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## REPORT TO THE SPORTS AND RECREATION PORTFOLIO COMMITTEE ON THE MUNICIPAL INFRASTRUCTURE GRANT 2015/16 ALLOCATIONS FOR SPORTS AND RECREATION

### 1. Background

The Municipal Infrastructure Grant (MIG) combined all the existing capital grants for municipal infrastructure into a single consolidated grant, namely, the Consolidated Municipal Infrastructure Programme (CMIP), Water Services Projects (WSP), Community Based Infrastructure Programme (CBPWP), Local Economic Development Fund (LEDF), Urban Transport Fund (UTF), and Build for Sports and Recreation Programme (BSRP).

The integration of all the municipal infrastructure programmes was a Cabinet decision (2003) to try to find a coordinated approach with regard to the municipal infrastructure delivery. The decision by Cabinet was also in line with the Constitution and the Local Government: Municipal Systems Act, 2003 that stipulate that municipalities should be centres of development and should take control of services and infrastructure projects within their area of jurisdictions. This is done after consultations with their communities through Integrated Development Planning (IDP) public participation process. In other words, communities must determine what government should do for them within the phrase of *'Nothing for us without us'*.

The Cabinet decision was also informed by local government reforms that require centralised planning of all spheres of government at municipal level and more decentralisation of spending to sub-national governments. However, there has been growing efforts to reverse these reforms by national government to determine and implement infrastructure projects on behalf of municipalities. The introduction of new grants such as Rural Household Infrastructure Grant (RHIG) and Municipal Water Infrastructure Grant (MWIG) that are implemented by national government on behalf of municipalities are some of the examples of growing efforts to reverse local government reforms.

Furthermore, the 2003 Cabinet decision to consolidate a number of local government infrastructure grants into MIG was also done to facilitate participation of different sectors at the IDP level to ensure that their sectors are prioritised and to streamline reporting by municipalities for myriad of grants administered by a number of departments. Municipalities are now submitting one MIG report to COGTA that is shared with different sector departments involved in municipal infrastructure.

### 2. Success of the utilisation of the MIG funding for sports and recreation facilities in 2015/16

The Department of Sports and Recreation South Africa (DSRSA) has raised a concern that municipalities are not prioritising the development of sports and recreation facilities and as such,

has proposed that a separate grant be created that would allow the department to develop these facilities. However, the Constitution assigns the development of local sports and recreation to local government and not to national government. This is seen as part of growing trend by national government departments to take over municipal functions.

This clearly undermines the principles for consolidation of funding for municipal infrastructure development in line with the Cabinet decision as outlined above regarding local government reforms and in terms of the needs of the people as reflected in municipal IDPs.

During the 2010/11 financial year the decision was taken that the total P-Component (15% of the MIG) be ring-fenced in future for the development for sports and recreational facilities by municipalities.

**Table 1: Actual MIG investments as at 30 June 2016 on sports and recreation facilities in 2015/16**

PROVINCE	Provincial MIG allocation for	15% P-Component	MIG contribution in 2015/16 to	No. of Projects Benefitting	Status			
					Registered	Design & Tender	Construction	Completed
EC	2 986 102	447 915	32 892	39	3	13	18	5
FS	717 200	107 580	101 930	53	2	7	25	19
GT	454 270	68 141	25 907	21	0	8	9	4
KZN	3 388 816	508 322	168 459	301	70	15	63	153
LP	3 072 340	460 851	162 581	33	0	7	24	2
MP	1 755 385	263 308	16 927	0	0	0	0	0
NC	450 570	67 586	7 992	5	1	0	4	0
NW	1 556 296	233 444	11 167	8	0	4	2	2
WC	506 938	76 041	37 060	114	41	19	28	26
<b>Total</b>	<b>14 887 917</b>	<b>2 233 188</b>	<b>564 915</b>	<b>574</b>	<b>117</b>	<b>73</b>	<b>173</b>	<b>211</b>

From the 2015/16 level of contribution against the 15% P-Component it is evident that the MIG continues to allocate low on sports and recreation facilities on average (3,8% of the total 2015/16 MIG 2015/16), however, there are some municipalities that coincidentally have spent more than the 15% on sports infrastructure. It is safe to say, the low allocation on sports and recreation facilities is as a result of lack of support by the sector at the planning stage (project inception) during the IDP processes.

**Table 2: Type of MIG investments as at 30 June 2016 on sports and recreation facilities in 2015/16**

PROVINCE	Provincial MIG allocation for 2015/16	15% P-Component	MIG contribution in 2015/16 to projects	No. of Projects Benefitting from MIG	Type of Work		
					New	Upgrading	Rehabilitation
EC	2 986 102	447 915	32 892	39	23	1	15
FS	717 200	107 580	101 930	53	26	24	3
GT	454 270	68 141	25 907	21	10	0	11
KZN	3 388 816	508 322	168 459	301	220	50	31
LP	3 072 340	460 851	162 581	33	28	0	5
MP	1 755 385	263 308	16 927	0	0	0	0
NC	450 570	67 586	7 992	5	3	0	2
NW	1 556 296	233 444	11 167	8	7	0	1
WC	506 938	76 041	37 060	114	59	0	55
<b>Total</b>	<b>14 887 917</b>	<b>2 233 188</b>	<b>564 915</b>	<b>574</b>	<b>376</b>	<b>75</b>	<b>123</b>

The majority of the projects in every province are new projects. A total number of 123 existing sport facilities are being/ have been rehabilitated.

### **3. Implementation of the MIG Framework that are aimed at addressing sports and recreation and other municipal public facilities funded from the MIG**

During the 2010/11 financial year, the Departments of Cooperative Governance (DCoG) and DSRSA proposed that 33 percent should be made available for sports and recreation , not the whole 15 percent that is supposed to be available for other public facilities. It was proposed that 33 percent of (P-component) be ring-fenced for sports and recreation facility development. This would mean that sports and recreation will have a share of 5 percent from the total MIG allocation as opposed to 3 percent share before the consolidation of the grants in 2004. The remaining 67 percent of the P-component would therefore be available for other municipal public facilities. It should be noted that this is set as a minimum investment on sports infrastructure, as some municipalities spent more.

Although agreement was reached the Appropriations Committee concluded that the total P-Component (15% of the MIG) be ring-fenced for sports and recreation facilities in 2015/16 financial year.

It should however be noted that ring-fencing doesn't necessarily mean that municipalities are compelled to spend the funds as per the provision of formula components. Municipalities are still required to engage communities before projects are identified and implemented. Active participation of the relevant sector departments during early stages of IDP processes is very crucial in order to inform IDP priorities.

#### **3.1 R300 million ring-fenced**

It was this principle that prompted SRSA to negotiate with the National Treasury, that an amount of R300 million be ring-fenced outside of the MIG formula for 2016/17. Municipalities that have allocations gazetted as part of the ring-fenced allocation for specific sport infrastructure projects may only spend these allocations on the projects identified by Sports and Recreation South Africa (SRSA). Municipalities must make use of transversal contracts approved by SRSA when implementing projects funded from this allocation.

The submission of a list of 30 projects by SRSA to National Treasury coincided with the confirmation that these projects was identified with municipalities. This list was published within the Division of Revenue Act, 2016 processes. During a workshop in April 2016 between SRSA and the targeted municipalities, municipalities raised the concern that they were not adequately consulted, especially in view of that the implementation of the projects would be facilitated through a transversal contract to be put in place by the SRSA.

Subsequently, 6 projects from the initial list of 30 projects were changed in October 2016 in the 2016 Division of Revenue Amendment Bill process. The wording in the 2016 MIG Framework has also changed through the 2016 Division of Revenue Amendment Bill, in which municipalities could now be exempted by SRSA from undertaking the transversal contract process.

To date the transversal contract has been finalised and municipalities are now able to solicit tenders of service providers through this transversal contract to start with designs and ultimately implementation.

Although the R300 million is ring-fenced outside the normal MIG allocations to municipalities, it is still subject to the provisions of the Division of Revenue Act, 2016. DCoG must ensure financial discipline which amongst other processes includes the stopping or reduction of a MIG allocations to prevent under expenditure in this financial year. The late finalisation of the transversal contract process has a potential of causing under expenditure of the 2016/17 allocations of municipalities.

### **3.2 Reducing the sports and recreation contribution from the P-Component from 100% to 33% (i.e. from 15% P-component to 5% of the P-component)**

It should be noted that sports infrastructure continues to be part of the P-component and as such, SRSA still need to be involved in the whole value chain. Municipalities must submit plans for spending 33 percent of their P-component allocation on sports and recreation infrastructure projects (as indicated previously this was set at 100% of the P-Component since 2010/11). These plans must be submitted as part of the normal MIG planning process, but will be reviewed and approved by SRSA to ensure they comply with norms and standards before construction can begin

The above allows that other facilities falling under the P-Component of the MIG formula be funded from the remaining 67 percent (10% of 15% P-component).

## **4. Reasons why sports and recreation facilities are not being prioritized in municipalities**

### **4.1 Sector guidance on priorities**

The MIG responds to the prioritisation of infrastructural requirements through local decision making processes. In addition, municipalities are often not aware of the sports and recreation requirements within their spaces. This is mainly due to lack of active participation by the Sport Sector (lead by DSRSA and its provincial and regional structures) during early stages of the development of municipal IDPs that should inform the requirement to develop these facilities. The sports sector should be active in guiding municipalities and their communities to prioritise the development of sports and recreation facilities, which is informed by their backlog figures outlined in their sector plans.

Although the sector does have norms and standards to inform the basic delivery of sports and recreation facilities, the department need to develop a Master Plan that defines targets that should be achieved over time, *e.g. in all wards or settlements/villages to have at least relevant sports and recreation facilities by 2019*. The targets should be informed by prior assessment that should reflect on backlogs for these facilities that can be demonstrated at municipal, ward, or settlement/village level. Municipalities tend to prioritise those sectors where targets are clearly defined. *e.g. besides water being a source of life, it is also clearly defined which makes it easier for municipal planners to prioritise.*

It remains a concern that irrespective of the funding stream to be utilised (direct or indirect grant to a municipal space) investment in a particular sector be guided through local decision making and that this decision making be influenced by the need for infrastructure put forward by that sector.

The sports and recreation targets must be developed and be defined as a minimum guide to be met for each municipality. The targets should reflect national government expectations of what

need to be delivered as per the National Development Plan (NDP). The DSRSA should provide leadership in the development of national targets in addressing the needs for the sports and recreation facilities. This would serve as a guide to municipalities to take into account national targets when implementing infrastructure projects through national grant funding. Conditional grants are funding instruments that address specific national priorities at local or provincial level.

The following, which are part of Cogta SRSA bilateral are proposed:

- (i) Working with its provincial counterparts, the DSRSA must conduct an audit of sports and recreation facilities per district, local municipality and/or ward level in order to determine the needs as well as the state of facilities. This information will assist the process to increase the MIG quantum during the MTEF discussions or share of sports and recreation facilities within the formula.
- (ii) Having determined the needs the projects would be prioritized on the basis of the provincial plans which integrate with other provincial plans of other sectors such as education and health. This would give effect to municipal facilities plans with realistic estimated costs for implementation.
- (iii) The municipal facilities plan would clearly indicate the facilities to be rehabilitated and new facilities required and inform the municipal IDP, planning and budget processes.
- (iv) The plans would also incorporate privately owned and intermediate to high level facilities. These facilities often require high level of investment hence the need thereof would be determined through a process guided by a national sport plan.

#### **4.2 Improving institutional arrangements**

Fundamental to the provision of sports and recreation facilities is that these facilities must be provided for with a clearly defined purpose. The purpose is primarily to implement sports and recreation which should ensure that the facilities are effectively utilized and safe-guarded.

The above is however often compromised due to institutional deficiencies at all spheres of Government. There are human resources constraints at National, Provincial and Local Government Levels in terms of monitoring and support, the management of sports and recreation responsibilities as well as for implementation sports development programmes.

It is therefore proposed that:

- (i) At National Level
  - It should be acknowledged that currently the DSRSA has limited capacity to monitor policy compliance by municipalities. There is a need for a national department to be in a position to monitor if municipalities are meeting all the norms and standards regarding the development of sports and recreation facilities. Furthermore, for municipalities to comply with norms and standards as determined by the national department, they need to be supported. Considering the number of municipalities excluding district municipalities, there is a need to capacitate the provincial and regional DSRSA to be able to provide support to all municipalities.
  - Some of the support areas relate to supporting municipalities in the early stages of the IDP process by assisting them in defining their needs. This has been a challenge for many sector departments and municipalities always complain about the level of sector participation in their IDP process. It should be noted that municipalities are required to spend their allocated funds in terms of their IDP priorities developed through a process that requires the involvement of provincial and national spheres as well as communities. This means that all spheres of government (with communities) should work collectively to achieve the required outputs. The Cabinet decision to integrate all various funding mechanisms for

municipal infrastructure was also aimed at encouraging this cooperation of government spheres thereby discouraging parachuting of projects to municipalities by provincial and national spheres.

- In this regard, it will be important to upscale the capacity of DSRSA and their existing portfolio must be reviewed to effectively implement all the tasks regarding compliance, monitoring as well as support to municipalities.

(ii) At provincial level:

- Provinces are also assigned the responsibilities of monitoring and supporting local government to perform its functions. The DSRSA should support provinces to develop capacity to support and monitor municipalities. Taking the amount of the proposed ring-fencing within the MIG for sports and recreation facilities into account, provinces must be adequately capacitated to assist with the support to municipalities.

(iii) At Municipal level

- Each municipality must have a dedicated sports and recreation component to effectively deal with sports and recreation facilities planning and the provinces on the management of sports and recreation facilities.

#### **4.2 Strengthening the participation of the DSRSA during MIG planning sessions with municipalities**

Annual planning sessions with receiving MIG municipalities are held and are aimed at trying to influence the municipal MIG implementation plans before they are finalised for implementation by 1 July each year (start of municipal financial year). The municipal managers, CFOs, sports and recreation managers (municipality), IDP managers and technical managers as well as PMU managers attend these sessions which creates the opportunity of sector departments to engage with municipalities on their sector priorities being addressed in MIG implementation plans. It should be noted that it is still important for sectors to engage municipalities to identify needs and participate in the IDP processes.

### **5. Conclusion**

Improved coordination of activities and efforts between government spheres (intergovernmental relations and coordination) and government departments (inter-departmental coordination) has been identified as one of the main causes for slow pace of service delivery. The outcome based approach emphasizes improved coordination of government activities across the spheres for common objectives, thereby discouraging working in compartments (silos) as experienced in the past. In this regard, the importance of co-ordinating government activities with the objective of creating a common approach to service delivery challenges facing government has become extremely important. The establishment of Inter-Ministerial Task Team (IMTT) on Service Delivery will assist with the coordination of service delivery initiatives and sports and recreation matters as part of the agenda for the IMTT.

Due to the importance of coordination matters, the Minister for Cooperative Governance and Traditional Affairs was designated by the President to lead the Inter-Ministerial Task Team on Basic services with the aim of accelerated development through the provision of basic services and the issue of sports and recreation to be discussed.