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Journalist **Nickey le Roux** | Thursday, 26 April 2018, 08:05



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Mossel Bay and the Swartland (Malmesbury) municipalities are jointly the best scoring local authorities.

MOSSEL BAY NEWS - Mossel Bay and the Swartland (Malmesbury) municipalities are jointly the best scoring local authorities according to research conducted into the financial sustainability of South Africa's third tier of government.

Ratings Afrika is an independent ratings agency that specialises in ratings and similar opinions, gauging the soundness of governance in local government, among others.

On 16 April, Ratinge Afrika published its annual Municipal Financial Sustainability Index (MFSI) for

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stakeholders is considered. ([//www.mosselbayadvertiser.com/](http://www.mosselbayadvertiser.com/))

The Western Cape, with an average of 62, is the highest scoring province and also the one that has improved the most over the last five years. According to the report; "The Western Cape is the only province whose governance practices are considered to be sound."

However, even the high-scoring local municipalities have experienced a weakening trend, with only three receiving a score of 80 or more compared to nine in 2012.

Best scoring

Mossel Bay and Swartland are jointly the best scoring municipalities for 2017, each with a score of 84.

The high-scoring municipalities demonstrate consistency over the five years mentioned and have well-entrenched financial policies and their budgets are based on sound long-term financial strategies. "They normally adhere to good budgetary practices, strict financial control and good revenue collection, even through tough economic conditions."

The differentiating factors between financially stable municipalities compared with weak ones, the report states, are the skill levels, experience, financial discipline and quality of management under sound governance guidance of the political leadership at municipal level.

Kannaland is the lowest-scoring municipality in the Western Cape.

Only 22 of the sample of 100 municipalities have reported operating surpluses, with the remaining 78 reporting operating deficits. The combined profits of those with a surplus amount to only R1 billion, whereas the combined losses amount to R15.3 billion.

Provinces

As far as provincial governments are concerned, the report finds the weakest provinces to be Free State and North West, with the majority of municipalities in these provinces being in serious financial trouble.

Municipalities in the Free State, Gauteng and North West are worst, with none of them in the sample recording a profit, while their aggregate losses are R3 billion, R2 billion and R2.3 billion respectively. The report states that these municipalities, excluding Midvaal in Gauteng, in all likelihood are "commercially insolvent" since their infrastructure assets are of such a nature that they cannot be sold and realised in cash to redeem their liabilities.

The report finds that the oversight role of the respective provincial administrators, except for Western Cape and KwaZulu-Natal, and national treasury is "totally ineffective in improving the financial sustainability at municipal level as the situation has been ongoing over the last five years".

As far as metropolitan municipalities are concerned, the report finds Cape Town "head and



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delivery."

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Unlike Mossel Bay, the analyses that support the MFSI reveal, according to the report, "shocking results and the magnitude of the financial trouble most of the municipalities find themselves in".

It is disconcerting that the report finds that improvement in service delivery is unlikely as municipalities - in general - do not have the financial means to support it.

"The weak financial stability of the municipal sector is detrimental to the South African economy and might place additional financial pressure on the central government for financial support to keep operations going."

The report concludes: "The SA municipal sector is currently in a bad financial state as reflected by the weak financial sustainability.

"Correction will require decisive political leadership that looks after the interest of residents including that of the business community rather than its own, roots out corruption, appoints managers with the right skills and experience to implement sound budgetary practices, and exercises strict financial discipline."

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