IMPLICATIONS OF AMALGAMATION OF MUNICIPALITIES AND POST 2016 LOCAL GOVERNMENT COALITION LED MUNICIPALITIES

Presented to the:
MUNICIPAL MANAGERS FORUM

George, Thursday, 31 August 2017

BACK TO BASICS: SERVING OUR COMMUNITIES BETTER
OUTLINE OF PRESENTATION

♣ BACKGROUND TO AMALGAMATION OF MUNICIPALITIES

♣ SUPPORT PROVIDED TO AMALGAMATED MUNICIPALITIES IN PROCESSING OF THE VARIOUS TRANSITIONAL MEASURES PRE AND POST THE 2016 LGE

♣ MUNICIPAL DEMARCATION TRANSITION GRANT (MDTG)

♣ TRANSITIONAL MATTERS SCHEDULE

♣ CHALLENGES RELATED TO AMALGAMATIONS

♣ HUNG COUNCILS
BACKGROUND TO AMALGAMATION OF MUNICIPALITIES

- The amalgamation of municipalities’ process was kick started by the Back-to-Basics programme, which analysed municipalities across the country, and concluded that \textit{approximately one-third of all municipalities were not doing well} and some were not sustainable financially.

- To address the challenges being experienced by municipalities around sustainability / viability, a range of options were considered, which included \textit{direct interventions, strengthening district municipalities, or disestablishing and amalgamating some local municipalities}.

- The \textbf{four indicators} used to determine the sustainability / viability of municipalities were:
  - Economic viability;
  - Tax sustainability;
  - Financial viability; and
  - Dependence on inter-governmental transfers.
BACKGROUND TO AMALGAMATION OF MUNICIPALITIES

- 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.

- In total, after consultation with the MECs for local government, 34 requests were made to the MDB by the Minister.

- 90 municipalities were affected through the above request.

- During 2013, the MDB had already confirmed the outer boundaries of municipalities in respect of Gauteng by amalgamating Westonaria and Randfontein Local Municipalities into a single local municipality and in the case of the KwaZulu-Natal province 15 municipalities were amalgamated (reduction of 7 municipalities):
  - Vulamehlo and Umdoni;
  - Hlabisa and The Big 5 False Bay;
  - Umtshezi and Imbabazane;
  - Ezinqoleni and Hibiscus Coast;
  - Emnambithi/Ladysmith and Indaka;
  - Kwa Sani and Ingwe; and
  - Ntambanana/ Mthonjaneni /Umhlathuze.
**BACKGROUND TO AMALGAMATION OF MUNICIPALITIES**

### TOTAL NUMBER OF MUNICIPALITIES WITH EFFECT FROM THE 2016 LG ELECTIONS

<table>
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<tr>
<th>PROVINCE</th>
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<th>CAT B</th>
<th>CAT C</th>
<th>TOTAL</th>
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<tr>
<td>GT</td>
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<td>6 (-1)</td>
<td>2</td>
<td>11</td>
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<td>31</td>
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<td>18 (-1)</td>
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<td>22</td>
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<tr>
<td>WC</td>
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<td>24</td>
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<td>30</td>
</tr>
<tr>
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<td><strong>8</strong></td>
<td><strong>205 (-21)</strong></td>
<td><strong>44</strong></td>
<td><strong>257 (-21)</strong></td>
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GENERAL OVERVIEW - POST 2016 LG ELECTIONS
AMALGAMATED MUNICIPALITIES

- Gauteng (1 municipality)
- KwaZulu-Natal (8 municipalities)
- Mpumalanga (1 municipality)
- Free State (1 municipality)
- North West (1 municipality)
- Northern Cape (1 municipality)
- Limpopo (9 municipalities)
- Eastern Cape (4 municipalities)

TOTAL: 26 MUNICIPALITIES
SUPPORT PROVIDED TO AMALGAMATED MUNICIPALITIES IN PROCESSING OF THE VARIOUS TRANSITIONAL MATTERS

- Various transition measures needed to be managed in respect of amalgamated municipalities in preparations for the 2016 LGE. These matters which were monitored and guidance provided to ensure a smooth transition and that the process is finalised forthwith in preparations for the 2016 LGE were:

  (i) Legal and policy matters;
  (ii) Human resource matters;
  (iii) Integrated development planning;
  (iv) Financial matters;
  (v) Communication related matters; and
  (vi) Institutional arrangements for the municipality.

- The project management schedule (“the PMS”) was developed by the Department to track progress made by the affected municipalities towards finalisation of these various transition matters.

- Progress made with respect to the matters contained in the PMS was tracked, with the support of provinces, through reporting to the national structure – the Municipal Demarcation Transition Committee (MDTC).

- All of the affected provinces published notices in terms of section 14(5), and these notices dealt with matters relating to various transitional institutional arrangements and related matters thereto. The transitional structures included in the Section 14(5) notices were:

  (i) Provincial Transformation Committee;
  (ii) Municipal Technical Change Management Committee; and
  (iii) Municipal Political Change Management Committee.

- These institutional structures provided reports on various transitional measures as alluded thereto earlier on.
MUNICIPAL DEMARCATION GRANT

- To financially support the newly amalgamated municipalities in the various transition processes, the National Treasury (NT) established the MDTG in 2015/2016 for the Medium Term Expenditure Framework (MTEF) of three years ending in the 2017/2018 financial year.

- For the 2016 / 2017 and 2017 / 2018 FY, an amount of R409,278 million was appropriated for the MDTG. It replaced the R139 million that was identified in the previous FY, and it must be distributed amongst all the major redeterminations finalised by the MDB during 2013 and 2015.

- In terms of the Division of Revenue Act, 2016 (DoRA) the amount of R297,422 million was set aside for the 2016 / 2017 FY, and the remaining balance of R111,856 million for the 2017/18 FY.

- The entire allocation amounting to R297,422 million set aside for the 2016 / 2017 FY was transferred to the pre-election municipalities during July 2016 and to the post-election municipalities during December 2016 and March 2017.
Forty percent (40%) of the allocated amount was transferred to the pre-election and 60% to the post-election election municipalities respectively. This was subsequent to the resolution from the Local Government MinMEC meeting held on 13 May 2016, wherein MECs responsible for local government in the provinces requested that the MDTG be made available as soon as possible in order for the pre-election municipalities to defray expenditure incurred on processing of the various transitional matters prior to the 2016 LGE.

In terms of the 2017 Division of Revenue of Act the remaining balance of R111,856 million can only be made to the 26 post-election municipalities during the 2017/18 FY.

The first tranche of the 2017/2018 MDTG allocation was transferred to the recipient post-election municipalities on 13 July 2017.

Monthly reports need to be submitted by the 20th of each month and quarterly report 45 days after the end of a quarter.
A Transition Management Schedule was developed for the 26 post-election municipalities to assess progress on the finalisation of transition matters. This is submitted on a quarterly basis by the municipalities.

The progress made in this regard is provided to various forums and engagements (MinMEC and Portfolio Committees etc.).
Although the latest reports from the amalgamated municipalities indicated positive progress in respect of the transition matters, what follows were the generic challenges related to amalgamations:

- **HR issues** relate to the placement of staff that have been challenged in the Bargaining Council. This has resulted in institutional challenges in establishing fully functional institutions; job evaluation processes have not been completed; pay parity issues have not been finalised due to job evaluations not been finalised.

- **Litigation over contracts** that were not honoured by previous entities are a huge challenge to the new entities, (a number of creditors are coming forth to litigate the new entities claiming millions of rands for either non-payment by erstwhile entities or early cancellation of contracts.

- In some instances, **inheritance of low revenue base municipalities** has led to depletion of cash reserves thus affecting the new municipality negatively in so far as provisions of basic services to the entire new municipal space.

- Increase in indigent register vs **decrease in Equitable Share allocation** has a direct impact on service delivery (Suggestion is that a formula for allocation of both Equitable Share & Grants needs to be reviewed by National Treasury).
Post 2016 LGE twenty-seven (27) hung municipalities were realised {Gauteng (4); KwaZulu-Natal (7); Free State (1); North West (1); Northern Cape (3); Limpopo (2); Eastern Cape (1); Western Cape (8)}.

Twenty six (26) municipal councils concluded coalitions agreements with the exception of the Nquthu Local Council.

On numerous occasions, the Nquthu Local Council was unsuccessful on electing their office bearers. Two unsuccessful attempts were made to elect the Speaker. On the last attempt, Judge Balton issued a court order (EFF councillor vs EFF), that the meeting (of 13 September 2016) be postponed until further notice.

Judge Balton postponed the High Court matter (EFF councillor vs EFF) until 6 October 2016, and ordered that the Council may not convene to elect a Speaker, its Executive Committee, Mayor or Deputy-Mayor until such time that this matter has been finalised. This matter relates to a court challenge by the EFF councillor who was replaced by the EFF.
Non-election of office bearers by the Council affected also the constitution of Umzinyathi District Council since councillors had to be elected to represent it at the district level.

In February 2017, KZN Cogta announced that KwaZulu Natal Executive Committee has taken a decision to implement section 139 (c) of the Constitution, which provides for the dissolution of municipalities where other interventions have failed. The National Council of Provinces and the Co-operative Governance and Traditional Affairs Minister endorsed this decision. The IEC scheduled by-elections in this municipality, which were held on 25 May 2017.

Municipal Councils in Nquthu and Umzinyathi were constituted approximately 10 months post 2016 LGE.
Thank You!
Angithi-Ke
Thank You
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