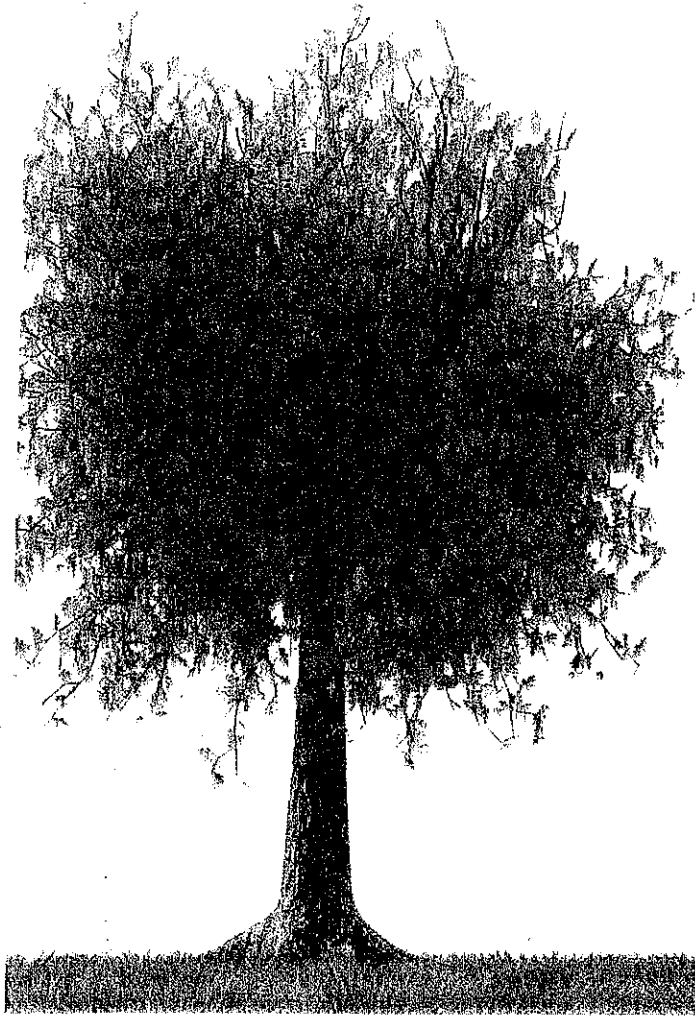


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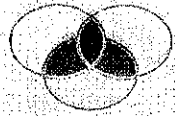
PROGRESS ON ISSUES RAISED IN LAST PC COGTA ENGAGEMENT

ENGAGEMENT WITH COGTA PORTFOLIO COMMITTEE

10/10/2012:

- 1) Training on legislation for municipalities (PFMA, Systems Act, etc.)
- 2) Possibility of Risk Cover for Councillors

- Councillor induction programme being complemented with portfolio based induction which includes relevant legislation
- SALGA successfully lobbied the Minister for COGTA to introduce Risk Benefits for Councillors through publication of the 7 December 2012 Upper Limits Notice, which obliges municipalities to take out SASRIA, or similar risk insurance cover, to provide for the loss of or damage to a councillor's property or assets arising from any riot, civil unrest, strike or public disorder



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ENGAGEMENT WITH COGTA PORTFOLIO COMMITTEE

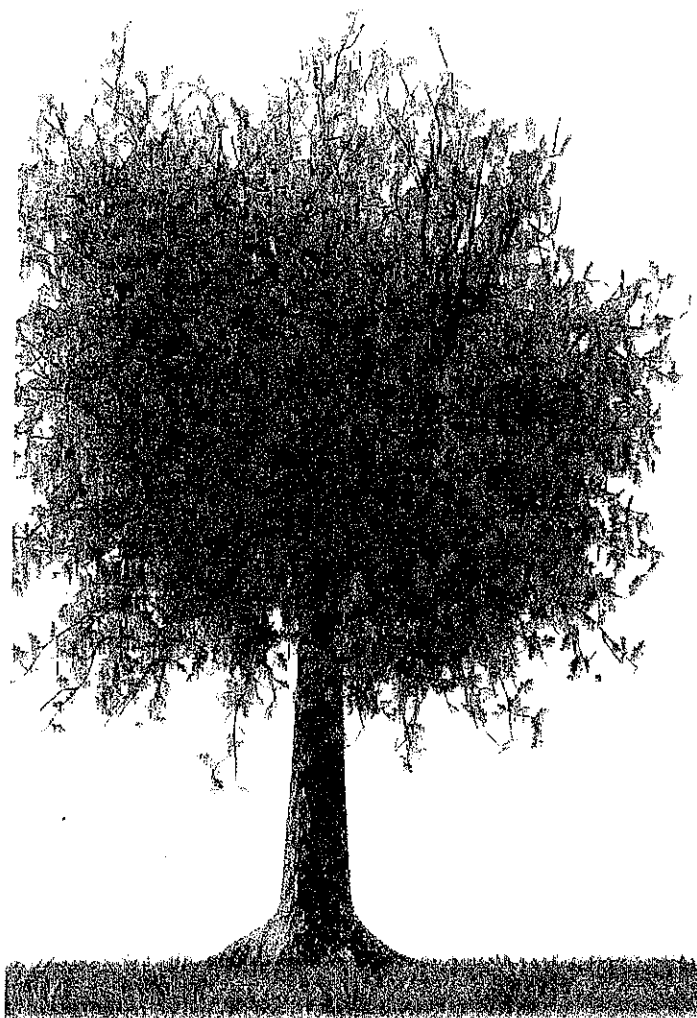
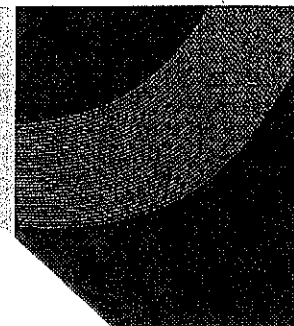
28/02/2012

- 1) SALGA to monitor the establishment of MPAC's in the Free State and Western Cape.
- 2) How SALGA planned to address the continued hiring of incompetent staff in municipalities
- 3) There was a need for amendments to ensure MPAC committee members were full-time, as provided under section 79.

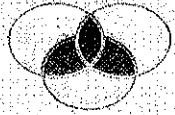
MPAC Guidelines were developed and workshops undertaken in all provinces on the implementation of MPACs and its role in relation to other oversight functions such as Internal Audit and the Audit Committee during 2012/13.

SALGA advising municipalities by serving on selection panel/s. Developing a professionalization framework as presented at the SALGA HR conference in March 2013. Further, making input on regulations for senior managers .

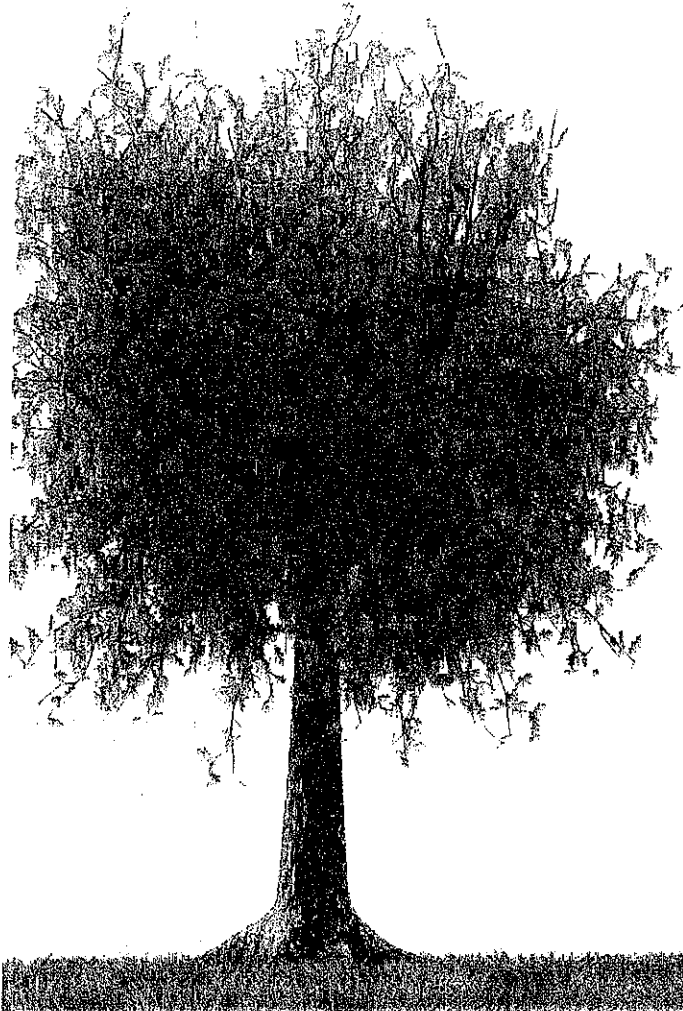
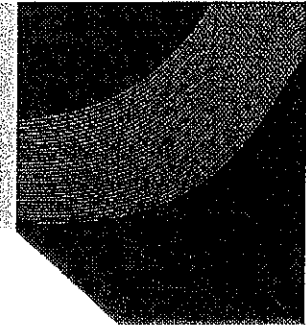
S79 committees are applicable where more than 40 cllrs in council, chair can be declared full time by MEC, limited to chairs, as the same principle applies to sect 80 committees, only the chairs, being MMCs are full time, the rest part time, but this brings to the fore the whole argument that the distinction between full time and part time cllrs are artificial and supports SALGA argument that all cllrs to be "full time"



KEY EMERGING ISSUES



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FINANCIAL MANAGEMENT



4TH QUARTER LG SECTION 71 REPORTS

- S.71 of the MFMA requires municipalities to submit to the relevant provincial treasury a monthly statement on the state of the municipality's budget, by no later than 10 working days after the end of the month.
- This form of in-year reporting has been now well institutionalized with most municipalities consistently producing financial reports.
- Some of the key highlights include (coverage = **278 municipalities**):
 - The aggregated year-to-date actual collection rate is **94.6%** compared to an adjusted budgeted collection rate of 92.2%; this indicates that in aggregate municipalities outperformed the budget target by 2.4%.
 - Municipalities receiving direct conditional grants reported an average expenditure of **88.4%** (R20.3 Billion of the R 22.9 Billion allocated): Although this represents an underperformance of R 2.6 Billion or 11.4 %, it is a significant improvement from the 2011/12 underperformance of R 4.3 Billion.



4TH QUARTER LG SECTION 71 REPORTS

Key Trends (1)

- On aggregate, municipalities spent **87.8%** (R253.1 bill) of the total adjusted budget of R288.3 bill as at 30 June 2013.
- Metros achieved 95.2% of R159.8 bill of billed and other revenue of the total adjusted revenue budget of R167.9 bill representing an underperformance of R8.1 bill of 4.8%.
- The aggregate adjusted capital budget for all municipalities in 2012/13 financial year was R54.4 bill, of which only R41.7 bill or 76.7% had been spent by 30 June 2013.
- The aggregate adjusted capital budget for Metros in the 2012/13 financial year was R26.7 bill of which metros spent R22.7 bill or 85.0% by 30 June 2013.
- The aggregate year-to-date actual collection rate is **94.6%** compared to an adjusted budgeted collection rate of 92.2%.



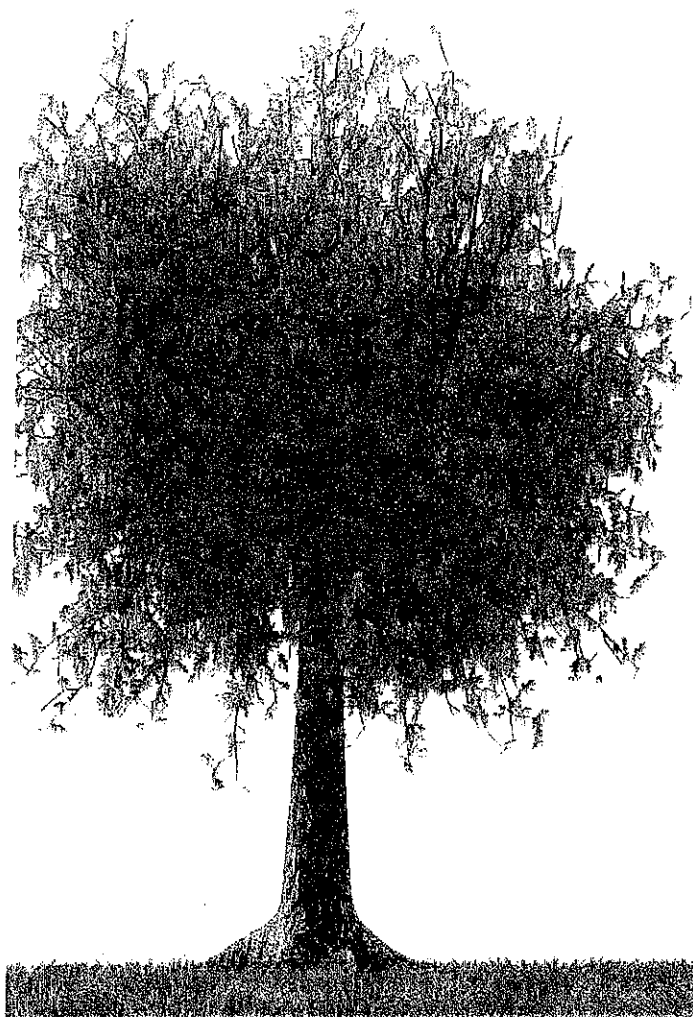
4TH QUARTER LG SECTION 71 REPORTS

Conditional Grants:

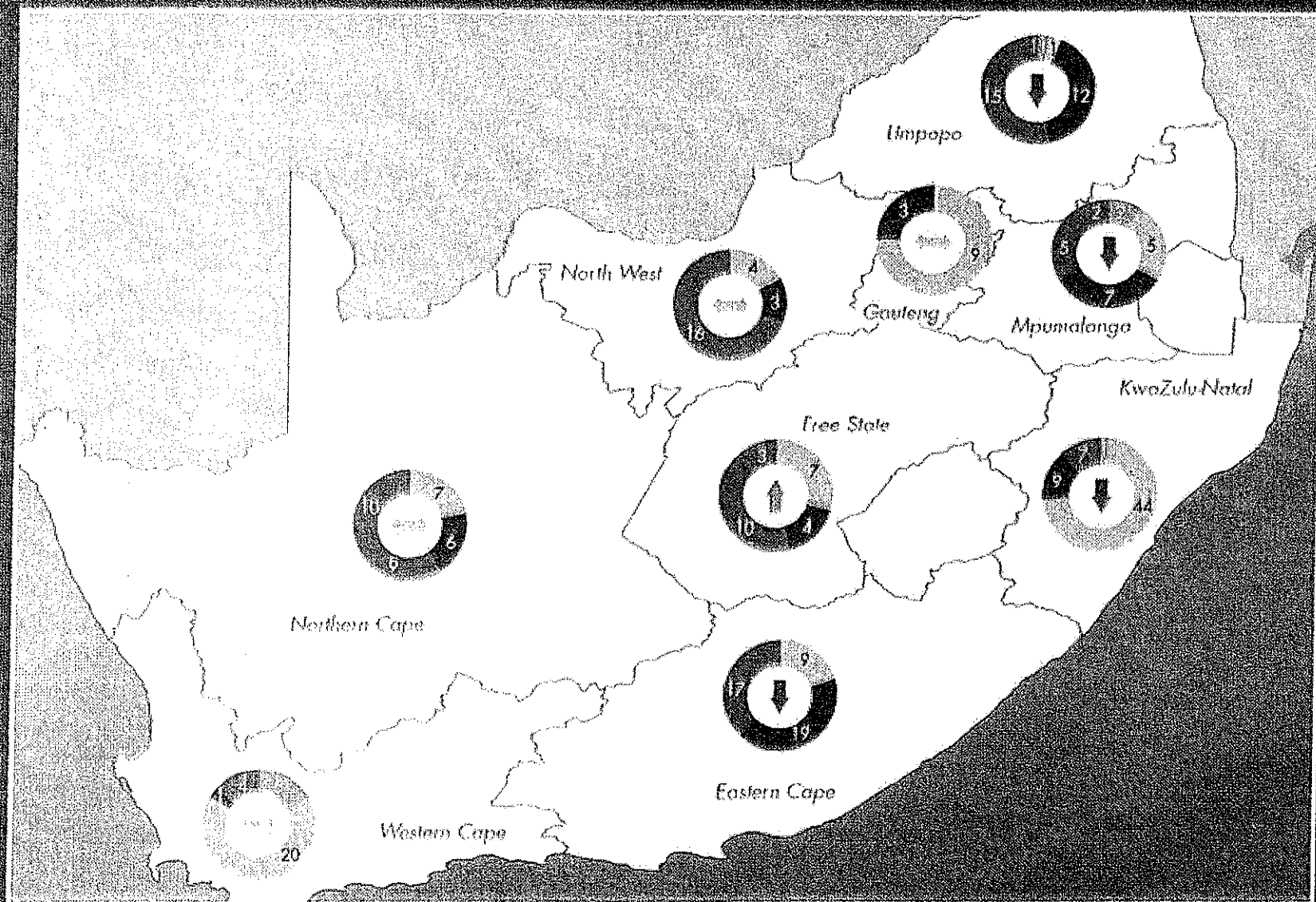
- In the Division of Revenue Act 2012, an amount of R35.5 bill was published as conditional transfers (both direct and indirect) to the local sphere of government.
- R22.7 bill was transferred by the national departments responsible for administering LG grants against the allocation of R22.9 bill . According to the expenditure reports provided, only 76.9% was spent against the total conditional grant allocations as at 30 June 2013.
- Municipalities receiving direct conditional grants reported an average expenditure of 88.4% or R19.4 bill, of the R22.9 bill, or 11.4% of the municipal financial year.
- The lowest performing grant is currently the Electricity Demand Site Management Grant with performance reported by national department of 28.1% while municipalities reported performance of 48.6%.



REFLECTION ON THE RECENT AUDIT OUTCOMES FOR 2011/12



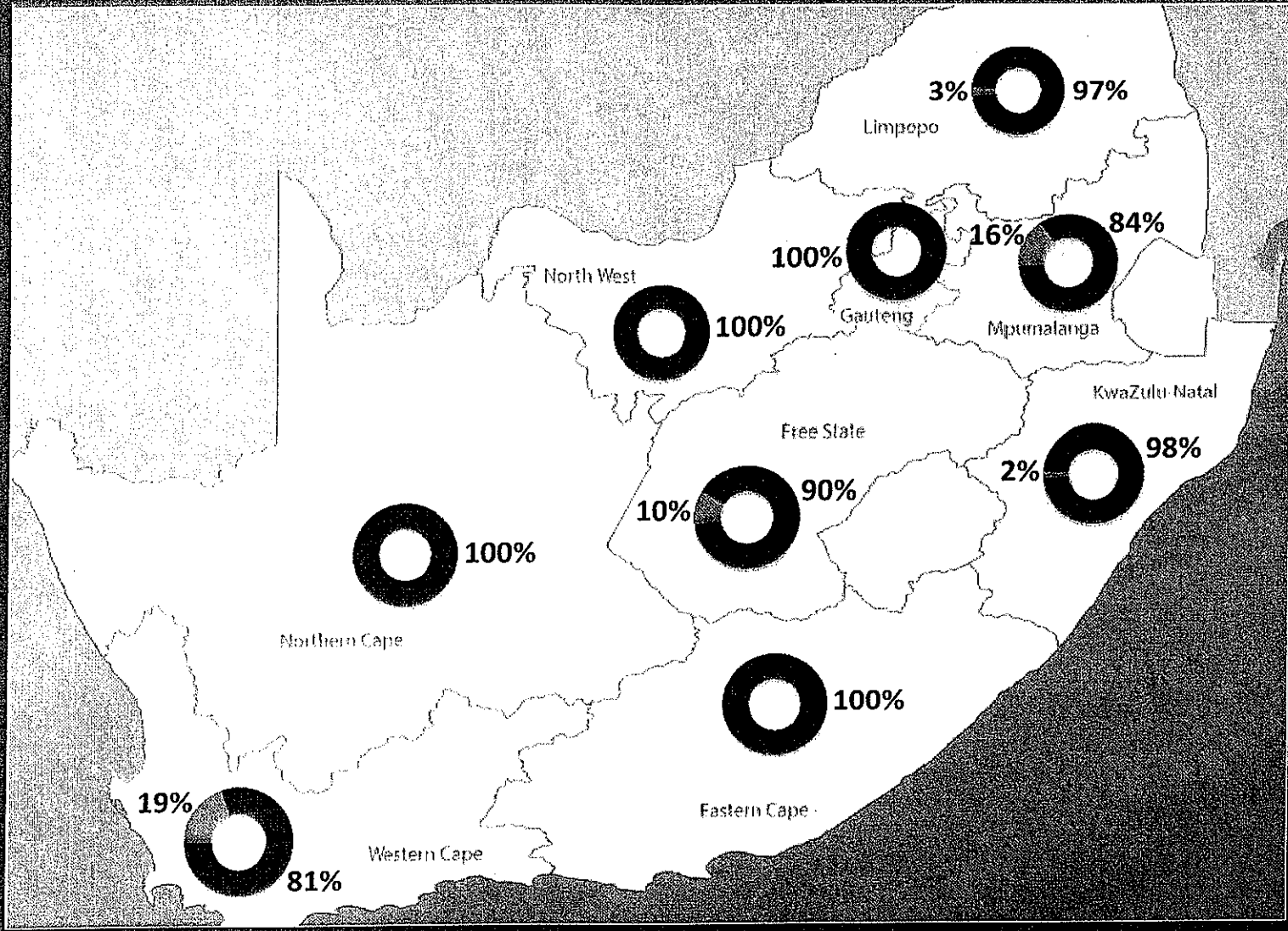
PROVINCIAL OUTCOMES - MUNICIPALITIES



- Financially unqualified with findings
- Financially unqualified with findings
- Qualified with findings
- Adverse and disclaimer with findings
- Audits outstanding
- Improved
- Stagnant or little progress
- Regressed

Analysis of compliance with legislation

2014/15
 2015/16



Supply chain management

Quality of performance reports

Quality of submitted financial statements

Human resource management

Financial health

Information technology controls

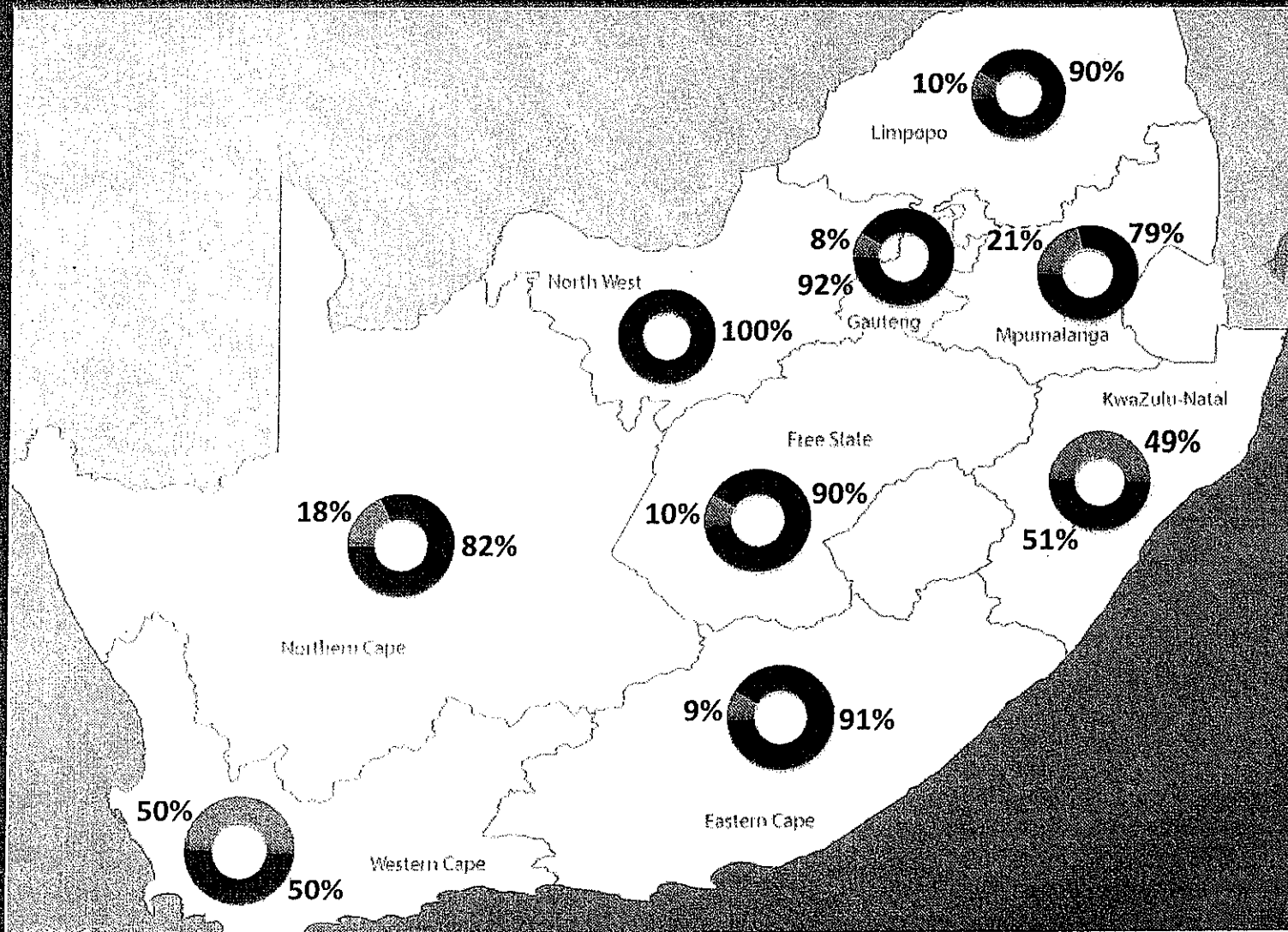
Concerning
 Intervention required

With no findings

With findings

Root causes of poor economic growth

1. Key positions vacant or key skills in a particular discipline

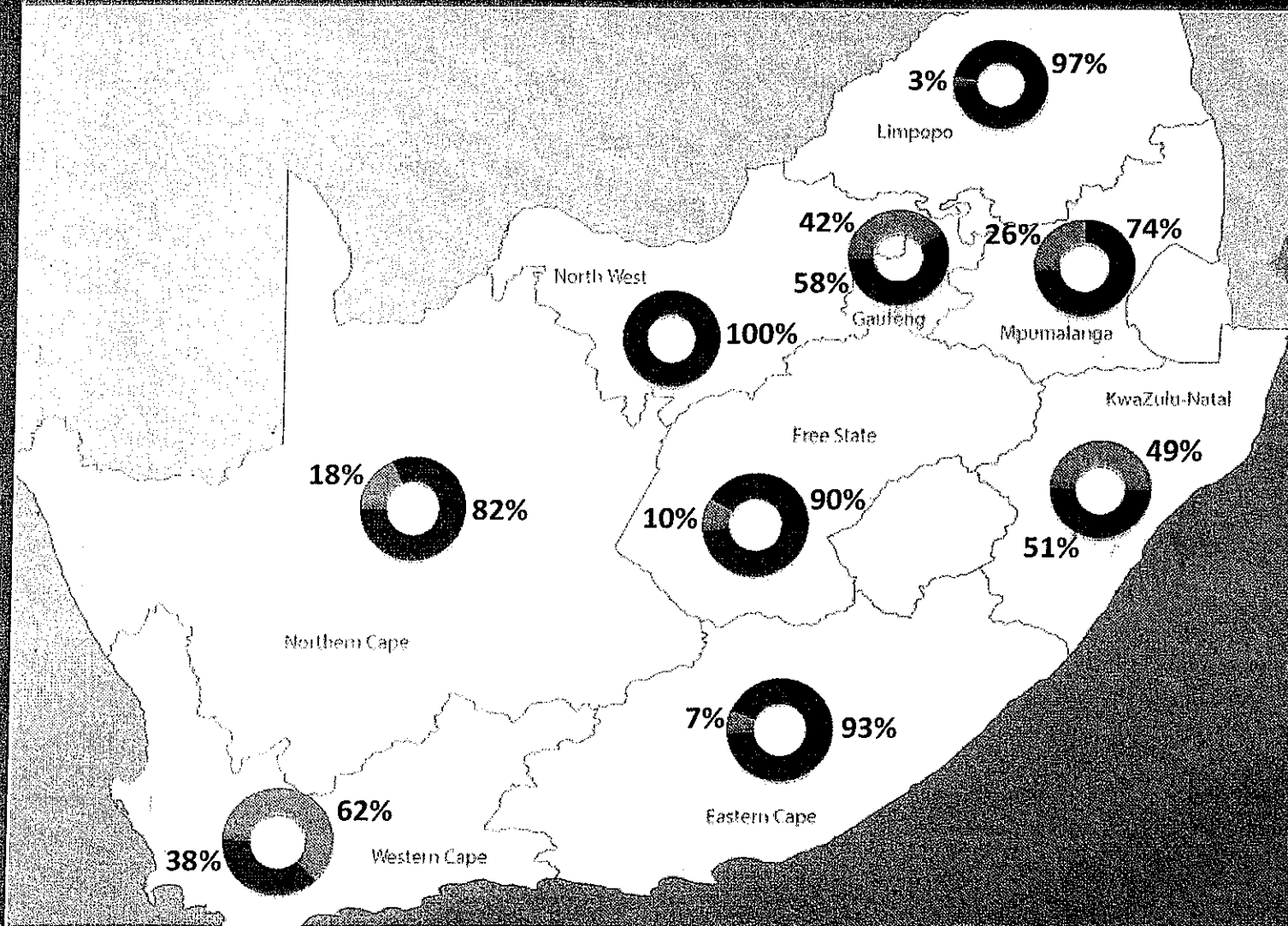


No

Yes

Root causes of poor crop outcomes

A lack of consequences for poor performance is the most cited reason

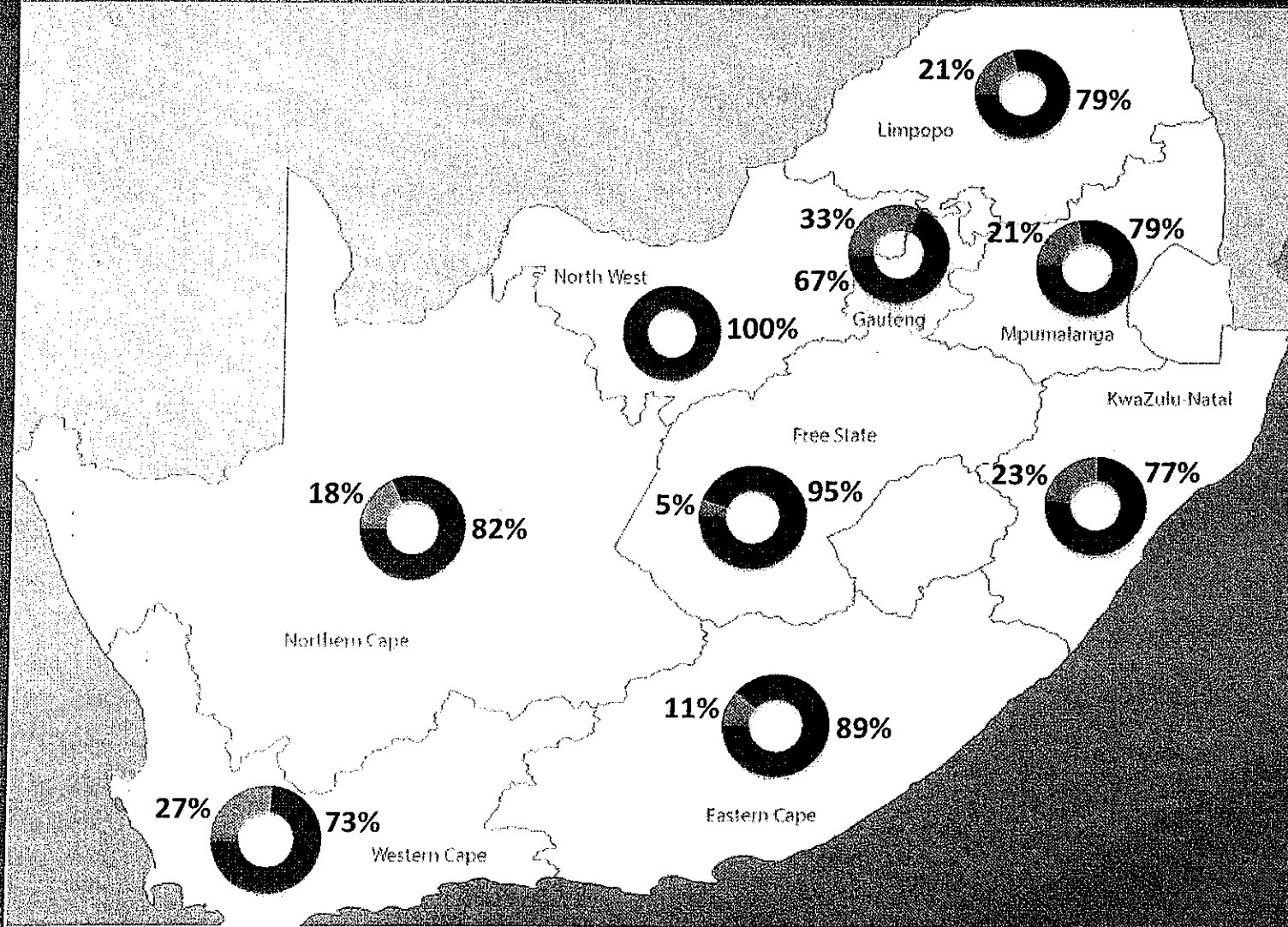


No

Yes

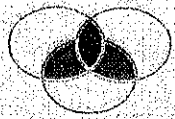
Root causes of poor service delivery

3. Strong response by political leadership in planning the root causes of poor service delivery



No

Yes


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STRENGTHENING THE OVERSIGHT AND ACCOUNTABILITY MECHANISMS IN MUNICIPALITIES

Province	No. of Munics	Munics with MPAC's	Munics with Audit Committees	Munics with Internal Audit Units	
EC	45	45	100%	44 98 %	44 98 %
FS	24	24*	100%	23 96 %	24 100 %
GP	12	12	100%	12 100 %	11 92 %
KZN	61	61	100%	58 95 %	35 57 %
LP	30	30	100%	30 100 %	30 100 %
MP	21	21	100%	21 100 %	21 100 %
NW	23	23	100%	22 96 %	23 100 %
NC	32	32	100%	24 75 %	28 88 %
WC	30	18 12#	50%	30 100 %	26 87 %
National	278	258	93%	258 95 %	236 87 %

* Same in the form of shared services



MIG SPENDING

Province	Allocated (R'000)	Transferred (R'000)	Transfers as % allocation	Expenditure as at 30 June 2013	Expenditure as % allocation	Balance Unspent as at 30 June 2013
Eastern Cape	2 918 290	2 918 290	100%	2 580 727	88.43%	337 563
Free State	1 020 313	1 020 313	100%	963 805	94.46%	56 508
Gauteng	484 655	484 655	100%	361 633	74.62%	123 022
KwaZulu Natal	3 152 666	3 152 666	100%	2 897 792	91.92%	254 874
Limpopo	2 462 883	2 460 412	99.90%	1 445 630	58.70%	1 014 782
Mpumalanga	1 427 874	1 427 873	100%	817 207	57.23%	610 666
Northern Cape	515 429	515 429	100%	378 095	73.36%	137 334
North West	1 444 203	1 444 203	100%	1 062 865	73.60%	381 338
Western Cape	455 320	455 320	100%	455 320	100.00%	0
TOTAL	13 881 633	13 879 161	100%	10 963 074	78.98%	2 916 087

Spending of key Conditional Grants - Unaudited (%)	2010/11	2011/12	2012/13
	30 June 2011	30 June 2012	31 March 2013
Infrastructure Grants			
Municipal Infrastructure Grant	78.3	84.2	51.4
Public Transport Infrastructure Grant	56.1	48.7	39.0
Integrated National Electrification Grant	87.6	93.0	55.4
Neighborhood Development Partnership Grant	49.3	94.7	54.0
Capacity Building Grants			
Municipal Systems Improvement Grant	93.3	101.3	66.0
LG Financial Management Grant	103.8	99.8	67.9
All Conditional Grants *	75.0	78.5	49.3
Total Unspent Conditional Grants (R'millions)	8 241	9 030	16 594
* Excluding Urban Settlements Development Grant and In-kind grants allocated to national departments which is not reported			
Source: National Treasury			

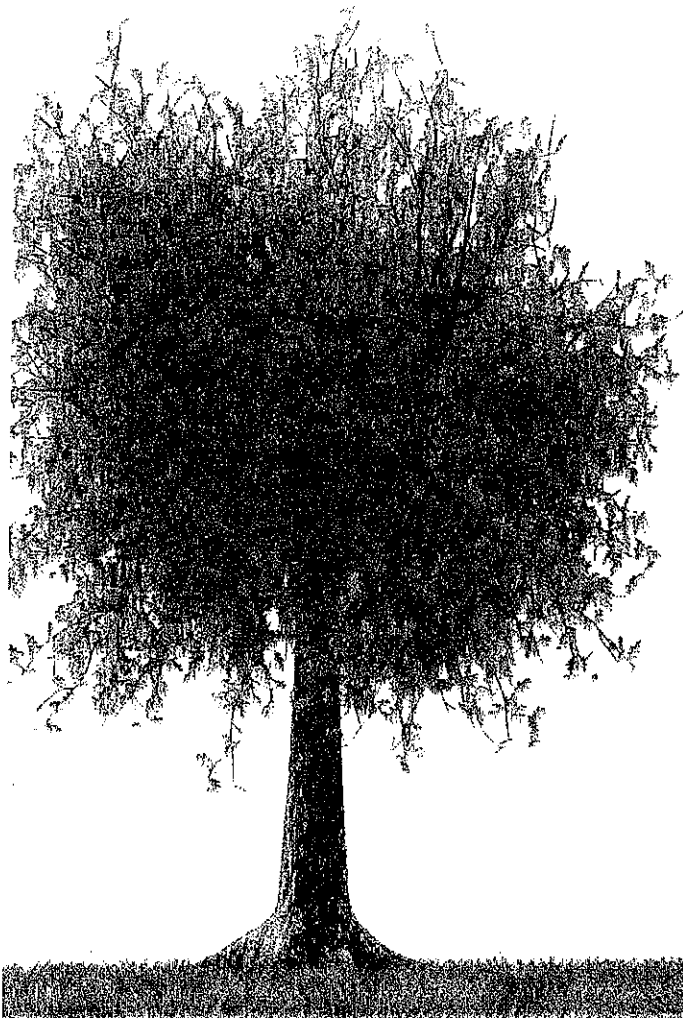
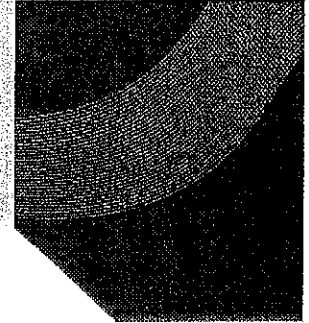


USDG PERFORMANCE

- Spending on USDG was 90% of the allocated amount in 2011/12, the year the grant was introduced.
- Already the metros have succeeded in improving performance on USDG for 2012/13
 - Buffalo City and Nelson Mandela Bay reported to the Portfolio Committee on Human Settlements recently that their 2012/13 USDG expenditure is expected to be 70% and 100% respectively.
- SALGA supports the extension of the USDG to secondary cities who, in many instances, are well-equipped to take on this responsibility.
- As assignment and the USDG are rolled-out in successive years, more municipalities can benefit from the convergence of the control and spending of the USDG and HSDG at local level.



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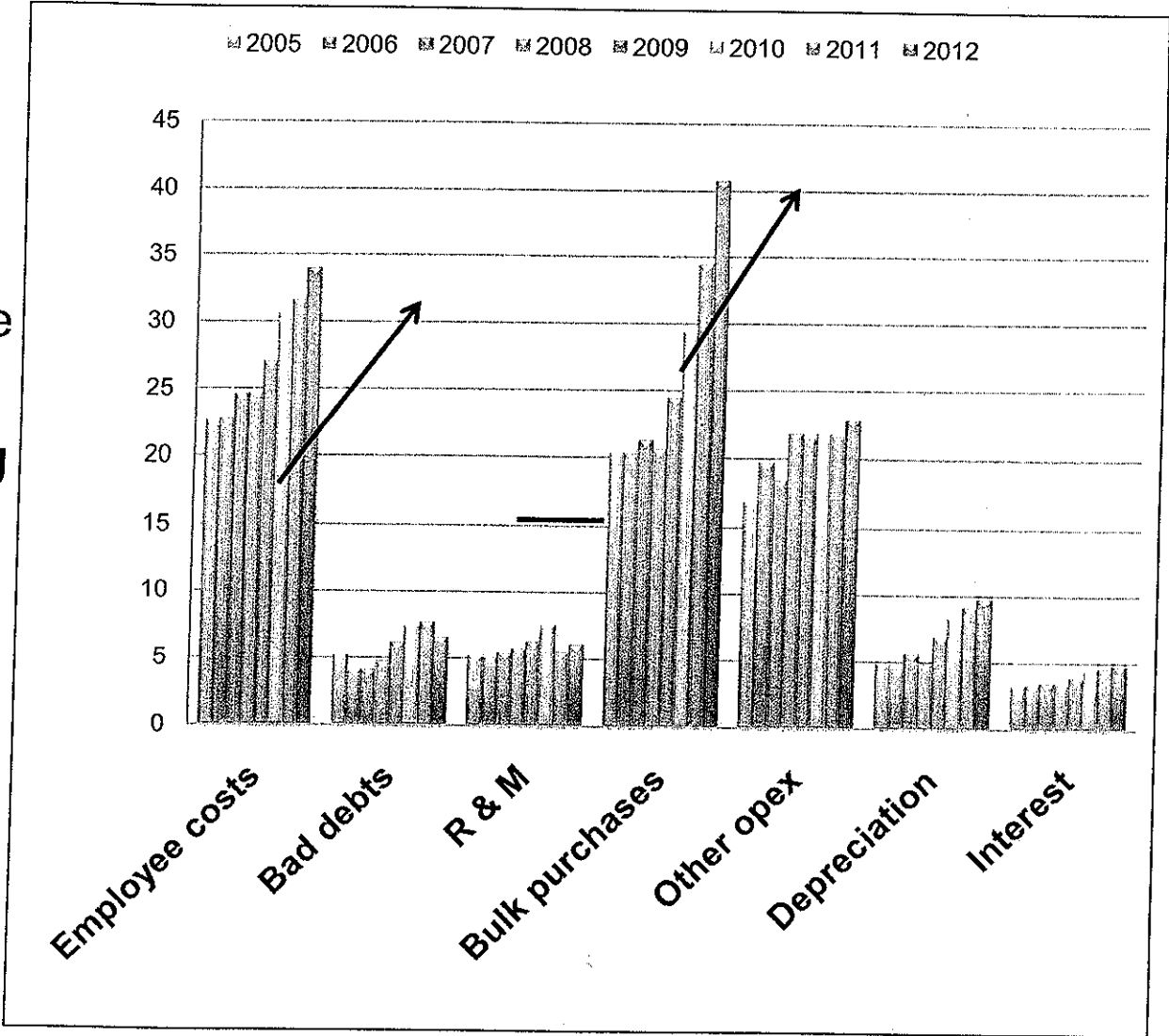


REFLECTIONS ON THE STATE OF THE CITY REPORT RELEASED IN 2013

CITY OPEX SPEND

City operational spending by category (2012 Rb)

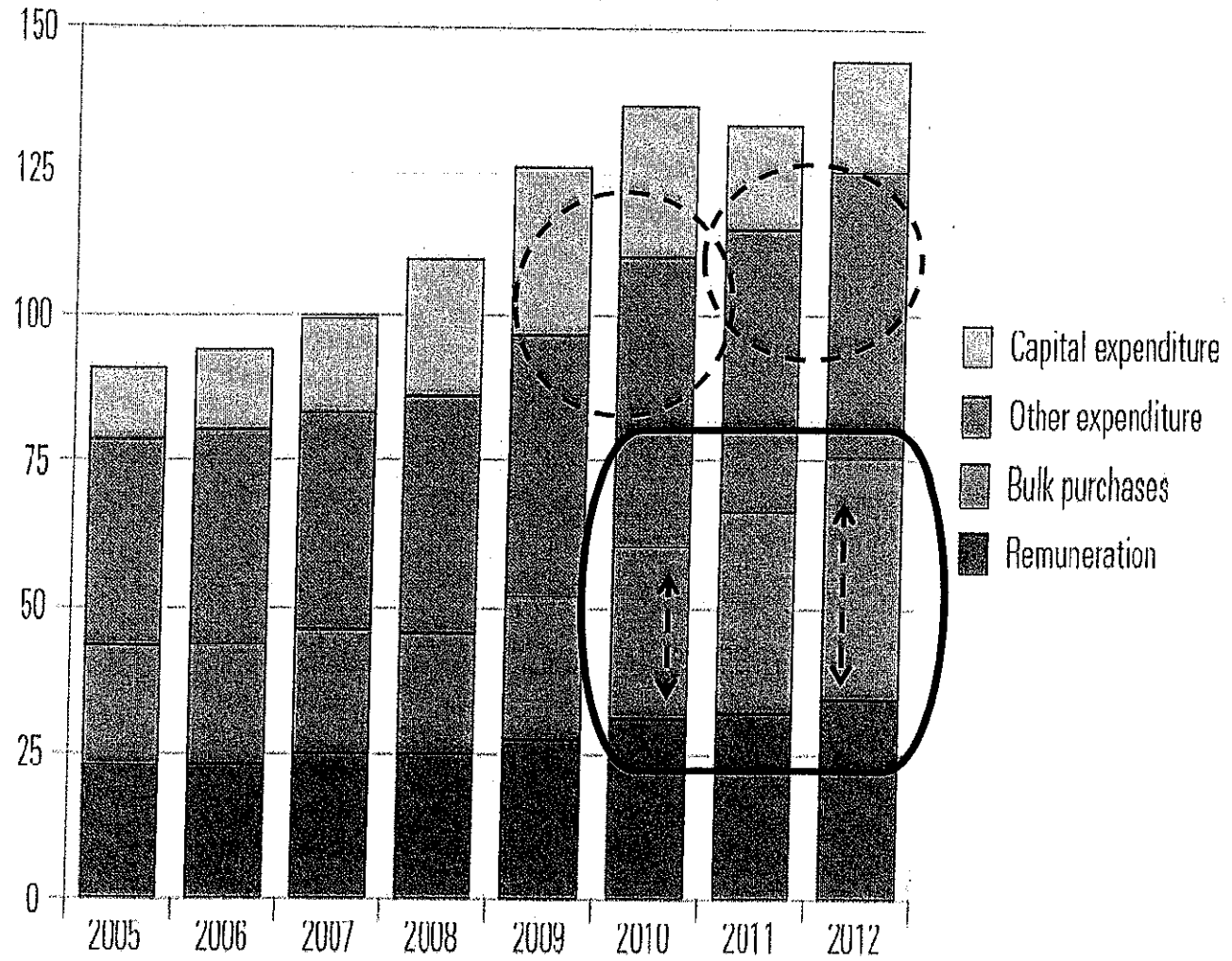
- Dramatic increase in bulk purchase
- Considerable increase in employee costs
- **R & M not increasing as it should**



OVERALL CITY SPEND

Overall city spending 2005-2012 (2012 Rb)

- Slow down in spend after 2009 World Cup
- Resumption in 2012 mostly related to bulk purchases





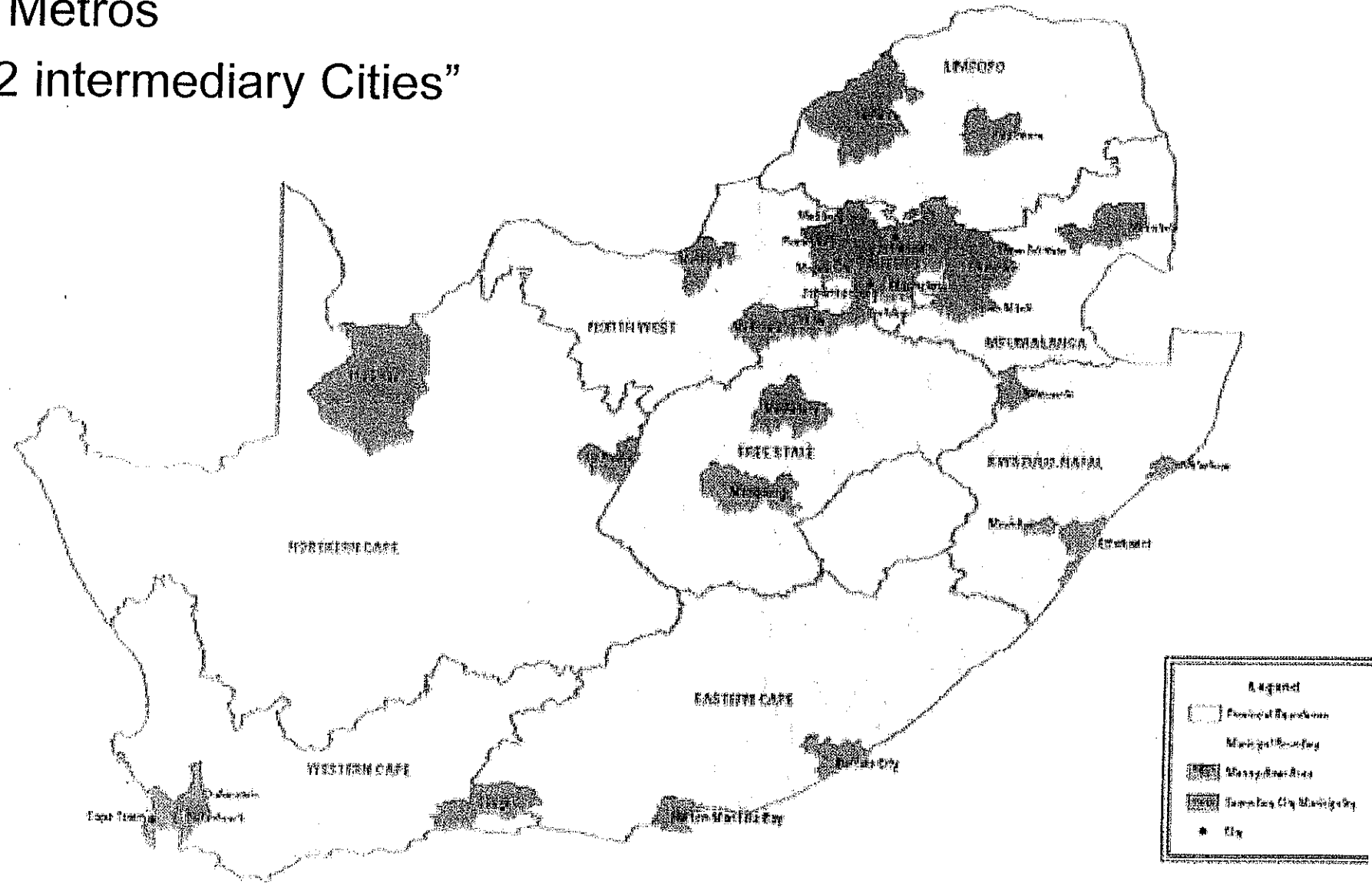
SOME IMPORTANT CONCLUSIONS TO NOTE

- South African Local Government sphere remains financially supported by less than 10% of national fiscal transfers
- City finances have improved in many ways
 - A lot however remains to be done
- Key developmental challenges remain
 - Cities increasingly centers of population growth and migration
 - Increasingly will be the core of state's obligations to the poor

Where are South Africa's secondary cities?

* 8 Metros

* 22 intermediary Cities"



In Conclusion...the SOCR 2013 suggests that...

Require a
greater
share of
national
revenue

***Cities have
stabilised,
and yet...***

Cities are increasingly
the centers of
population growth and
migration

...and with time...

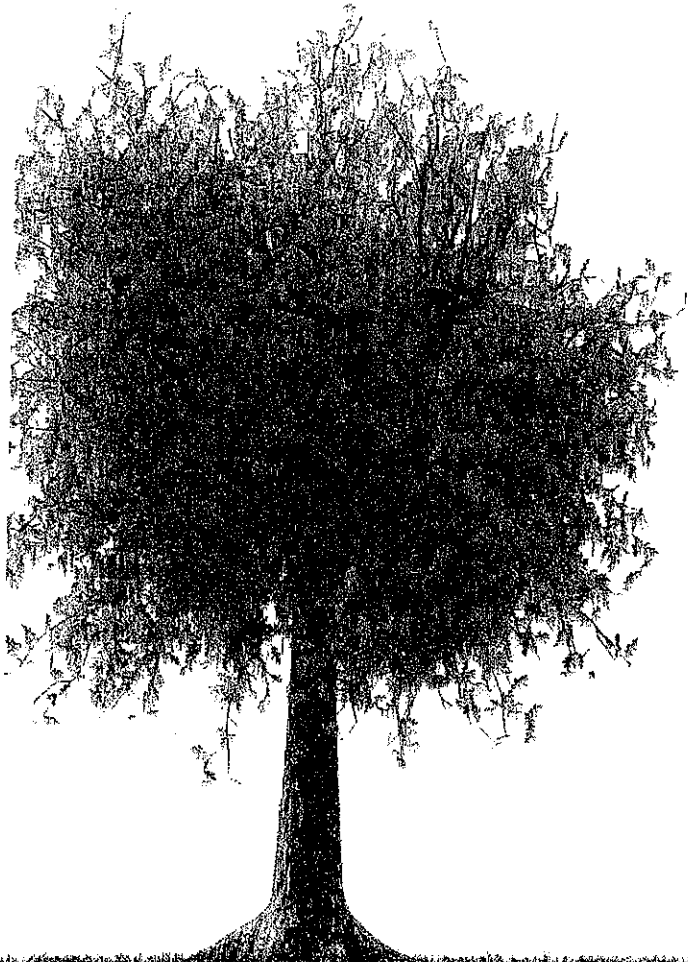
Cities will more and
more be the core of
state's obligations to
the poor

Delegation of
responsibility must be
commensurate with
an equal shift of
financial support



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STATS SA HOUSEHOLD SURVEY 2012





HOUSEHOLD SURVEY 2012

Energy

- The percentage of households connected to the mains electricity supply has increased relatively consistently from 77,1% in 2002 to 85% in 2012.
- It is, however, notable that 48,1% households in Limpopo and 30,4% of households in Eastern Cape were still using wood and paraffin for cooking.

Sanitation and refuse removal

- The percentage of households with no toilets or bucket toilets decreased from 12,3% in 2002 to **5,3%** in 2012.
- Households in Eastern Cape (13,4%), Mpumalanga (6,4%) and Limpopo (6,3%) were most likely to lack access to toilet facilities or to still use bucket toilets.
- The percentage of households that had access to the refuse disposal services of their municipality increased slightly from 58,3% in 2002 to **64%** in 2012.
- Access and use of refuse removal services were the lowest in Limpopo where only 12,8% of the population had their refuse removed by the municipality at least once a week. Households in Gauteng (90,9%) and Western Cape (90,8%) were most likely to have their refuse removed by the municipality at least once per week.



HOUSEHOLD SURVEY 2012

Water access and use

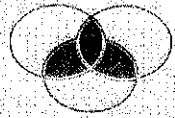
- Although 90,8% of South African households had access to piped water in 2012, only 79% of Eastern Cape households enjoyed such access. This situation does, however, represent a substantial improvement over 2002 when only 56,3% of households in this province had access to piped water.
- Nationally, 60,1% of households rated the quality of water-related services they received as 'good'. Satisfaction has, however, been eroding steadily since 2005 when 76,4% of users rated the services as good. Residents of Free State, Mpumalanga and Eastern Cape have consistently been least satisfied with the quality of water.
- In 2012, 15,1% of households in Free State felt that their water smelled bad compared to 11,7% of Mpumalanga households and only 2,4% of Gauteng households. Free State households were most likely to feel that their water was unsafe to drink (15,1%), not clear (16,5%) and not tasting well (15,2%).



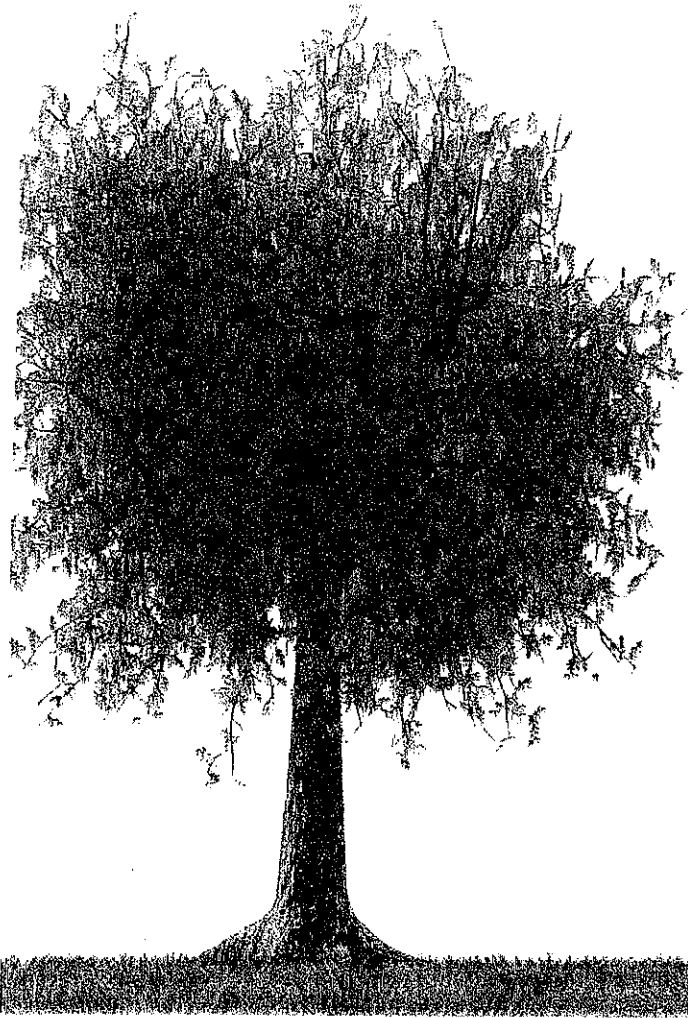
HOUSEHOLD SURVEY 2012

Environment

- Waste removal problems and littering (39,4%) as well as land degradation and soil erosion (31,2%) were the two environmental problems that concerned the highest percentage of households.
- The percentage of households that felt that there were problems with littering and waste removal in their areas increased significantly since 2003 when this question was first included in the questionnaire and when 28,8% of households regarded this as a problem. Households were less likely to consider air pollution a problem in 2012 (19,6%) than almost a decade earlier in 2003 (22,8%).



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COMPETITION COMMISSION



Competition Commission's Investigation into Bid-Rigging

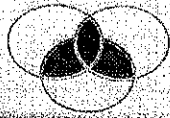
OUTCOME OF COMMISSION'S INVESTIGATION

Commission on 24 June 2013 announced that:

- It reached settlement agreement with 15 of 21 companies it had been investigating.
- 3 of construction companies did not accept the competition's settlement offer.
- Remaining 3 firms received "immunity".
- 300 projects worth estimated R 47 billion - 160 prescribed & 140 projects eligible for settlement – ltd to projects concluded after Sept '06
- Public sector (R28B) and Private sector (R19B).
- Fined a collective penalty of R1,46 billion.

ADMISSIONS OF COLLUSIVE TENDERING INCLUDED THE FOLLOWING:

- Determining, maintaining and monitoring collusive **agreements**;
- Meeting to **divide** the markets and **agree** on margins;
- **Coordinating tenders** over different projects and submitting **sham tenders** (cover pricing);
- The company that won a tender to pay the losing bidders a "**loser's fee**" to cover their costs of bidding; and
 - **Sub-contracting** to compensate losing bidders.



IMPACT ON MUNICIPALITIES

MUNICIPALITY	PROJECTS	IMPLICATED FIRM
Nelson Mandela Bay	NMB Stadium	Grinaker LTA/WBHO/Murray 7 Roberts/ Group 5/ Concor/Basil Read/ Stefanutti
City of Joburg	Soccer City N17 Road Link Northern Waste Water	Grinaker LTA (Stefanutti) Group 5 (WBHO) Group 5 (Grinaker LTA)
Ethekwini	Durban ICC Bayhead Rd Ext	Group 5 /WBHO (Grinaker LTA) Stefanutti-Basil Read /WBHO
Polokwane	Peter Mokaba Stadium	WBHO/Liviero/Concor
Mbombela	Mbombela Stadium	Grinaker LTA/WBHO/Murray 7 Roberts/ Group 5/ Concor/Basil Read/ Stefanutti
City of Cape Town	Green Point Stadium	WBHO / Murray & Roberts (Group 5)



COMPETITION COMMISSION'S INVESTIGATION INTO BID-RIGGING

COMPETITION COMMISSION WAY FORWARD

- 15 companies that accepted the settlement offers fined a collective penalty of R 1, 46 billion.
- The different individuals penalties of the 15 companies range between 1 - 5,7 % of their 2010 annual turnover.
- These fines are lower than the 10% that can be imposed as a penalty.
- The settlement agreements have been tabled before the Competition Tribunal for confirmation.
- Competition Tribunal convened from 17 – 18 July 2013 to consider settlement with view to have them made an order of the Tribunal.

SALGA PROPOSED INTERVENTIONS

- **OPTION 1:** SALGA's intervention as an interested party in Tribunal Proceedings
- **OPTION 2:** Pursuing civil claims for damages based on the ruling of the Tribunal. This option may require the participation by SALGA as representative of local government to adequately represent and protect the interests of all the individual municipalities whilst saving costs.



COMPETITION COMMISSION'S INVESTIGATION INTO BID-RIGGING

COMPETITION TRIBUNAL

Central point intervention application was to make submissions on whether the fines imposed on the various firms were appropriate : REASONS?:-

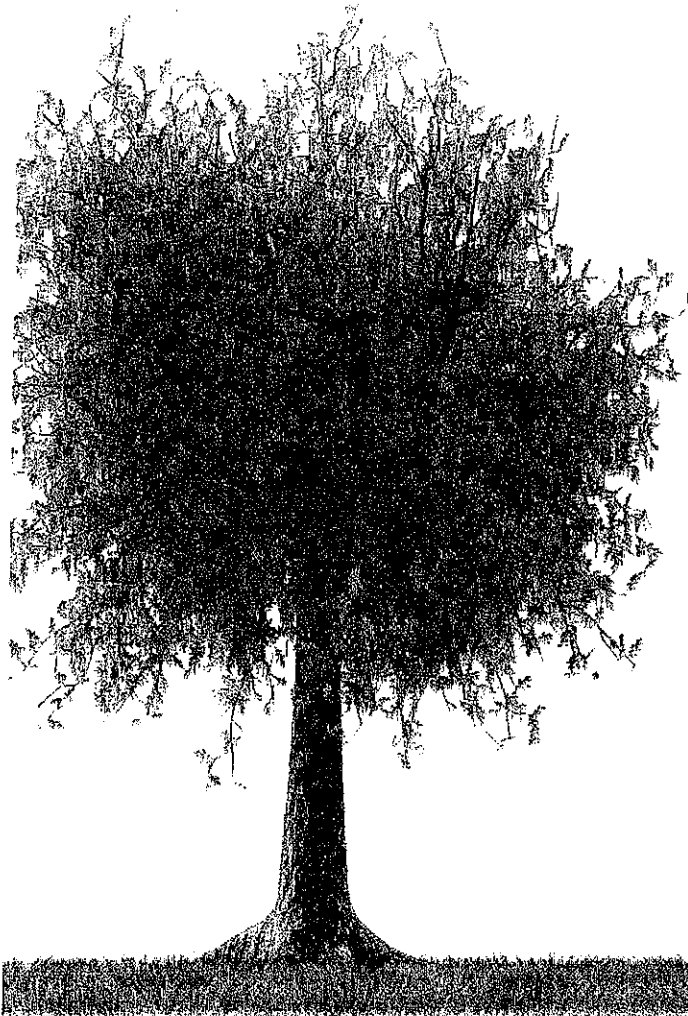
1. **First** is that objectively viewed, the fines are too small and do not give sufficient weight to the harm caused to the public interest by the prohibited conduct.
2. **Second** is that in negotiating and imposing the fines, the Commission departed materially from the provisions of its own construction sector fast track policy.

Further argued that several shortcomings existed with info made available by Commission:

- Base figure is not disclosed.
- did not disclose what information and/or documents were submitted by the construction companies as required under the fast track scheme.
- Did not disclose what steps were taken to verify the correctness of the disclosures made by the second respondent.
- Finally and most importantly, the Commission has not given any information as to whether it discounted for the non-disclosure.



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IMPACT OF NATIONAL TREASURY REGULATIONS ON MINIMUM COMPETENCIES OF OFFICIALS

SALGA Interventions Way Forward

The following options remain for SALGA and its members:

1. Request reasons from the Competition Tribunal for the dismissal of the application;
2. Lodge a formal application for the disclosure and release of all relevant information by the Commission;
3. Await the certification by the Tribunal of the Settlement Agreements and use these to institute civil action against the construction firms.



IMPACT OF NT COMPETENCY REGULATIONS

SALGA has repeatedly raised consequences of Regs with NT/ CoGTA

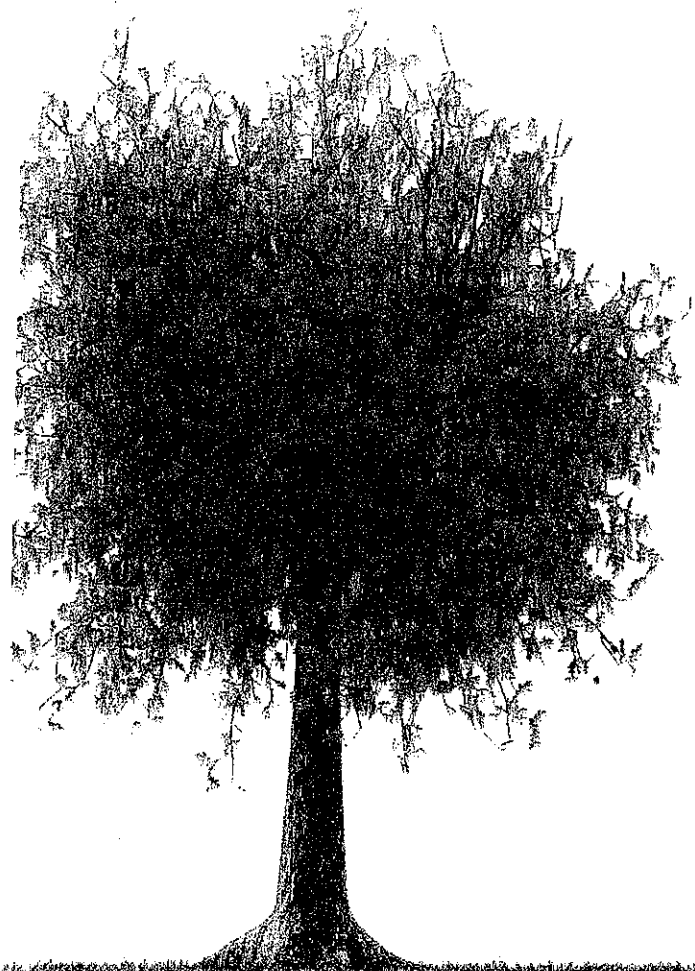
- Number of cases of recently appointed MMs and subsequent challenges to appointment, in one particular instance by member of panel that appointed the MM.
- Interestingly, there are no allegations of misconduct or concerns about performance but questions about whether the MM is in fact qualified to be a MM strictly in legal sense.
 - Qualifications and experience are impressive by all accounts.
- The applicant (to Court) is arguing that the MM actually does not have the skills, expertise, qualifications and competencies prescribed by law, based on the 2007 Regulations.
- This scenario exposes some unintended consequences because few would argue that the intention of the scheme could have been to disqualify a former senior manager in the public administration with an impeccable record from becoming a municipal manager.
- Yet, this consequence is what SALGA has been indicating to the 2 depts since end of 2011, and even before then.
- The law elevates the Certificate in Municipal Finance Management to a sine qua non.
 - **Officials without a single degree or diploma have no problem as long as they complete this Municipal Finance Management Programme, the converse does not apply!**
- Chair of SALGA reiterated in recent MinMEC the need for NT to regulate only financial competencies and CoGTA to regulate general competencies.



IMPACT OF NT COMPETENCY REGULATIONS

SALGA has repeatedly raised consequences of Regs with NT/CoGTA

- **No matter how many degrees an official may have accumulated or how many years of experience he or she has, the Certificate in Financial Management remains compulsory.**
- This is how a former senior manager with a PhD can be deemed unsuitable.
 - Can LG really afford to exclude high calibre individuals from the pool of eligible candidates?
- We are all for professionalisation, but provision must be made in the Regs for relevant qualifications and prior learning (with these compulsory unit stds to be completed within 18 months of appointment, failing which a contract will lapse).
- There is no doubt that we are united in our cause to pursue the professionalisation of LG administration: it will go a long way in addressing many problems in LG.
- **However, the law is now counterproductive: it is used to try to exclude precisely the kind of personnel required to achieve excellence.**
- Elevating minimum qualifications over proven capability and highly qualified competence will backfire and undermine our intentions on 'professionalisation'.



PROFESSIONALISING LOCAL GOVERNMENT



PROFESSIONALISATION

- The foundations of a professional LG system – that responds to the Constitutional call for an efficient, development-oriented, responsive LG that is accountable and transparent – have been put in place with the development of a **LG Professionalization Framework**.

Generic aspects to professionalism to be dealt with from a national perspective are:

- ***LG Service Orientation:*** This relates to the conformance by all elected and appointed officials to high standards of professional ethics, conduct and behaviour appropriate to serving the public.
- ***Managerial and leadership professionalism:*** This will entail competence (knowledge and skills) and a high level of analytical ability in a wide range of areas or disciplines such as governance, strategic capability, leadership, policy analysis and development, programme and project management, human resource and financial management, change and risk management, knowledge management, service delivery innovation, interpersonal relations, mediation, conflict management, diversity management and the display of exemplary ethical conduct.
- A pipeline of managers at all levels and leaders to ensure professionalism will be developed through national development programmes.



PROFESSIONALISATION

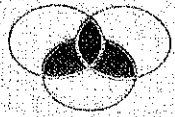
Types of professionalism to be adopted for LG are:

- a. Technical Professionalism:** This refers to the acquisition and application of specialised / technical high level competence (knowledge and skills) in terms of the norms and standards required for a relevant occupation / profession at various levels within local government as context,

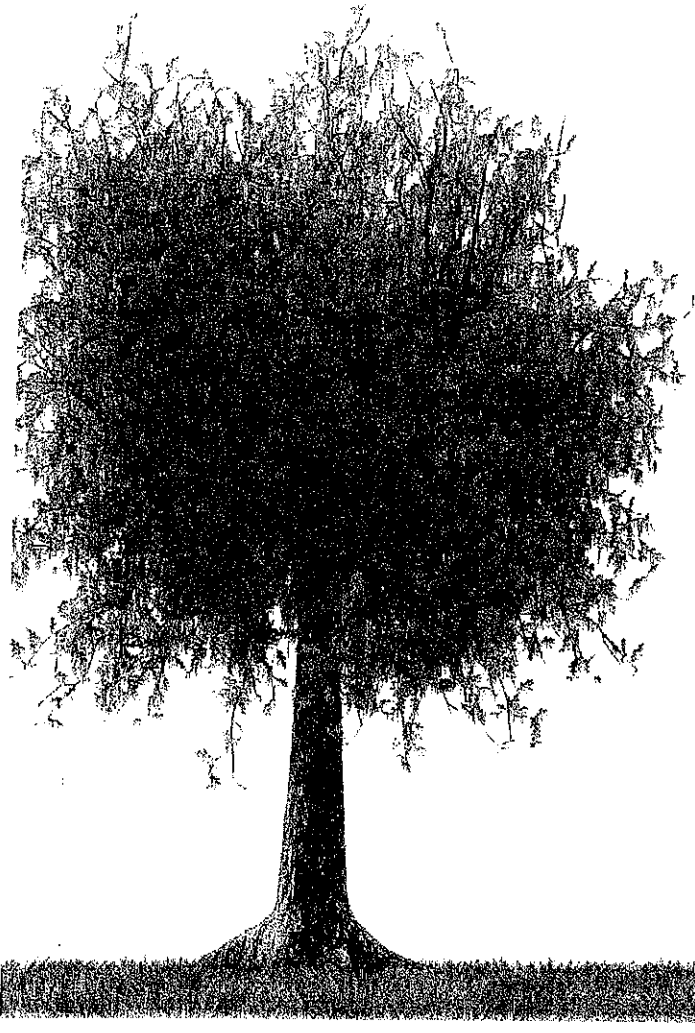
 - facilitated through various recognised statutory and non statutory professional bodies certified by the Minister of COGTA.

- b. Administrative Professionalism:** To promote administrative practices that ensures an effective, efficient, accountable and responsive local government system to optimise service delivery,

 - facilitated through various recognised statutory and non statutory professional bodies (involving Ministerial criteria to be adhered to, other than statutory requirements in the case of statutory bodies, including annual reporting to the Minister.)



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ACCREDITATION FOR HUMAN SETTLEMENT