is proposed:-
  - **Stand-alone urban municipalities (Secondary Cities)** perform all the functions allocated to municipalities without a district municipality dependence
  - **Metropolitan municipalities** to typically be assigned additional functions and funding appropriate for the governance of large urban agglomerations
  - **district municipalities would have to be re-established**, the current boundaries of local municipalities should be maintained as far as possible

(2) Political Systems

- To investigate if the current statutory framework for mayors and speakers supports the need for a full-blown **separation of legislative and executive roles**, similar to the clear separation at national and provincial level.

- In the same breath a similar consideration should be made to the **continued value of Section 80 committees** of council.

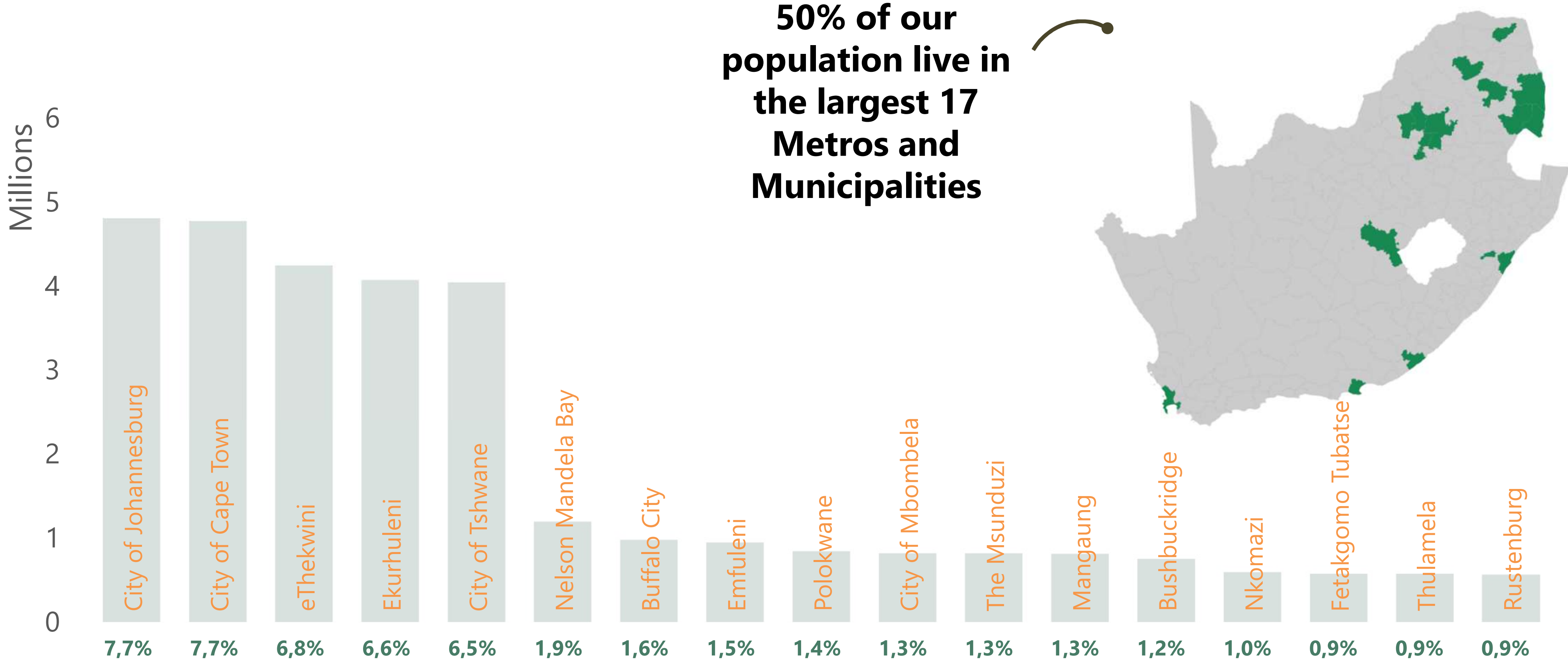
(2) Powers and functions appropriate for development LG

- Municipalities, and not ESKOM, have the **constitutional responsibility** to provide electricity.
  - Where ESKOM is reticulating electricity because of **historical reasons**, this must be formalised through a **Service Level Agreement** (SLA) with the relevant municipality.
  - However, where a municipality is **unable** to distribute electricity effectively, ESKOM (or other public or private entities) should perform that function in its stead through an **SLA**.
- Municipalities should **at all times retain the service authority role** for their constitutional service delivery functions, even when the service provider role is an external entity.

PROVINCES	COALITIONS FROM 2000 – 2021 ELECTIONS					2021 Coalitions	
	2000	2006	2011	2016	2021	Stable Coalitions	Unstable Coalitions
EC – 39	1	1	-	1	4	3	1
FS – 23	-	-	-	1	5	4	1
GP – 11	2	-	-	4	10	4	6
LP – 27	-	-	-	2	2	1	1
KZN - 54	10	9	20	7	25	17	8
MP – 20	-	-	-	-	3	3	0
NC – 31	2	-	5	3	11	0	11
NW – 22	-	-	-	1	4	4	0
WC - 30	14	21	12	8	17	11	6
Totals	**29**	**31**	**37**	**27**	**81**	**47**	**34**

Large population centres are evident throughout South Africa

50% of our population live in the largest 17 Metros and Municipalities



34.5% of our population live in 9 of the largest Coalition Governed Municipalities

(3) Stable and effective political governance (Cont.)

- Municipal councils provide stable and effective political governance
  - A **threshold (1-2%)** should be introduced in the electoral law, ensuring that **only political parties and persons with demonstrable voter support are elected**
  - **In principle**, all municipal councils should be of the **executive committee type**, reflecting the general political composition of the council, and **reducing turnover in the executive**. **Alternatively**, executive committee systems should be established for all councils with **NO outright majority**
  - To facilitate more **stable coalitions**
    - the **14-day deadline** for the election of the speaker and other office-bearers after a general election must be extended
    - the possibility for tabling **motions of no-confidence** in office-bearers must be reasonably **limited** - motions of no confidence must be **constructive**
    - elections for office-bearers must not be held by **secret ballot**

(4) Municipal administration

- A professional municipal administration provides effective and efficient service delivery
  - **Prioritisation of competency** above all other considerations.
  - Development of a **coherent competency framework** for local government. The **different competency requirements** from National Treasury, COGTA and the Department of Public Service should be **consolidated or at least aligned.**
  - Accord various **occupational categories** in local government a **professional and legal status** similar to those in professions such as law, and health.
  - All senior managers **should belong to one or more professional associations**, accredited for this purpose. This requirement should be added to the competency list for appointment.

(4) Municipal administration

- A professional municipal administration provides effective and efficient service delivery
  - **Insulate senior managers from political interference**. There is a need to separate politics and administration.
  - Introduce a **performance management system** for all municipal staff
    - **Measurable (hard) performance indicators**, particularly for senior managers, e.g audit outcomes, service delivery standards, and blue drop.
    - Link the **performance and reward system** for all municipal employees

Assumptions of the 1998 White Paper on Local Government

Assumptions on the 1998 White Paper	Percentage	Current (5yr Ave)
Property rates revenue as percentage of local government revenue	**19.89%**	**17.45%**
% Local government is expected to fund recurrent expenditure out of own revenue	90%	**60%**
Trading services revenue as percentage of local government revenue	**61.42%**	**46.8%**
% Trading service – electricity	41.40%	**29.4%**
% Trading service – water	11.80%	**10.2%**
% Sewage and refuse removal	8.22%	**7.2%**

(5) LG Fiscal Framework

- Local government fiscal framework **secures sufficient revenue** for municipalities to meet their service delivery mandates
- The following basic principles of municipal finance are asserted:
  - Municipalities should, as far as possible, be **financially self-sustaining**, with national transfers (LGES and conditional grants) providing equity between municipalities with differing tax bases
  - **Funding follows functions**. **Unfunded mandates** must be addressed and avoided.
- With regard to own source revenue, **existing tax bases should be protected**:
  - Municipalities should be the **sole suppliers of electricity and water** in their areas, to fully benefit from the revenue generated from the provision of these services
  - Where trading services are shifted to national entities **due to a lack of capacity** (Eskom and Water Boards), this should occur through **SLAs**, which allow for the retention of a limited profit margin

(5) LG Fiscal Framework

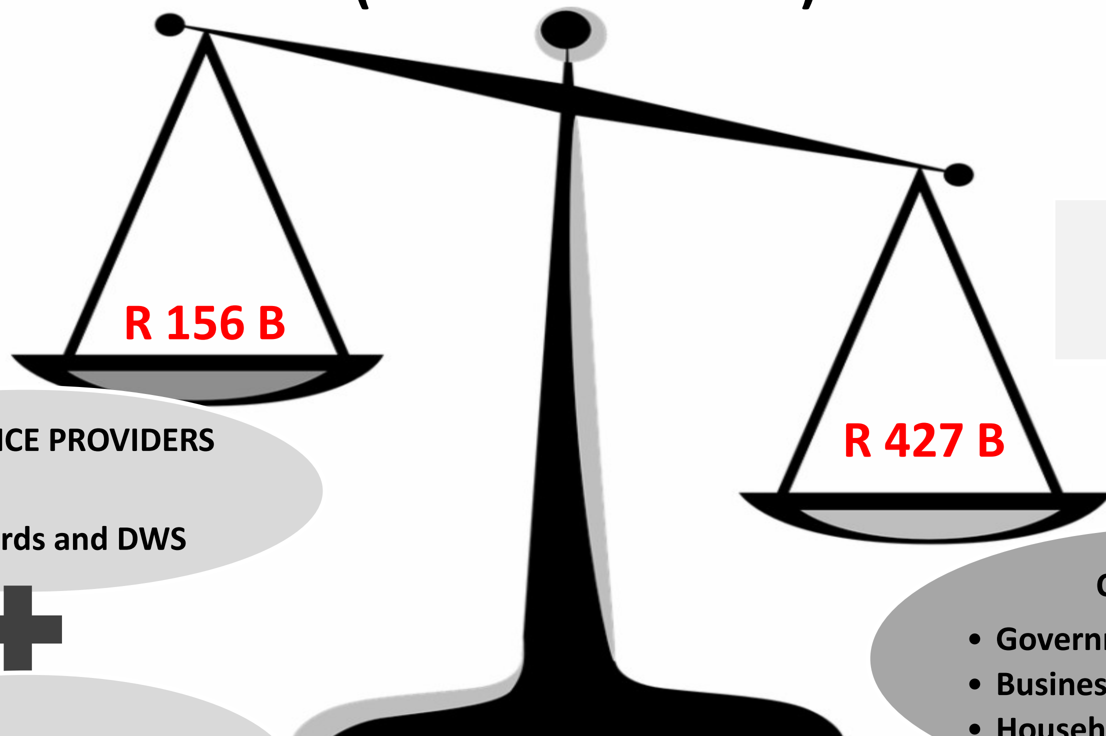
- The **taxing powers of municipalities should be expanded** according to the available tax base, including the recognition of -
  - A **local business tax** for metro and urban municipalities
  - Other suitable taxes and levies, including a **tourist tax**
  - The expansion of local taxes will yield little dividends if not accompanied by **tax effort.**
- **Public Private Partnerships** (PPPs) are utilised **to augment public expenditure** on public goods and services
  - **Simplify** the PPP process
  - **Differentiate** the PPP process, Not all PPPs are the same in terms of size, amount, etc
- **Rationalise the framework for tariffs** - bulk service providers (Eskom and Water Boards) must develop an **affordable and sustainable tariff-setting** structure for municipalities

(5) LG Fiscal Framework (Cont.)

- **Local Government Equitable Share** (LGES): Transfers to municipalities should ensure the delivery of basic municipal services to indigent households, including -
  - The **review of the vertical sharing** of nationally raised revenue among spheres of government. Local government must get a fair share of national revenue and increased costs and responsibilities must be taken into account.
  - The **revision of the LGES formula** to ensure that the provision of free basic services does not crowd out operational requirements
  - The revision of the LGES formula **should be based on rational costing of service provision** to poor households and between municipalities

MUNICIPAL DEBT
(As at 30 June '25)

MUNICIPAL CREDITORS



CONSUMER DEBTORS

BULK SERVICE PROVIDERS

- ESKOM
- Water Boards and DWS

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Municipal Creditors

CONSUMERS

- Government (5.8%)
- Business (22.3%)
- Households (71.9%)

1. Debt Owed to Municipalities

SALGA PROPOSALS

1. Municipalities must be consistent in **implementing their credit control policies** to tackle the increasing debtors' book and a call to municipal consumers to honour their municipal bills.
2. There should be a call for decisive action to **restructure the municipal debtors and enactment of the National Write Off Bill** to extinguish the irrecoverable portion of the debtors' book.
3. **Amending the Tax Administration Act** so that before SARS pays tax refunds, they first check is the particular tax payer does not have monies doe to his/her municipality. If the tax payer owes, the amount due to the municipality will be paid first before a refund is deposited to the tax pay account.

1. Debt Owed to Municipalities (Cont.)

SALGA PROPOSALS (Cont.)

4. Amend Systems Act so that it is **not only municipal councillors and employees** who may not be in arrears with their municipal bills for a period more than three months. This requirement should be **extended to all state employees** and **elected and appointed representatives in other spheres**.
5. Establish a **District Revenue Collection Agency**. This will achieve better collection efficiencies and will free up municipal personnel to focus on more pressing service deliver efforts. SARS systems and processes would be considered in putting this together after due diligence is done.
6. **Amending the Procurement Regulations** to make it compulsory for any potential service provider to **produce a Municipal Services Rates compliance certificate**, prior to being awarded a government contract.
7. **Amending the Vehicle Licencing Registration Regulations** to withhold the issuing of vehicle licences if municipal rates and service charges are outstanding.

(6) Municipal Finance Management

- Municipal finance management is clean, efficient and effective
  - All **municipal budgets should be funded**, and if not, monitoring and supervision processes such as a section 139 intervention should automatically kick-in. In addition, IG fiscal relations should be **strengthened to improve support.**
  - **Audit consistency** over time can be a useful measure of administrative resilience in local government.
  - Municipalities with **consistent clean audits should be rewarded** (for example, by reducing reporting burdens).
  - Greater attention should be paid to supporting the **'first level of defense'**, i.e., the internal systems in municipalities that detect anomalies.
  - Provide municipalities with **access to technology or accurate data**, which they can use to plan for the needs of their communities and subsequently allocate their budgets accordingly. This will help municipalities make more realistic predictions of their expenditures and expected revenue collection.

(6) Municipal Finance Management (Cont.)

- The framework and process for **recovering ill-gotten funds and assets** are lengthy and cumbersome, with limited success. There is a need to examine **how national and provincial governments can support municipal efforts** in this regard
- Provincial governments, SAPS, the Hawks and the NPA must coordinate their approach to the **investigation and prosecution of cases** involving financial misconduct.
- Strengthen the implementation and support for **early warning systems of financial distress** and the measures to address it in municipalities as envisaged in Chapter 13 of the MFMA
- Financial management systems requirements, such as those provided for in the mSCOA regulations, must be **differentiated according to the various capacities** of different municipalities
- Current **Municipal reporting** on their financial state to multiple government institutions - should used to have **follow-up processes** after receiving key reports. These processes should include interventions, not limited to s 139, where needed.

Conclusion

- A need to Build on the existing local government framework and gains
- Caution-
  - wholesale change may be counterproductive, as it will consume national and provincial governments with legal and institutional reform, rather than enabling them to effectively support municipalities
- Suggestion-
  - effect necessary reforms to the current local government system to make it work better
- Concrete vision of local government that serves the people of South Africa over the next 25 years
- The expected outcomes should shape the development of proposals for reform

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Thank You

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