



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

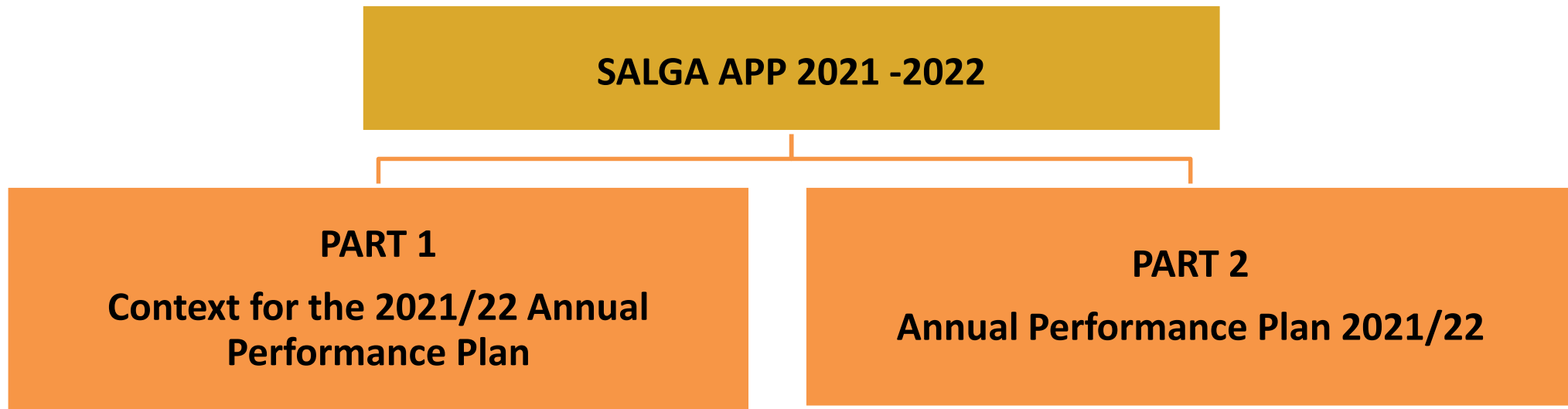
Annual Performance Plan 2021 - 2022

PORFOLIO COMMITTEE ON COGTA

15 APRIL 2021

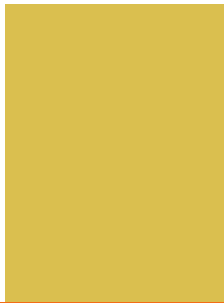


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PART 1

Context for the 2021/22 Annual Performance Plan



AFTER 20 YEARS OF DEMOCRATIC LOCAL GOVERNMENT SYSTEM ARE THERE ANY TRANSFORMATIONAL GAINS MADE?



FOUR AREAS OF SOCIO-ECONOMIC TRANSFORMATIONAL ADVANCES

1. Improvements in the Delivery of Municipal Services

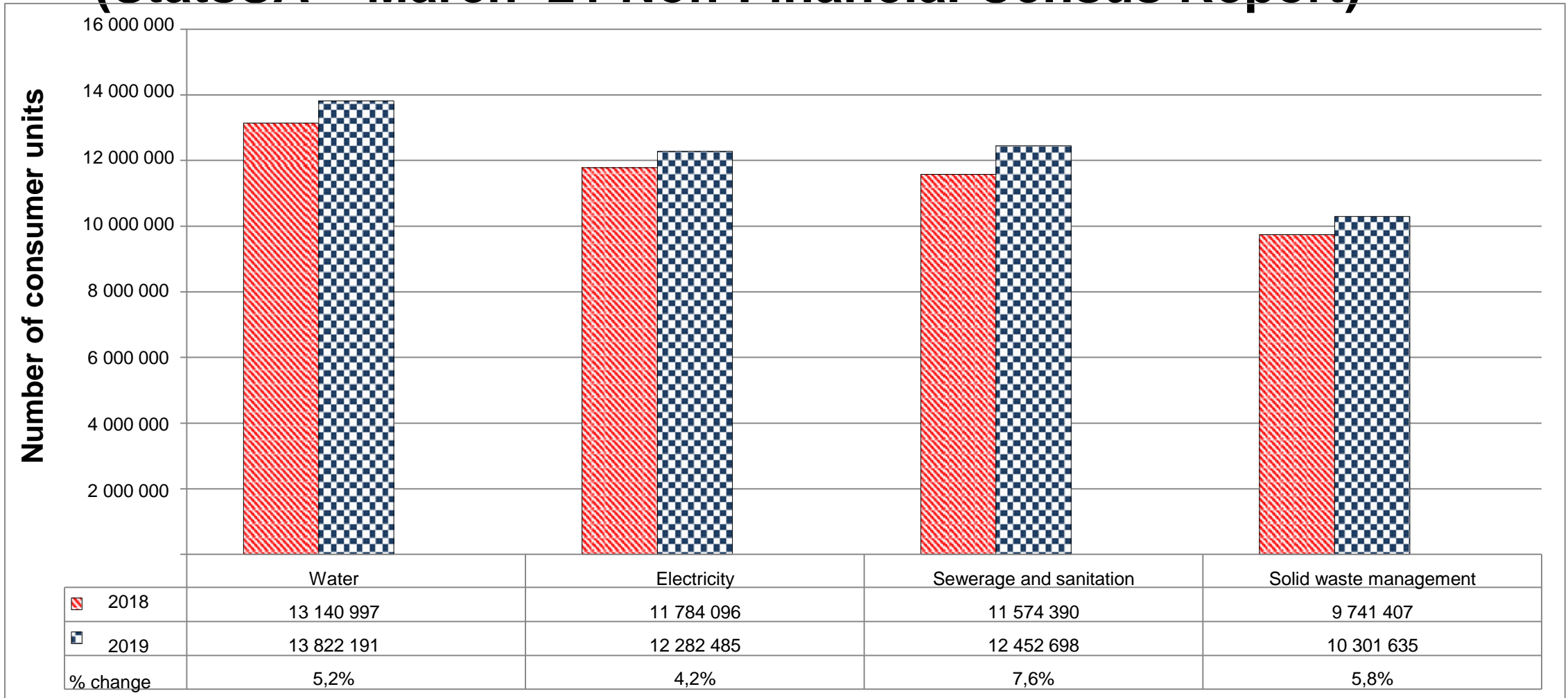
2. Budget Performance (Revenue and Expenditure)

3. Governance and Accountability Performance

4. Implementation of Consequence Management

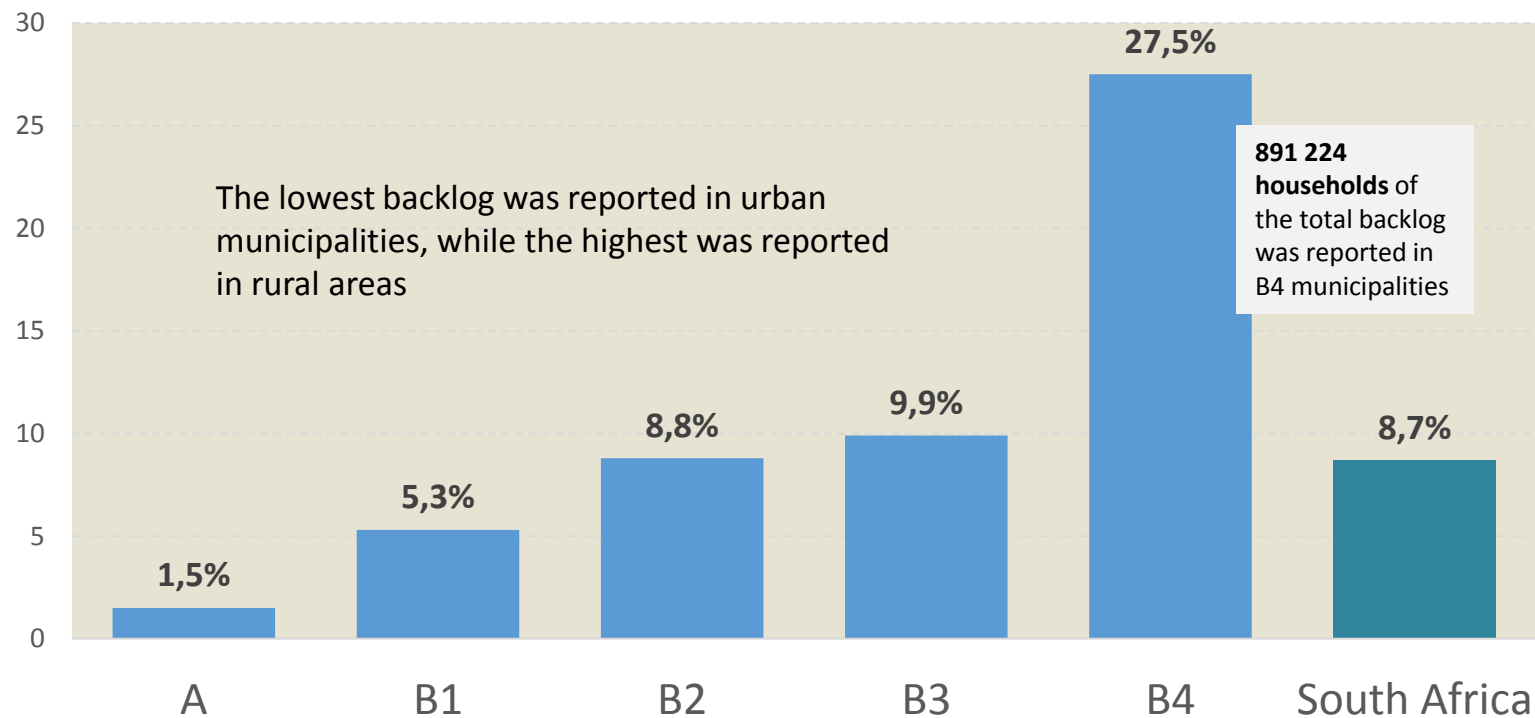


1. MUNICIPAL SERVICE DELIVERY PERFORMANCE (StatsSA – March '21 Non-Financial Census Report)



Municipal backlog in access improved water

1,5m households nationally had no access to improved water

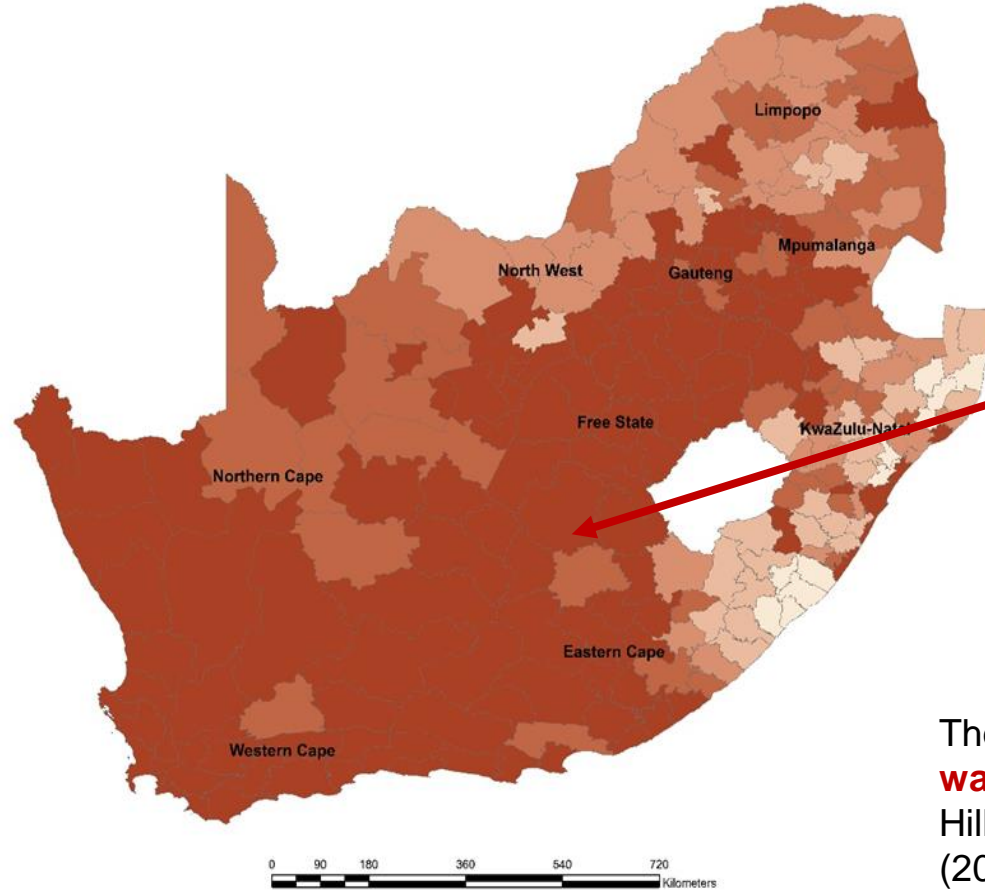


MUNICIPAL ACCESS TO IMPROVED WATER, CS 2016

In 78 municipalities, **98%** or more households had access to water

Backlog:

EC (24,9%),
 LP (20,0%),
 KZN (14,6%),
 NW (13,9%) still rely
 unimproved sources
 of water



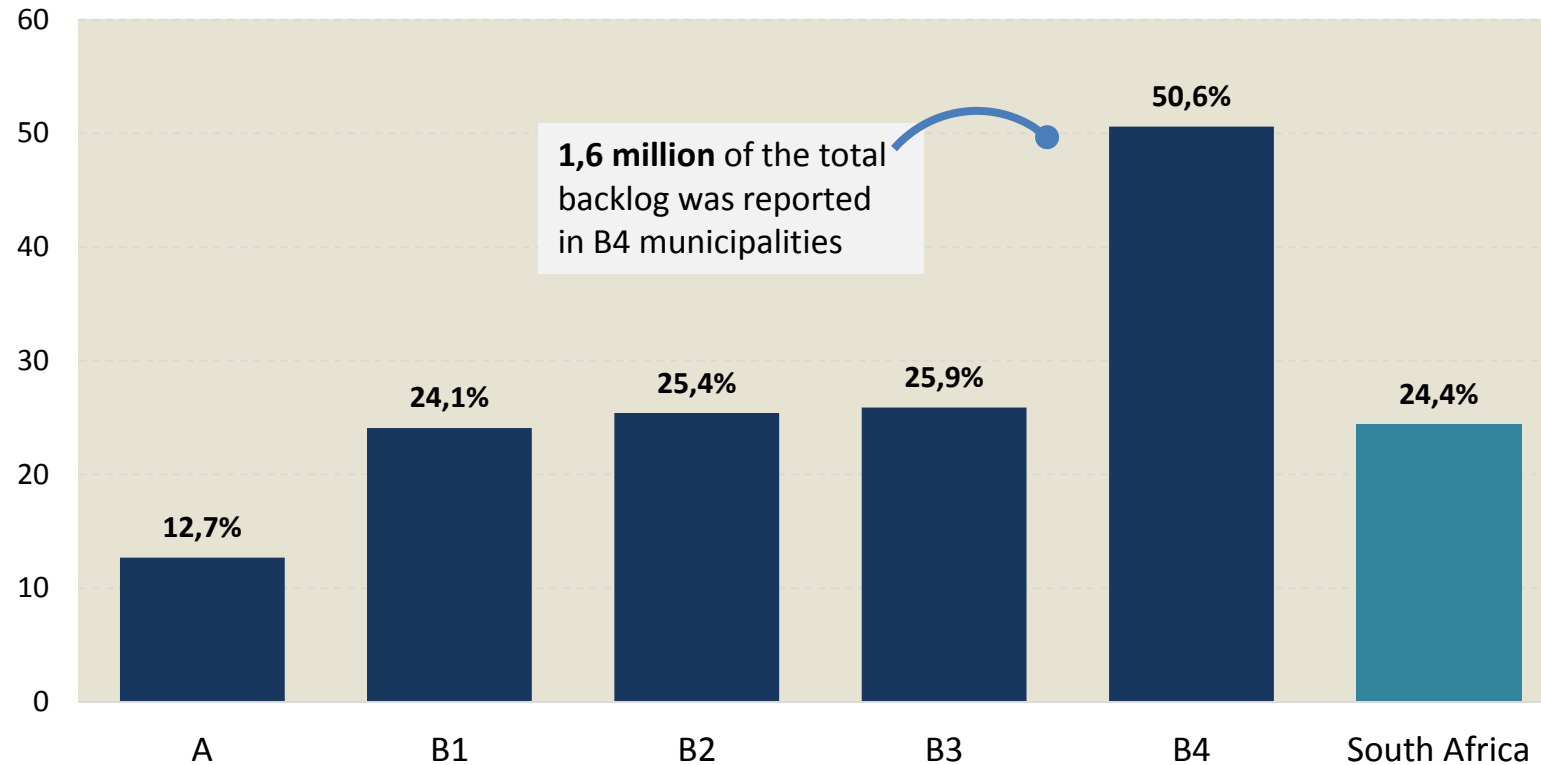
Less than 50% of households had access to improved water in **20 municipalities** (11 in EC followed by KZN with only 9

The **lowest access to improved water** was reported in Ngquza Hill (19,4%), Port St Johns (20,3%) and Mbizana (Winnie Madikizela Mandela) (23,3%).



MUNICIPAL BACKLOG IN ACCESS TO IMPROVED SANITATION, 2016

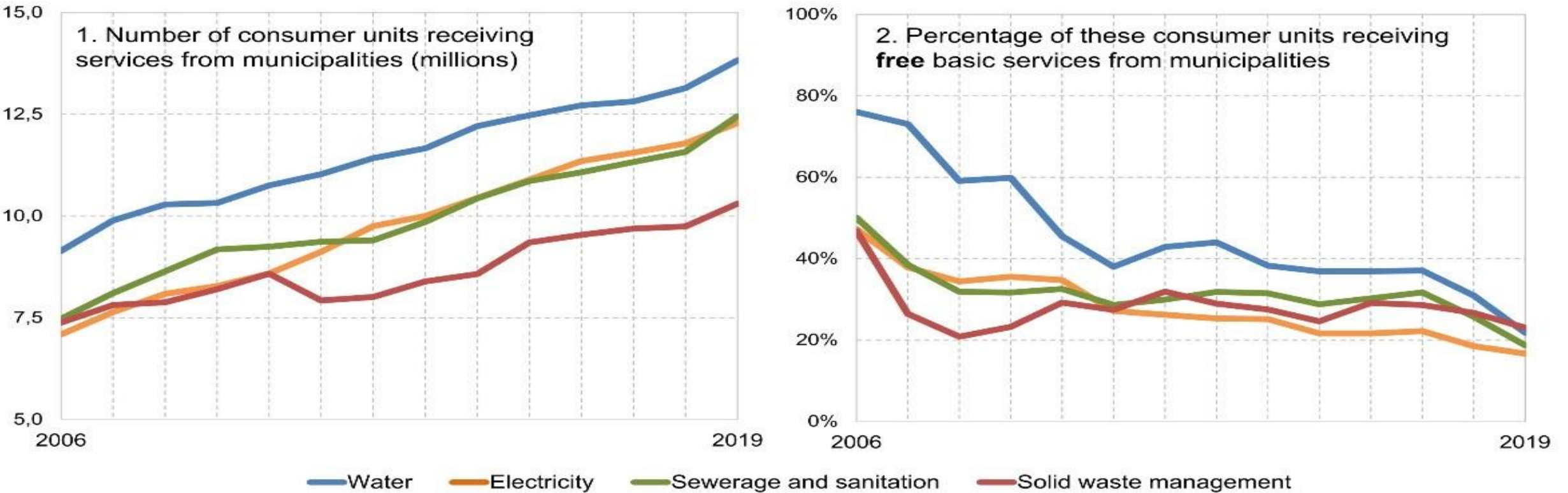
4,1 million households nationally had no access to improved sanitation



1. MUNICIPAL SERVICE DELIVERY PERFORMANCE (Cont.)

More consumer units are receiving services, but a smaller proportion are getting these for free

Services supplied by municipalities across South Africa, 2006–2019



Source: Non-financial census of municipalities, 2019

2. REVENUE AND EXPENDITURE PERFORMANCE (2019/20 FINANCIAL YEAR – NT Section 71 Report)

- Municipalities spent 79.9% or R384.3 billion of the total adjusted expenditure budget.
- In respect of revenue, aggregate billing and other revenue amounted to 88.8% or R427.5 billion of the total adjusted revenue;
- Municipalities have adjusted downwards the budget for salaries and wages expenditure - constitutes 30% of total adjusted operational expenditure budget;
- Aggregated year-to-date total expenditure for metros amounts to R234 billion or 84.4%, of their adjusted expenditure budget of R277.3 billion.
- **Aggregated revenue for secondary cities is 81.9%** or R52.7 billion of their total adjusted revenue budget.

3. GOVERNANCE AND ACCOUNTABILITY PERFORMANCE (AG 2018/19)

- Out of 257, 241 (94%) municipalities submitted AFS on time with 89 % (229) of municipalities' audits were conducted by January 2020 for 2018/19 financial year;
- 99% of municipalities submitted performance reports;
- 8 municipalities with new clean audits from previous audit cycle;
- 23 new municipalities with full legislative compliance from previous year;
- 33 municipalities improved audit results;
- 100% of municipalities have established MPACs.

4. ACCOUNTABILITY AND CONSEQUENCE MANAGEMENT PERFORMANCE

- As per 2018/19 AG Outcomes MMs are reported as taking appropriate action to address the material irregularities identified - demonstrating behavioural change towards responding in a decisive and timely manner to AG findings; Eg:-
 - 121 municipalities initiated investigations on AG findings;
 - 80 municipalities investigated all or some SCM findings and satisfactorily resolved these investigations.
- Approximately 2200 municipal officials were dismissed for mal-administration.
- NPA has 86 cases of fraud and corruption already in court, involving over R1.3 billion. SIU is also investigating 66 cases of fraud, corruption and maladministration and 34 senior managers suspended for misconduct.

What is the nature, scale and complexity of the challenges facing local government?



KEY INTERLINKING CHALLENGES FACING THE LOCAL GOVERNMENT SECTOR

Capabilities, Governance & Leadership

Weakening municipal governance and leadership characterised by poor oversight, limited consequence management, instability at senior management levels, and a lack of skills undermine service delivery and transformation at the local sphere

Spatial Transformation & Inclusion

Spatial transformation and inclusive communities undermined by depressed economic conditions, increasing impact of climate change, regressing social cohesion, poor coordination in planning, access to land, bulk services, limited decentralisation in housing delivery, transport challenges and safety and security



Fiscal Policy & Financial Management

Increase of municipalities in financial distress due to many factors like: increase in the cost of services (tariffs), decrease in revenue collection, supply chain management inefficiencies, and irregular, fruitless and wasteful expenditure, low revenue bases, high levels of unemployment & poverty.

Service Delivery & Infrastructure

Increase in coverage of basic services but under pressure from widening funding gap for infrastructure, poor life cycle asset management, maintenance and effective project implementation, as well as lack of technical capabilities.

CONTEXTUAL CHALLENGES OF LOCAL GOVERNMENT

Poverty:

Increasing rise in unemployment, exacerbated by COVID-19;

More than 30-million South Africans in poverty (60% of Black SA)

Municipal reality:

Strong Metros and Secondary Cities with strong revenue base;

Rural, Small towns and Villages with no economic base; and

high levels of poverty and unemployment in both Metro and rural areas.

Structural Distress:

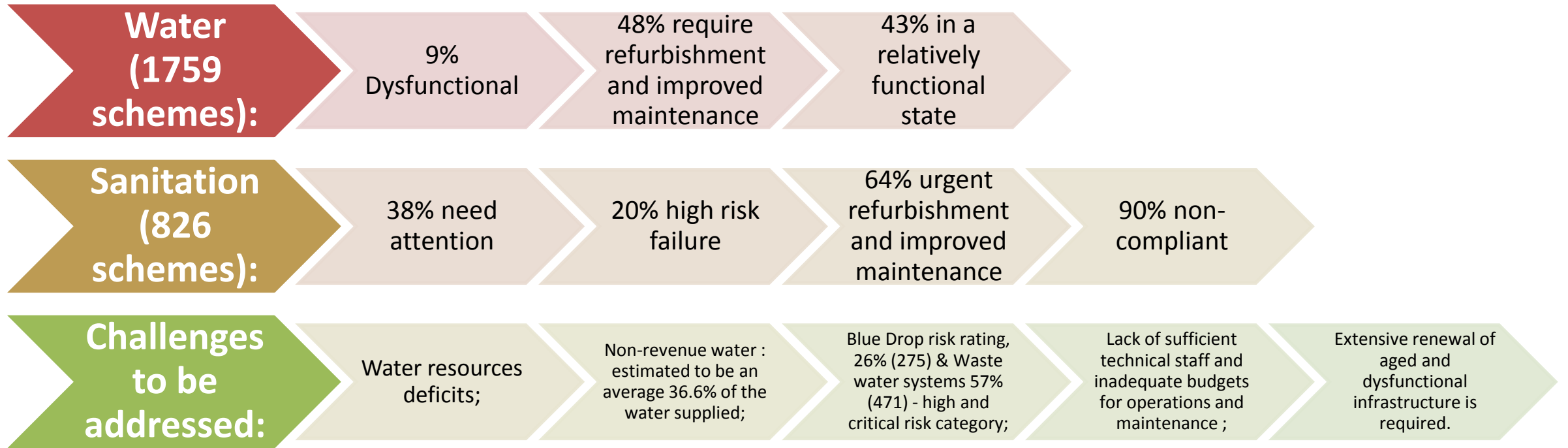
Municipalities unable to grow and sustain jobs and income levels

Poor Revenue base, structural underfunding of municipalities and chronic capacity levels.

Misalignment between Institutional design vs assigned responsibilities.



CONTEXTUAL CHALLENGES OF LOCAL GOVERNMENT



CONTEXTUAL CHALLENGES OF LOCAL GOVERNMENT

Maladministration, Corruption and Fraud

lack of accountability, failure to implement recommendations, and in some instances a complete disregard of AGSA recommendations;

Very little oversight - **Mayors provide 25%; Municipal Councils provide 26%** and **MPACs provide 27%** independent assurance and oversight at municipal level;

cases of violations and transgressions in municipalities are not pursued and people not held accountable;

Tender / Procurement irregularities; Appointment irregularities; Nepotism; increase in Irregular, wasteful and unauthorized expenditure.



CONFLICT OF INTEREST INFORMATION (2018/19)

PROVINCE	Awards made to employees	Awards to close family members	Prohibited awards to other state officials	False Declarations
EASTERN CAPE	6	12	22	12
FREE STATE	0	1	12	8
GAUTENG	1	1	6	5
KZN	11	21	33	32
LIMPOPO	7	8	13	11
MPUMALANGA	4	2	14	10
NORTH WEST	5	8	11	8
NORTHERN CAPE	3	6	18	13
WESTERN CAPE	3	18	12	8
TOTAL	40	77	151	107



CONSULTANTS PROVIDING FINANCIAL SUPPORT (2018/19)

PROVINCE	CLEAN	UNQUALIFIED	QUALIFIED	ADVERSE	DISCLAIMER
EASTERN CAPE	1	10	12	0	8
FREE STATE	0	2	8	0	3
GAUTENG	1	4	0	0	0
KZN	1	21	11	0	1
LIMPOPO	1	5	16	0	1
MPUMALANGA	2	4	5	2	4
NORTHERN CAPE	1	5	11	0	3
NORTH WEST	0	0	8	0	9
WESTERN CAPE	8	13	2	0	0
TOTAL	15	64	73	2	29



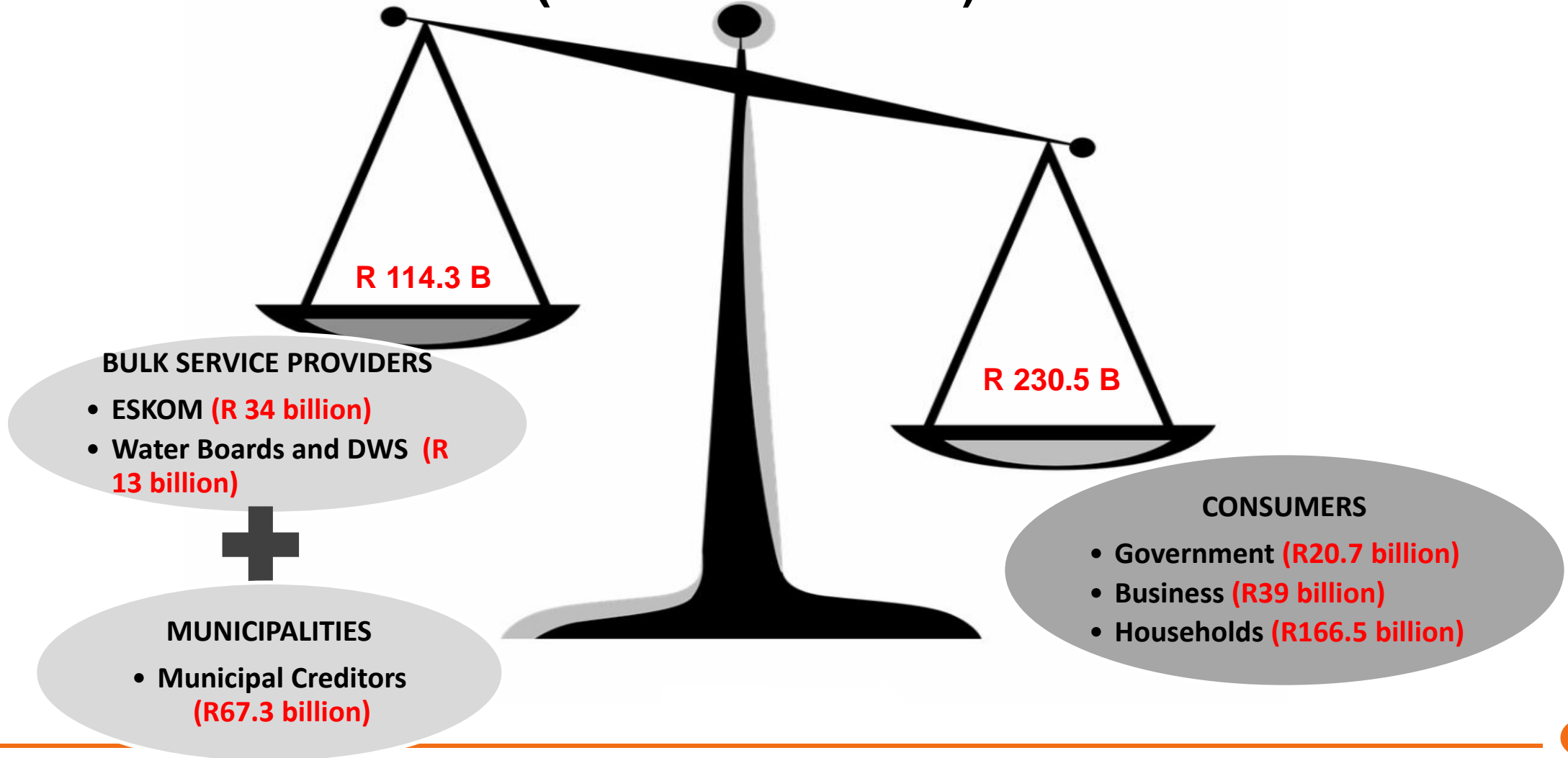
CONSULTANTS PROVIDING FINANCIAL SUPPORT (2018/19)

PROVINCE	Consultant cost	Finance Dept Salary cost	Percentage of Salary	Number of Consultants
EASTERN CAPE	117 742 726	480 855 789	24%	47
FREE STATE	46 618 916	363 535 442	13%	28
GAUTENG	341 107 936	1 340 746 273	25%	13
KZN	95 289 790	681 396 859	14%	64
LIMPOPO	249 590 414	463 110 498	54%	62
MPUMALANGA	97 240 546	606 189 308	16%	39
NORTHERN CAPE	46 565 253	221 673 341	21%	33
NORTH WEST	226 973 125	506 150 763	45%	73
WESTERN CAPE	42 291 748	452 586 279	9%	34
TOTAL	1 263 420 454	5 116 244 553	25%	393



MUNICIPAL DEBT : THE SCALE OF JUSTICE

(As at 31 Dec '20)



MUNICIPAL SERIOUS FINANCIAL CHALLENGES

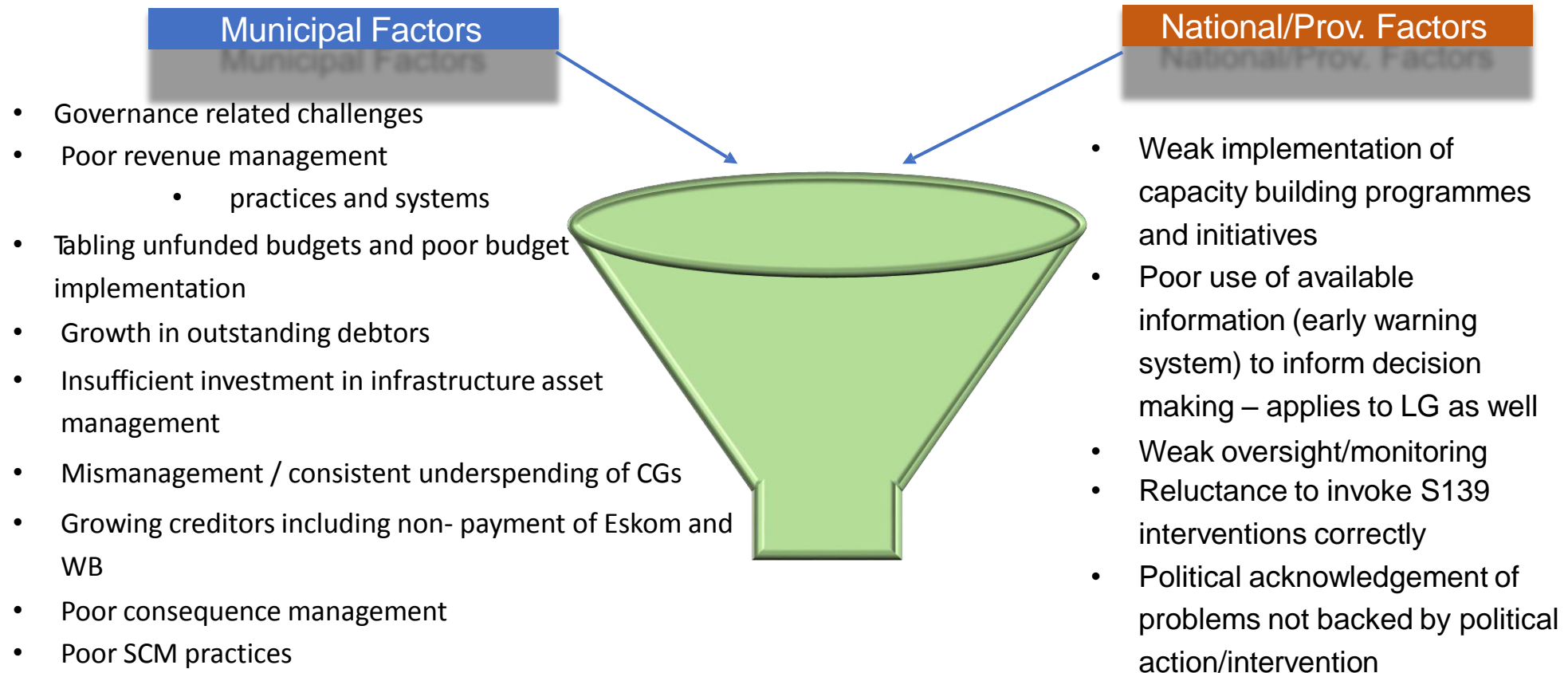
(2020/21 – Quarter 2: MFMA Assessment)

- Failure to make payments as and when due increased from **169 municipalities** (Q1) to **171 municipalities** (Q2);
- Operating Deficit > 5% of total direct revenue increased from **24 municipalities** (Q1) to **27 municipalities** (Q1);
- Negative/Outstanding Audit the annual figure for 2018/19 did not change and reflects a change from 138 municipalities (2017/18) to 146 municipalities (2018/19);
- Negative cash balances (two consecutive years) decreased from 54 municipalities (Q1) to 51 municipalities (Q1);
- Municipalities experienced difficulties with the reporting on cash and cash equivalents during the entire 2019/20 financial year with **188 municipalities reporting negative cash balances in Q4 2019/20** compared to **60 in Q1 2020/21** and **58 in Q2 2020/21**; and
- The total number of municipalities with one or more trigger based on the full year adjusted budget amounted to **222 municipalities or 86.4% in Q2 2020/21** (215 municipalities or 83.7% in Q1 2020/21). These municipalities meet one or more of the requirements for an intervention in terms of sections 139.

MUNICIPAL PERSISTENT MATERIAL BREACH OF FINANCIAL COMMITMENTS (2020/21 – Quarter 2)

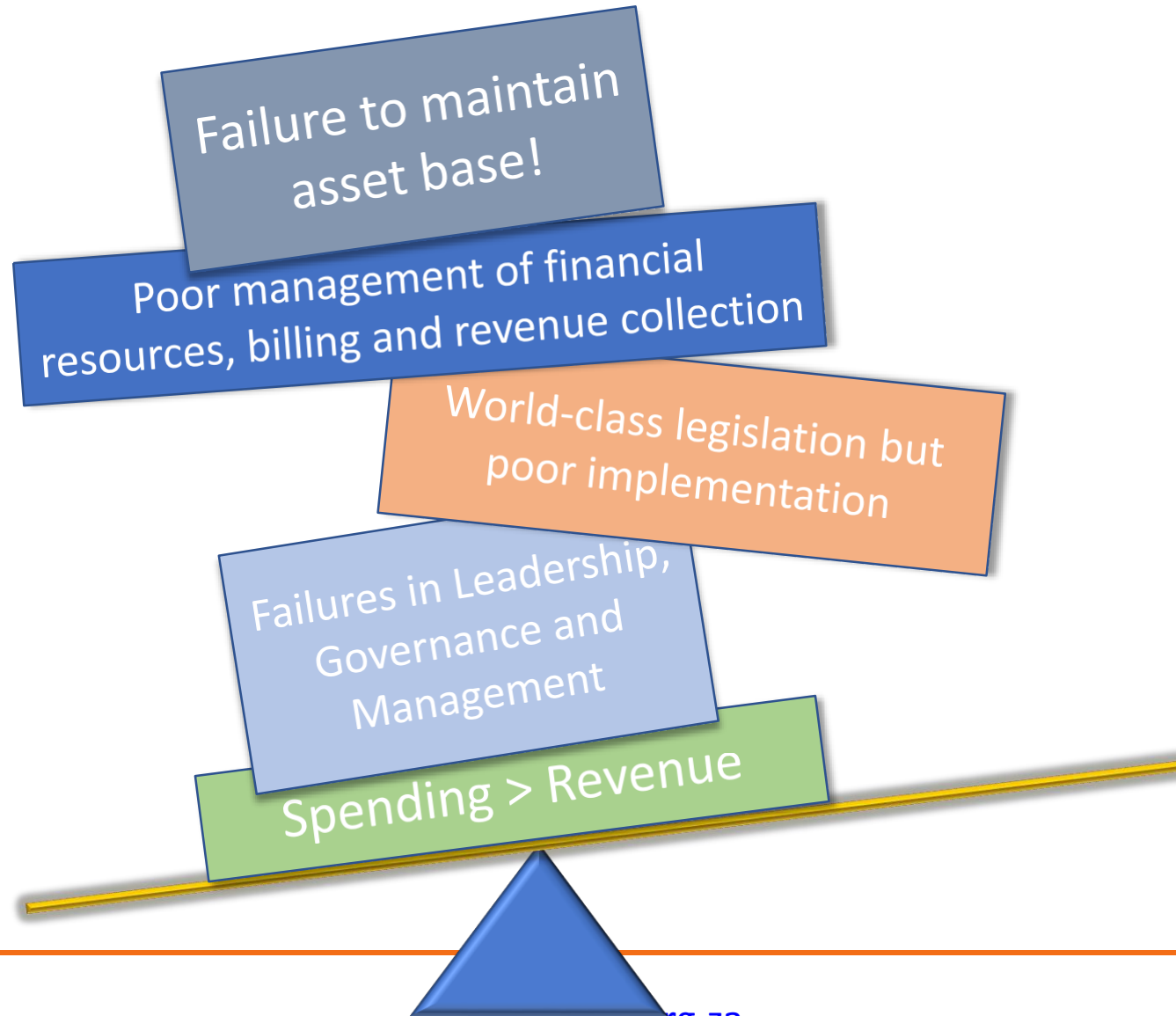
- Failure to make any other payment reduced from **127 municipalities** (Q1) to **122 municipalities** (Q2);
- Failure to make any other payment increased from **52 municipalities** (Q1) to **53 municipalities** (Q2);
- Failure to make payment to Eskom remained unchanged at **72 municipalities** and reduced by **2 from 68 to 66 municipalities** for DWS & Water Boards;
- 22.3% increase in the average amount per municipality owed to Eskom (indicated below) is still a clear indication that municipalities are not honouring payment arrangements with the suppliers of bulk services.

Key factors affecting sustainability



How did we get here?

- In short:



COVID-19: Has it STARTED, EXPOSED and/or EXACERBATED the service delivery complexities of municipalities?



COVID-19 IMPACT ON MUNICIPAL PERFORMANCE AND SUSTAINABILITY

- Prior to the COVID-19 pandemic and national lockdown, SA's municipalities **already faced tough socio economic conditions.**
- The pandemic has now more than ever forced municipalities to think about **how they will operate post-COVID-19 while still providing service delivery** especially to the vulnerable.
- Covid-19 is forcing municipalities to move through the following **three phases** at various paces:-

REACT

This is the phase of crisis management.



ADAPT

Shifting focus to the future – address budgetary and operational challenges, prepare to make adjustments on the go.



NEW NORMAL

Prepare to do things differently - services and related processes to look very different from what they are today.

IMPACT OF COVID-19 ON MUNICIPALITIES: MEDIUM TO LONG TERM OUTLOOK

01

Municipal Population, Households and Service delivery

- **Poverty levels will increase** as more people lose jobs;
- Increase in indigent registers - **dependency on the state**- will increase due to high unemployment;
- Access and affordability of services - **cross subsidization** - will be affected as household income declines impacting on revenue collection.

02

Municipal Economic Performance

- COVID response induced significant **additional responsibilities and costs**;
- SA's **economic growth to decline** in line with SA projections of -5.8% or more;
- Increase in unemployment due to companies shut downs and shrinking economy;
- **Ballooning consumer debt** owing to non-payment by consumers;
- Expansion of the **informal sector** economy as unemployment increases;
- **Declining Foreign Direct Investments** and increase in disinvestments. Investment strategies to focus on expansion and retention of existing businesses
- Municipalities **dependent on tourism sector** worst affected due to restrictions on international and domestic travel.



ALTERNATIVE GOVERNMENT: Does the advent of civil society movements advance community self management & challenge the boundaries of politics and municipal governments?



CIVIL SOCIETY MOVEMENTS MAKING THE HEADLINES

*Eastern Cape activists want community control of towns
(9 March 2021)*

*Unemployed People's Movement ready for a
fight as Makana to appeal against service
delivery ruling
(28 Jan '20)*

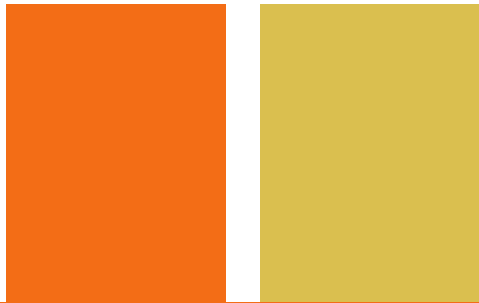
*Let's Talk Komani has now approached the Eastern Cape
High Court to have the Enoch Mgijima Local
Municipality dissolved
(28 Jan '20)*

Beyond Kgetlengrivier: Citizens groups taking over
collapsed municipal services is only a short term solutions
(28 Feb 2021)

*Mamusa Local Municipality: Another citizen group takes its
local municipality to court
(26 Feb '21)*



COALITIONS POLITICS: A permanent feature at local government level?



COALITION COUNCILS - 2000 - 2016

PROVINCES	LOCAL ELECTIONS				PROVINCES TOTALS
	2000	2006	2011	2016	
EC	1	1	-	1	3
FS	-	-	-	1	1
GP	2	-	-	4	6
LP	-	-	-	2	2
KZN	10	9	20	7	46
MP	-	-	-	-	-
NC	2	-	5	3	10
NW	-	-	-	1	1
WC	14	21	12	8	55
Totals	29	31	37	27	124

COALITION : IMPACT SINCE 2016

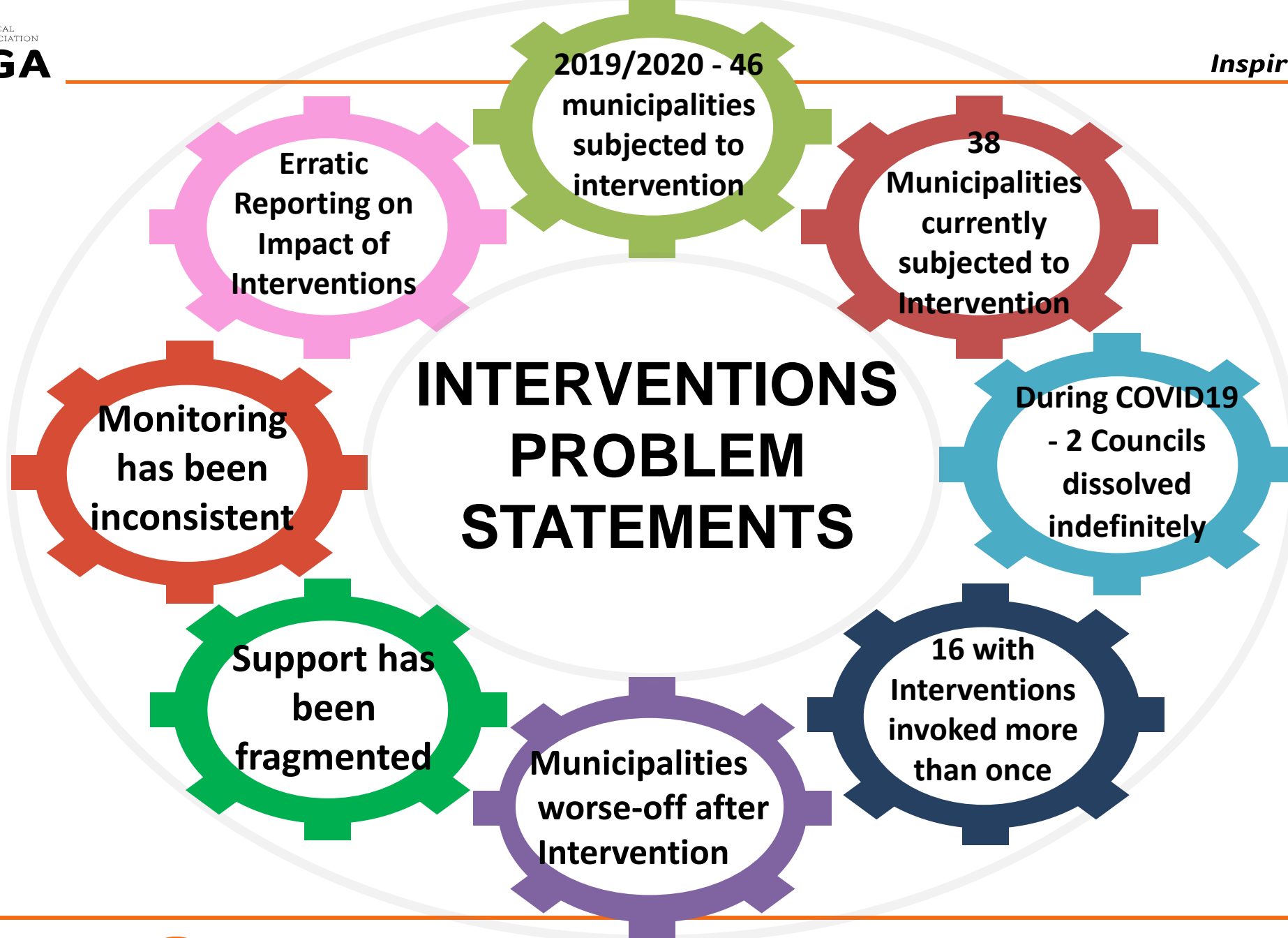
- Unlike previous local elections, 2016 yielded the most dramatic results.
- Control over 3 of metropolitan municipalities – Tshwane, Joburg and Nelson Mandela Bay switched hands in one swoop.
- Mogale LM and Nelson Mandela Bay Metro are now on their 4th Executive Mayors respectively.
- Feuding groupings create stale mates with inability to take decisions resulting in adverse impact on governance and service delivery.

What is needed to improve coalitions in LG?



Has the invocation of Section 139 of the Constitution brought about positive change in affected municipalities?





NT Findings on the practice of Section 139

- **Extensive evidence of severe financial crises in a number of municipalities**
 - Growing public narrative of failure
- **Very low success rate for S139 interventions since 2004, in terms of multiple indicators, due to:**
 - Serious problems in LG not being matched with envisaged Constitutional remedies
 - Almost all (more than 90%) of interventions were in terms of S139(1), despite the conditions being met for applying using S139(5) in around 30% of cases.
 - Inappropriate use of the administrator model in response to a general misinterpretation of “executive obligation”.
 - Interventions taking place much later than the Constitution envisaged, most notably with respect to mandatory interventions
 - Weak oversight & reporting on interventions and their termination
 - Failure of national executive to respond as per S139(7)
- **Several court cases with applicants asking for national government to be compelled to intervene in the municipalities as the relevant provinces have chosen not to intervene**
- **No comprehensive government strategy:** DCoG has resumed activity on the Intergovernmental Monitoring, Support and Interventions Bill

Confirmed by case studies

- *Interventions started too late, long after qualifying criteria met*
 - Created significant (insurmountable?) challenges due to embedded damage
- All interventions possibly *qualified to be S139(5) interventions, not S139(1).*
- *All interventions displayed limits of “administrator” model.*
 - “heroic individual” model not effective, and has no basis in law unless council is dissolved
 - S139(1)(b) only envisaged that the province would take over responsibility for a particular executive obligation, not entire administration.
- Most failed to achieve sustainable long- term improvements in either service delivery or financial sustainability.

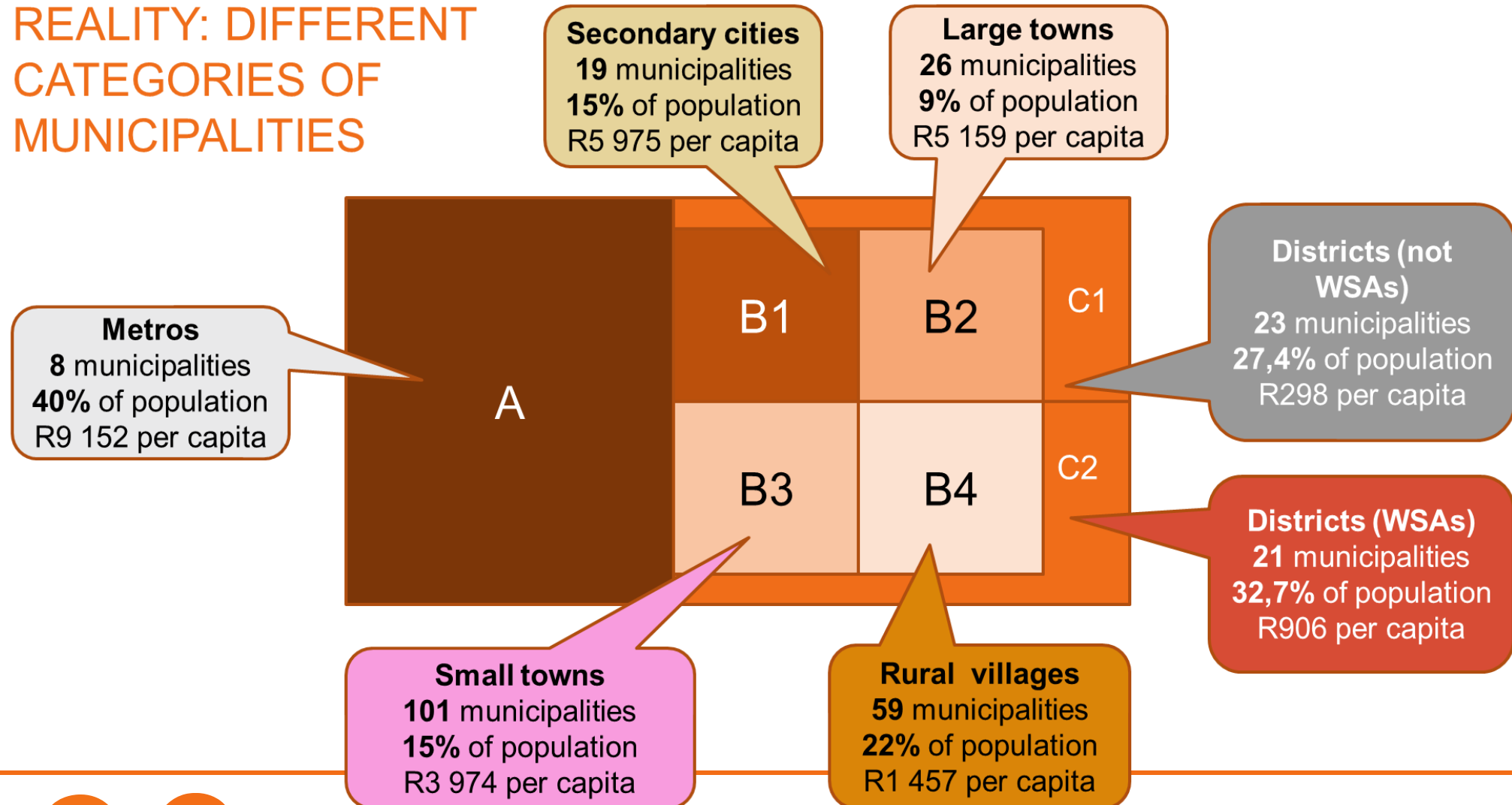


Is a One-size-fits-all approach to regulating local government effective?

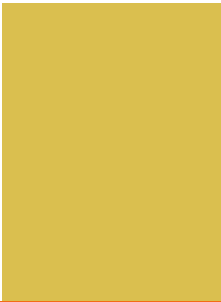


NEED FOR DIFFERENTIATION OF MUNICIPALITIES

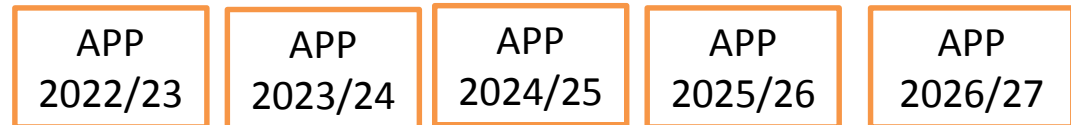
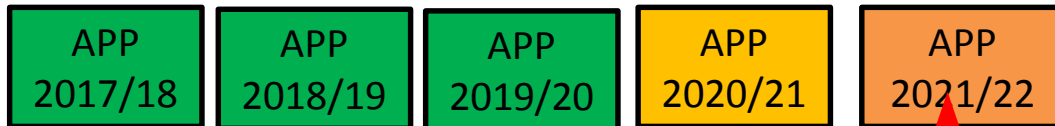
REALITY: DIFFERENT CATEGORIES OF MUNICIPALITIES



PART 2
Proposed Priorities for 2021/22








This is the final APP of the current strategy



This presentation will present the **priorities** for this year, noting that significant reform will be required in the next strategy (for which we have many thoughts and insights)
The focus of this presentation is on high level priorities for the year, the details is contained in the AOPs)

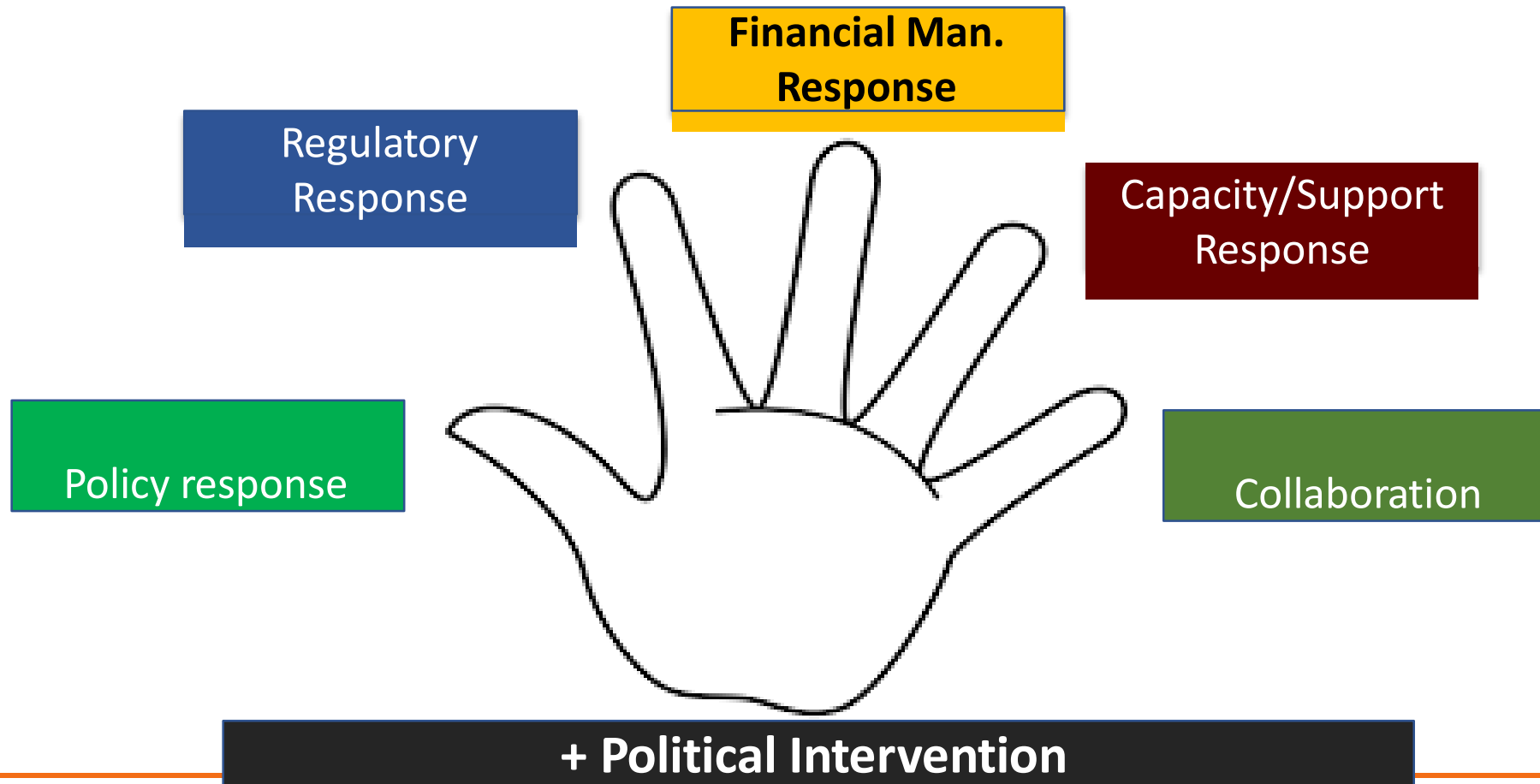
In this, the final APP of the term, we are shifting our posture ...

 FOCUS	<p>From comprehensive and busy to distinctive and strategic</p>
	<p>From inconsistent ownership of priorities to all taking full ownership of SALGAs priorities</p>
	<p>Deepening relevance through keeping SALGA's finger on the pulse of local government issues</p>
	<p>Building capability to become campaigners and shining the spotlight on areas that require attention</p>
	<p>Building a leadership team that embodies inspiration, focus, energy and action!</p>



How do we respond to LG problems?

- Only through a multi-pronged response with other stakeholders:



SALGA'S STRATEGIC APPROACH

Resolve

what are some of the immediate effects of Covid-19 on LG?

Resilience

appreciation of resilience to be inoculated to municipalities

Return

What areas must be refined that will result in returning the state of municipalities to a better position?

Re-imagine

What are some of the things to be done to enhance the functioning of Local Government?

Reform

Building a new approach and resolve to go beyond the difficulties of the moment



The following approach is required to drive the 5R's of stabilizing of local government.



A re-invigorated implementation strategy with credible delivery mechanisms and priorities



A focused and committed leadership across society, as well as a stronger role by the private sector and other social partners.



Improvement in the quality and efficiency of government spending through better planning, streamlining the institutions of government



Sound procurement systems, as well as greater competition and productivity in the economy

Course Correction



Fixing municipalities and their agencies to restore governance and service delivery

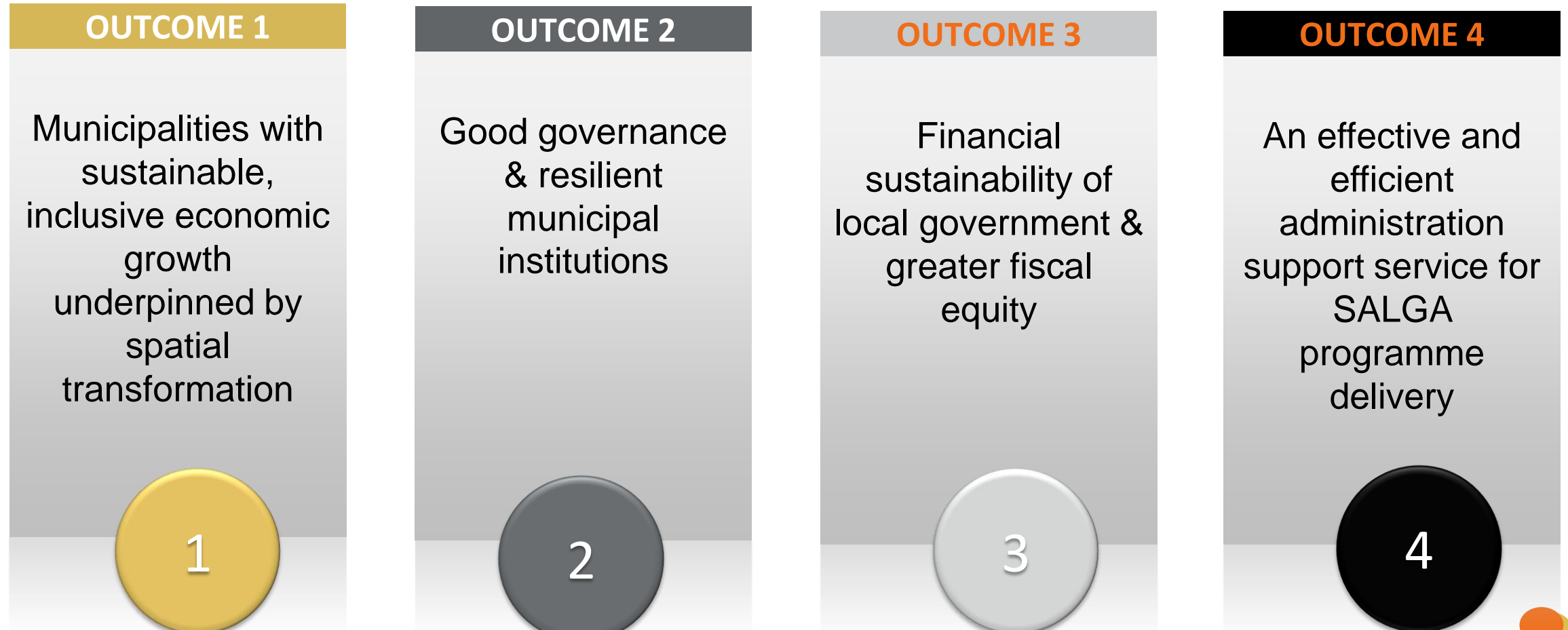


Being decisive in professionalising municipal administrations and stabilizing management and political leadership.

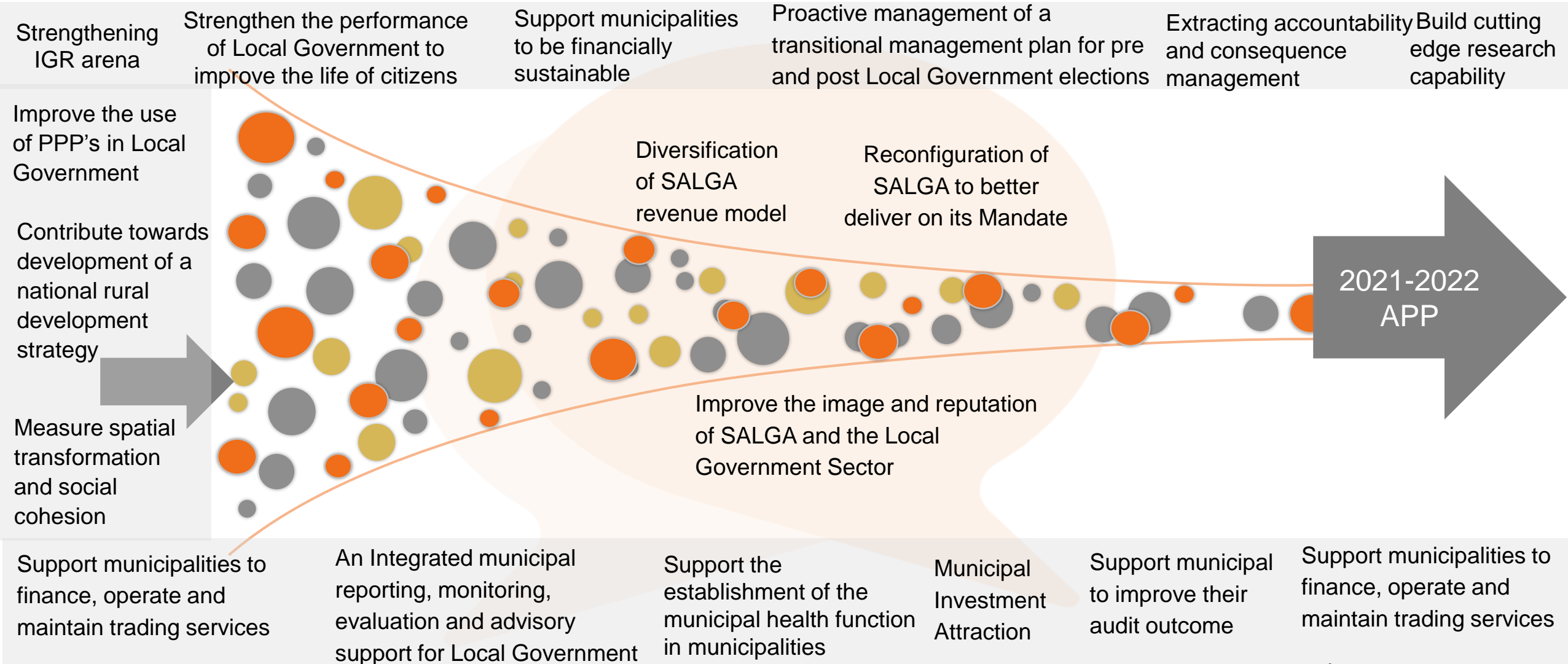


Pursuing fiscal sustainability, sound municipal financial governance and eliminating corruption

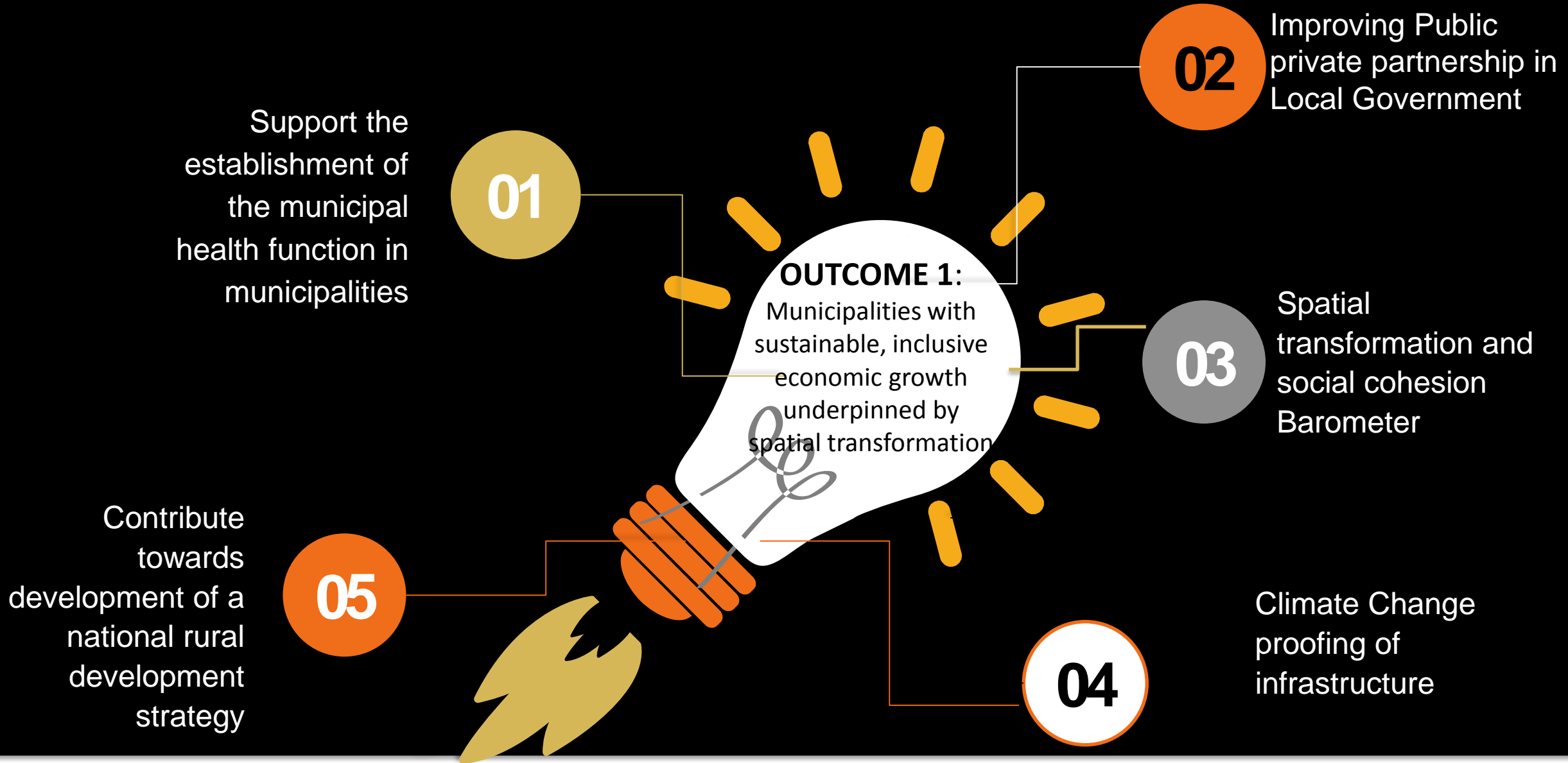
The priorities of this APP contribute to the strategic outcomes defined in the 2017-2022 Strategic Plan



We have distilled 18 priorities to focus on for the 2021-2022 year

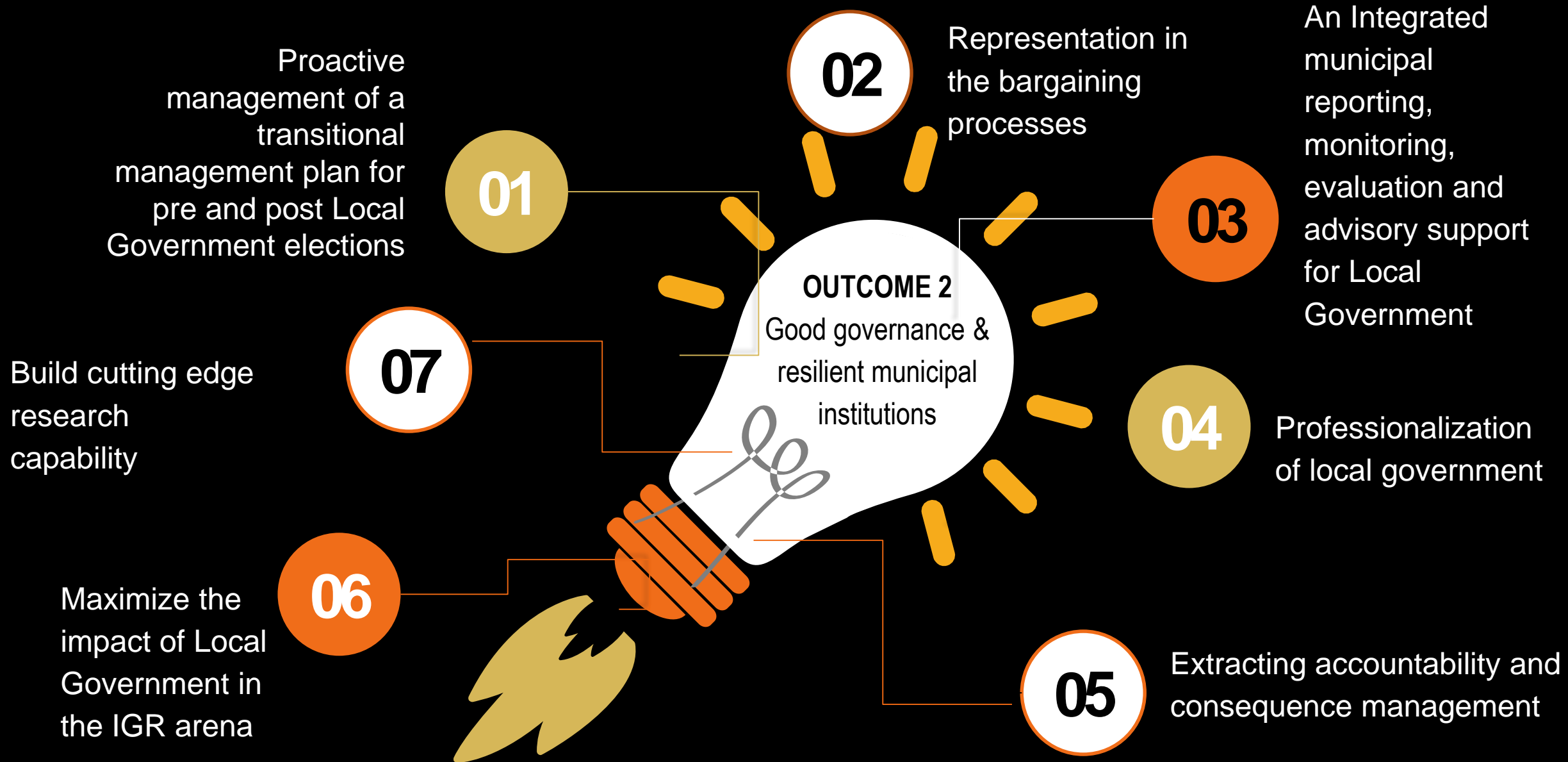


PRIORITIES PER OUTCOME – OUTCOME 1



- Lobby for the refinement of institutional frameworks to enable partnerships with the private sector for network infrastructure investment and maintenance. (PPPs for LG)
- Complete assessment of the capacity of municipal health function in municipalities and use it as a basis for profiling LG and advocating for improvements
- Prepare a position paper to lobby for a national rural development strategy that takes into account the various facets of rural development (not just agriculture)
- Develop a list of identified critical infrastructure owned by municipalities and lobby for the Minister's declaration of some municipal infrastructure as critical in terms of the Municipal Infrastructure Protection Act No. 8 of 2019.
- We will also conduct an assessment of our level of influence in the intergovernmental space

PRIORITIES PER OUTCOME – OUTCOME 2



We will continue to prepare position papers from the perspective of the sphere on legislation that comes before parliament. This year, we will sponsor bills in the following areas:

Local Government Grading amendments

- ✓ Develop proposal for grading of municipalities based on performance and endowment
- ✓ Lobby for the alignment of remuneration of councillors and officials to new grading system

Pension fund amendments

- ✓ Develop proposal for the amendment of sec 156 of the Constitution to enable larger metros to remove the executive functions from council and entrust them to the executive on a permanent rather than a delegated basis

Professionalization of local government

- ✓ Propose legislative reform for a transversal provincial panel comprising of SALGA, Provincial Treasury, Provincial COGTA and Union reps be established to process all senior municipal appointments

Pension fund amendments

- ✓ Develop proposal for the delay of pension pay out until conclusion of legal process when Cllrs or officials are charged with misconduct, etc.

Independent municipal power producers through increasing the licensing thresholds for municipal power generation

- We will continue to function as the employer body through developing a collective bargaining strategy anchored on municipal financial sustainability and financial relief, flexible exemption and opt out dispensation developed to inform the next term negotiations
- Represent municipalities in salary & wage negotiations
 - ✓ Represent municipalities in labour relations & dispute resolution matters
 - ✓ Local Labour Forum Training for Employer Representatives
 - ✓ TASK Job Evaluation Implementation Support

We will support and advise our members in the following areas:

- COVID-19 Induced & Organizational Rearrangements implemented
 - ✓ Fit for purpose/prototype municipal organograms
 - ✓ Service Standards implementation facilitation for selected municipalities
 - ✓ Automated HR Maturity Capability Optimization
 - ✓ Blended Learning Services
- Business Continuity Framework Implementation
 - ✓ Remote Working Arrangements
 - ✓ Change Management Support
- Value Add Services for municipalities
 - ✓ Competency and Integrity Assessment Services

- ❑ Establishing and implementing a multi-disciplinary municipal support coordination hub, which will include the DDM nerve centre. This will contribute to better outcomes by support role-players.
 - ✓ Establish the DDP nerve centre to coordinate strategic, integrated and hands -on support
 - ✓ Deploy SALGA representatives to 52 District Technical Hubs.
 - ✓ Participate in DDM IGR structures to advocate and lobby for SALGA's position including finalisation of policies and regulations relating to DDM institutionalisation.
 - ✓ Host DDM Knowledge Exchange and Peer Learning sessions.
 - ✓ Develop and implement DDP monitoring and evaluation matrix

We acknowledge the need to improve our current research and knowledge sharing offering. To this end we will ...

- ❑ New Generation Research Strategy developed and implemented
 - ✓ Research Products and Services Catalogue Development
 - Prepare research on the role of LG in building social cohesion
 - ✓ Thought leadership market repositioning
 - Symposiums/colloquiums
 - Reform Dialogues
 - Journals/Publication/Reviews
 - Benchmark Studies
 - Case Studies
- ❑ Spatial transformation barometer used to monitor the performance in 10 municipalities and publish the report
- ❑ Documented practices for investment, operation and maintenance of social infrastructure in municipalities shared through municipal engagements

THEMATIC CALENDAR

- To build and establish a **structured approach** on content planning, development and distribution
- Find structure in content development, advance planning in profiling the organization's work and effectively communicate the role of local government in different sectors of government

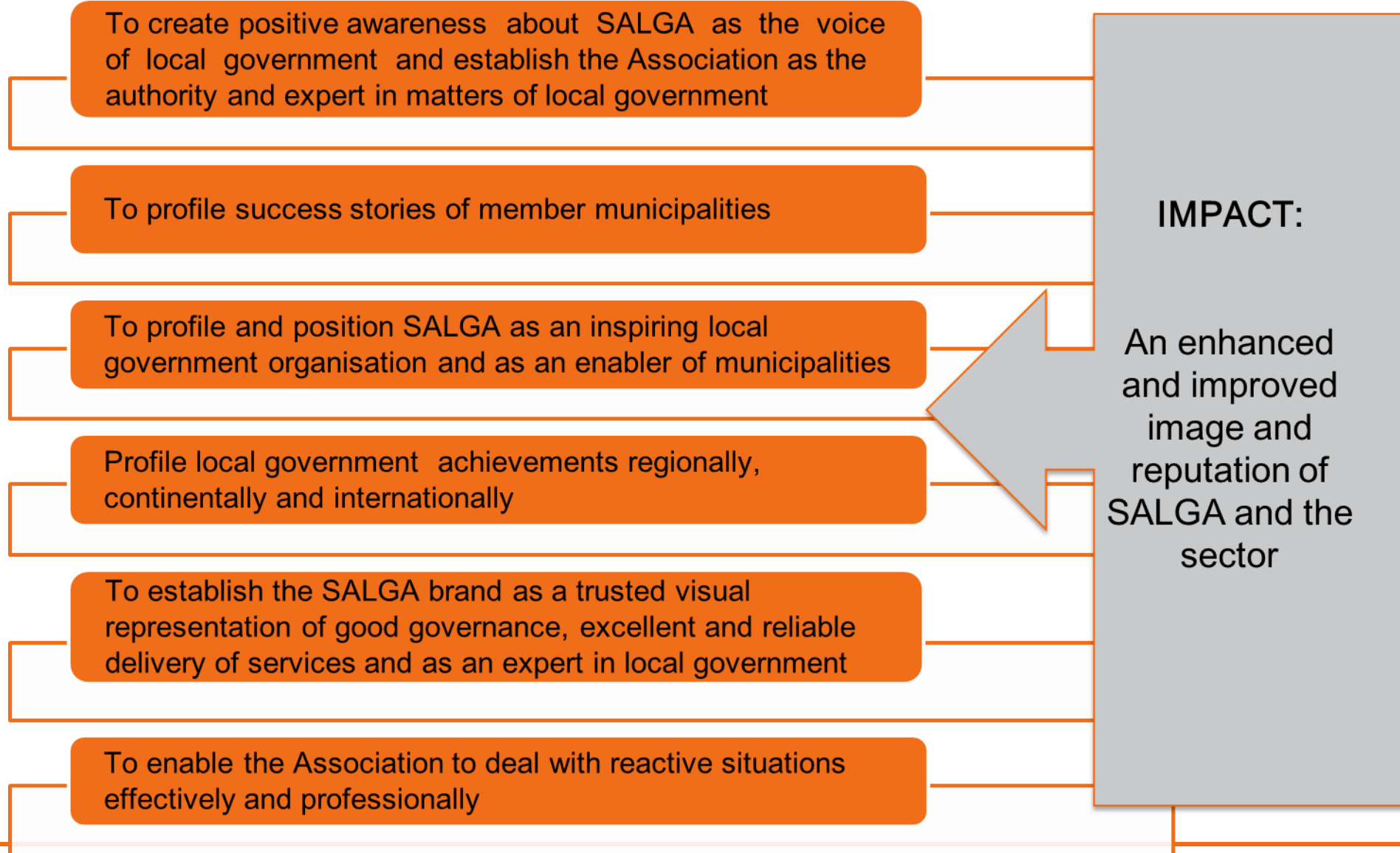
LG TRANSITION CAMPAIGN

- Increase awareness about local government (governance, mandate, powers & functions)
- Showcase the value chain of municipal services
- Create and increase awareness around **service delivery of municipalities** in the past 20 years
- Create a **repository of good news stories** in local government

SALGA 101

- Educate stakeholders about the role of SALGA
- Showcase **the achievement of SALGA**
- Profile the key gains made by **SALGA** in IGR, Parliamentary, International and other key platforms

STRATEGIC PROFILING OBJECTIVES TO BE ACHIEVED?





- Invest in supporting Community radio stations and ALS (African Language Stations) to communicate with communities
- Through Community and ALS radio stations SALGA can ensure representation of the diversity of the sector which is not provided by mainstream media
- With the implementation of the language policy, SALGA can use these stations to profile the sector and understand key issues being raised in communities
- Community media provides a platform which provides a diverse voice from urban to rural communities which SALGA can use to position opinion pieces to communicate work being done





- The SABC provides 19 radio stations (AM/FM) as well as 5 television broadcasts to the general public, with this reach, SALGA can develop various partnerships with the broadcaster to assist in profiling our work.
- With a collective audience of more than 5116 000 listeners, Mediamark Radio represents six of SA's best-loved radio stations. Their regional stations cover Gauteng, Limpopo, Mpumalanga, KZN and the Cape Metropole delivering significant reach across the country. Stations include KayaFM; East Coast Radio and Jacaranda FM

Primedia Broadcasting delivers innovative radio content and digital solutions that connect brands to an engaged and responsive audience. Some of its stations include 702, Eyewitness News; Cape Talk



PROFILING THROUGH ONLINE MEDIA PARTNERSHIPS

A new normal for print media



- Since the announcement of restrictions imposed during the advent of **Covid-19** - data shows a **49% drop in circulation** of newspapers;
- The high level of **cancellations of advertising** in the period leading up and over the lockdown period of as well as the **significantly reduced levels of circulation numbers** has had a major impact on publications trading therefore leading major publication houses to relook the offer presented to clients.
- To sustain post-COVID-19 journalism, South African media houses are currently making the **transition from print to online publishing**.
- This has created an **opportunity for SALGA to explore online partnerships** to create dialogue this will also include broadcast content which is an exciting new platform for SALGA to venture into.



PROFILING THROUGH ONLINE MEDIA PARTNERSHIPS

A new normal for print media



- However, there is a **serious digital divide** in South Africa - a significant number of the population not having access to the internet, and thus are **excluded from consuming news online**.
- Rural Africa is still struggling with broadband penetration and **expensive data and electricity costs**. Internet access has been increasing rapidly because of much improved Information Communications Technology infrastructure and a drop in mobile data costs. But **data prices in South Africa remain expensive**
- **OPPORTUNITY:** Explore ways in which it can **partner with Telco's** to provide a solution for communities and indirectly creating platforms to share information and news about local government



PRIORITIES PER OUTCOME – OUTCOME 3

Support municipalities to finance, operate and maintain trading services with a focus on:

- non-revenue water
- energy transition
- waste management

01

02

Support municipalities to be financially sustainable:

- Developing and benchmarking a financial sustainability index
- Diagnosing why property rates are not being collected

OUTCOME 3:
Financial sustainability of local government & greater fiscal equity

04

Through MASP, support municipalities with disclaimers and UIFW to improve their audit outcomes

03

Municipal Investment Attraction through support with economic development strategies, trade and investment guidelines and developing a Cities Investment Competitiveness Index

- ❑ This year, we will sponsor proposals in the following areas:

Improve municipal revenue collection instruments

- ✓ **Amending the Tax Administration Act** so that before SARS pays tax refunds, they first check if the particular tax payer does not have monies due to his/her municipality. If the tax payer owes, the amount due to the municipality will be paid first
 - ✓ **Amend all relevant legislation and parliamentary rules, etc** 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 (Cabinet members, Parliamentarians, appointees in Public Entities, etc).
 - ✓ **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.
 - ✓ **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.
 - ✓ **Amending the Vehicle Licencing Registration Regulations** to withhold the issuing of vehicle licences if municipal rates and service charges are outstanding.
- ❑ Introduce innovative measures for restructuring of historical uncollectable debts including write-offs

- ❑ Improving audit outcomes with particular support to our members with disclaimers, ineffective MPACs, and with UIFW expenditure
 - ✓ 60 municipalities that obtained a Disclaimer of audit opinion and Adverse audit opinions for the 2019/2020 financial year supported
 - ✓ 40 municipalities identified as having ineffective MPAC's and increased Unauthorized, Irregular and Fruitless & Wasteful Expenditure (UIFW) in the audit outcome for the for the 2019/2020 financial year
- ❑ Improving trade and investment through the roll out of guidelines

- ❑ Supporting municipalities with the energy transition (small scale embedded power generation) and enhancing revenue through “power wheeling”
- ❑ Improving waste management in rural areas and exploring how municipalities can benefit more from the waste economy through the Extended Producer Responsibility Programme
- ❑ Support municipalities to be financially sustainable through shining the light on their financial sustainability through the development of an index and diagnosing why property rates are not being collected in certain municipalities
- ❑ Supporting economic development strategies through expanding the footprint of our small-town regeneration programme and infusing these principles into the DDM
- ❑ Reducing non-revenue water
 - ✓ Explore sourcing of alternative funding
 - ✓ Campaign plan developed for the social (user education) and technical interventions respectively
 - ✓ Package the Legal, Institutional and Financial WC/WDM pillars interventions for selected municipalities

INTEGRATED TECH AND INNOVATION PLATFORMS

7



Municipal Water Data Management and Intelligence

Platform to coordinate data collection and enhancement of decision-making for better water management outcomes

Interfacing with stakeholders and sectors & national level

1



WEIR

Water engineer inspire programme: Training, skills development, knowledge exchange

2



R&D Agenda

Coordination platform for regional and national R&D initiatives

3



WADER

Water technologies demonstration programme for emerging technologies

4



Streamliner

Facilitating (inter)national established technology into SA water sector

5



Water technology Forums

Platform to coordinate, prioritize and share results
 Interfacing with other sectors & national level

6



Test beds

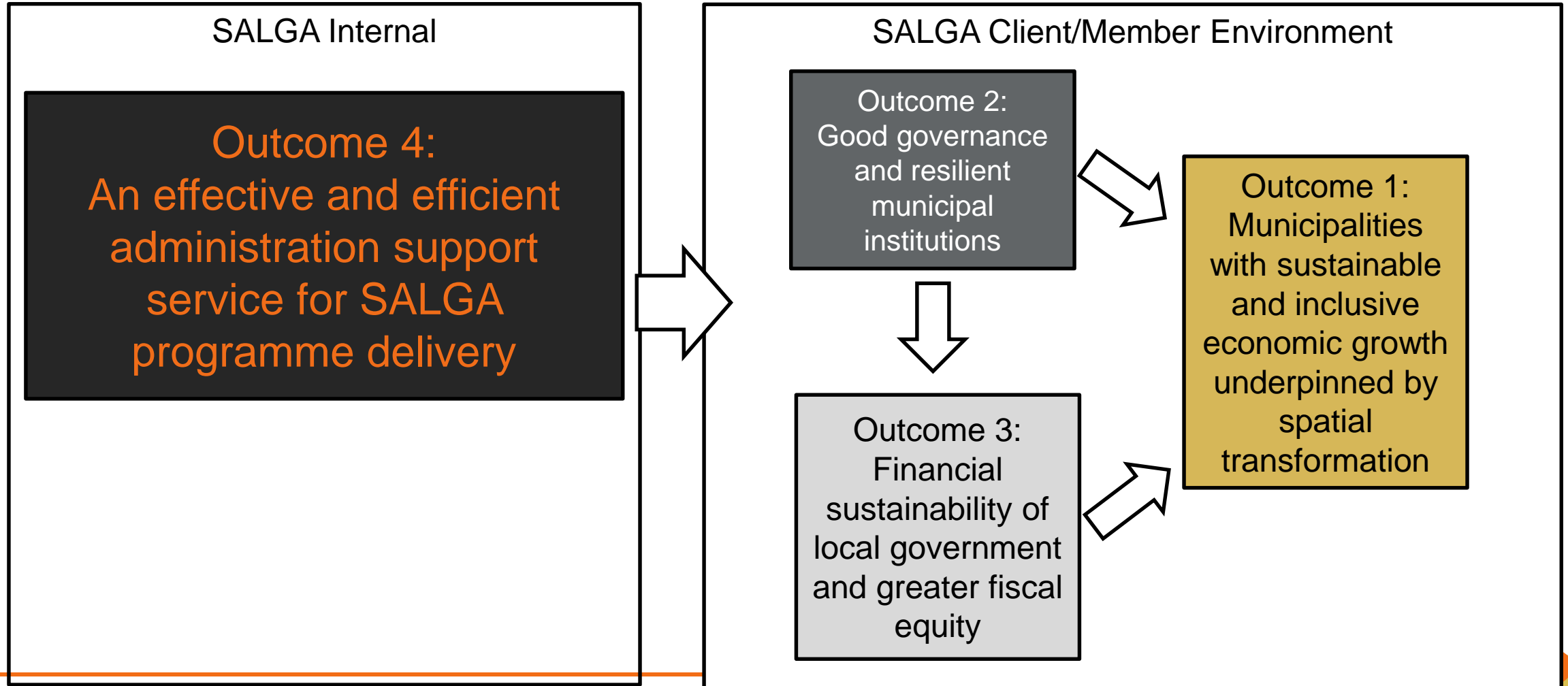
Facilities to test new technologies

**In order to do this, we need to strengthen ourselves ...
which is our 4th outcome**

**Outcome 4:
An effective and efficient
administration support
service for SALGA
programme delivery**



Without a strong SALGA we will not make a difference in Outcomes 1 to 3



PRIORITIES PER OUTCOME – OUTCOME 4

Reconfiguration of SALGA to better deliver on its Mandate:

- Digitalization of SALGA environment
- Improved Human Resource strategy
- Enhanced operating model
- Introducing project management approach and methodology

01

Outcome 4:
An effective and efficient administration support service for SALGA programme delivery

02

Diversification of SALGA revenue model

03

Improve the image and reputation of SALGA and the Local Government Sector

We will continue doing what we do well, and will also implement improvements in a number of areas ...

- ❑ Continuing to keep our house in order by achieving a clean audit
- ❑ Diversifying our revenue sources so that we reduce our overwhelming reliance on membership levies
- ❑ Reconfiguring our internal operations to better deliver on our mandates through:
 - ✓ A revised operating model and adopting a project management approach within the organization
 - ✓ Implementing our human capital strategy (which includes the recommendations of our culture survey and the filling of critical vacancies for approved posts)
 - ✓ Developing a remote working framework which we will be implementing once adopted. This will assist us with adjusting to this new imperative that has arisen as a result of Covid 19
 - ✓ Developing a strategy for SALGA for the next term which will build on a celebration of what has been achieved – and, very importantly, critical self-reflection of where we have not met the mark, where we have contributed to the problem – and consequently, what we are going to do about it.
 - ✓ Developing our governance framework for the next term and convening the associated structure

The 4th Industrial Revolution has arrived in SALGA ...

The benefits of the 4th industrial revolution are becoming apparent to us. To take advantage of this, we will be:

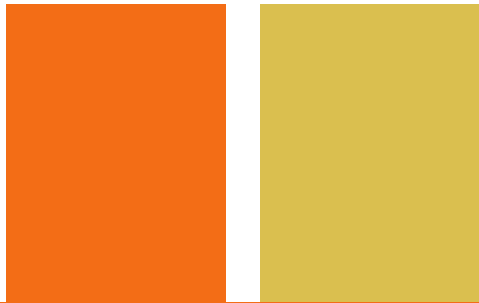
- ✓ Modernizing our governance systems and processes through the use of digital technology
- ✓ Explore new models of interface with our members.
- ✓ Developing a Digital Integration and Digitalisation Strategy which will see us moving to the cloud and integrating and automating operations where appropriate.
- ✓ Exploring how we can support municipalities in this area and will be rolling out a comprehensive programme in this regard once we have made progress within SALGA itself. In the interim, we will be providing support to municipalities through ICT assessments and advice (including broadband).
- ✓ Ramping up our digital analytical capabilities and platforms for more nuanced and effective advice to our members.

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SPECIAL INTERVENTIONS IN RESPONDING TO THE LOCAL GOVERNMENT CHALLENGES



COALITION GOVERNMENTS: Introduce a Legislative Guiding Framework

PROBLEM STATEMENT

- No framework legislation on coalitions OR guidance to political parties on how to govern in coalition governments.

PROPOSED INTERVENTION

1. Need to develop a framework that can guide political parties on how to govern in coalitions;
2. The Guidelines to deal with two crucial stages of coalition governments
 - Coalition formation stage
 - What happens after a council is declared hung?
 - Coalition governance
 - What is needed to promote stability during the life-cycle of the coalition?

Address the unintended consequences of AMALGAMATED MUNICIPALITIES

PROBLEM STATEMENT

- The 2016 Merging of municipalities HAS NEITHER resulted in improving settlement patterns, leadership and economic bases, NOR **created more financially viable municipalities**

PROPOSED INTERVENTIONS

1. Investigate options to raise the revenue levels and particularly the transfers to the municipalities which have lower levels of economic opportunity;
2. Due diligence study should be commissioned to assess the financial and governance situation of demarcated municipalities; and
3. For future purposes municipal demarcation should not be seen as a solution for viability and sustainability.

Address the unintended consequences of Section 139 Interventions

PROBLEM STATEMENT

- Most Section 139 Interventions have failed to achieve the sustainable long-term improvements in either service delivery or financial sustainability.

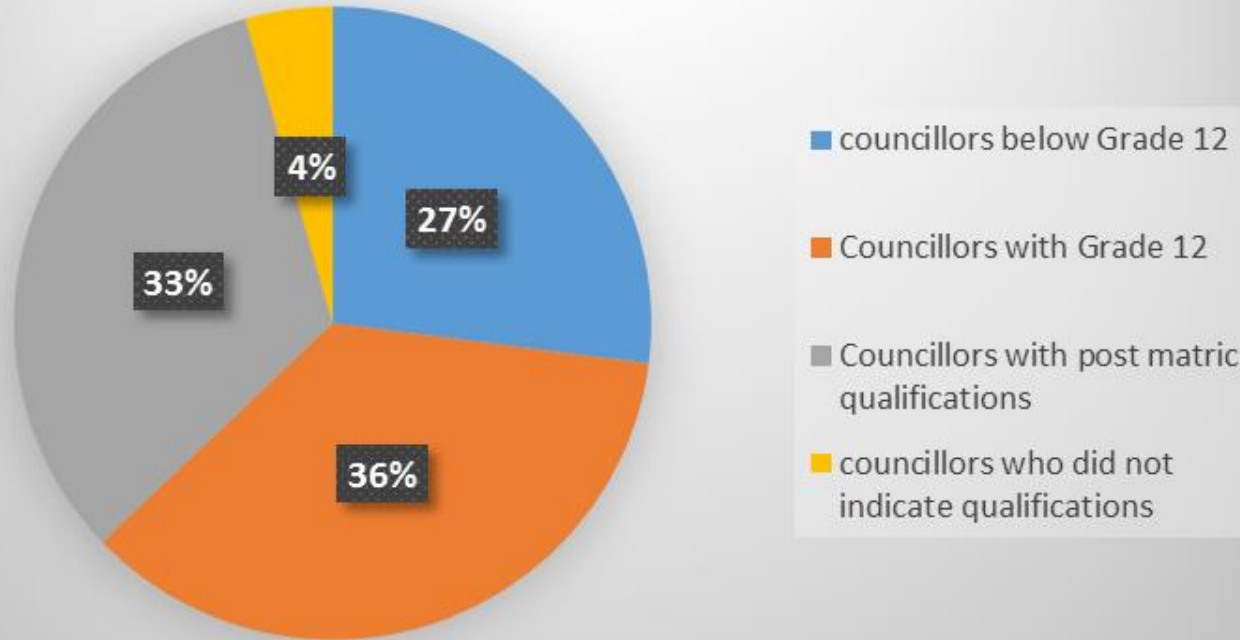
PROPOSED INTERVENTIONS

1. Fast track the processing of the Intergovernmental Monitoring, Support and Interventions Bill.

ADDRESS THE CALIBRE OF LG LEADERSHIP - PRIORITISE RECRUITMENT OF SKILLED CANDIDATES

Current Reality (2016)

Councillor Educational Levels



Councillors Below Grade 12	12
1887	
Councillors with Grade 12	2500
2285	
Councillors with post matric qualifications	2285
308	
Councillors who did not Indicate Qualifications	308

REDUCE REGULATORY AND LEGISLATIVE COMPLIANCE

PROBLEM STATEMENT

- Legislative compliance obligations are excessive with 75 legislative reporting requirements.

Proposed Intervention:

1. A comprehensive review and assessment of regulatory obligations imposed on local government;
2. A comprehensive review and assessment of reporting and compliance obligations;
3. A comprehensive review of powers and functions of municipalities with particular focus on functions delivered by municipalities on behalf of national and provincial government;
4. Most importantly, should steer away from using the law to fix a problem that can be best resolved by alternative means, including where a **political intervention** will be more impactful.

STRENGTHEN CONSEQUENCE MANAGEMENT AND ACCOUNTABILITY

PROPOSED INTERVENTIONS:

1. Strengthen and appropriately capacitate MPACs, by assigning them powers similar to SCOPA, so that they can play an effective oversight role.
2. DPSA to urgently act against officials in the employ of the state conducting business with municipalities.
3. Strengthen SCM systems to enhance transparency and decision-making, eg introduce digital online SCM Systems.
4. Introduce compulsory membership of Professional Bodies for key municipal officials, eg MM, Section 56 Managers, Heads of SCM, Risk and Internal Audit; and
5. Strict enforcement of the listing of municipal officials and service providers implicated in mal-administration.



FINANCING THE PLAN



MTEF 2021-2024

Budget Parameters

R thous and	Medium Term Estimates		
Budget Parameters	2021/22	2022/23	2023/24
Administrative Costs Growth Rate - Projected Consumer Price Index (CPI)	4.4%	4.4%	4.5%
Employee Costs Growth Rate - Projected Consumer Price Index (CPI plus 100 basis points)	5.4%	5.4%	5.5%
Operating Expenditure	R 743,497	R 775,257	R 803,734
Total Revenue	R 743,709	R 775,541	R 803,978
Early Settlement Discount - Estimation based on prior year take up	R 9,000	R 9,000	R 9,000
Net Membership Levies	R 692,299	R 723,206	R 751,513
Government Grant - Executive Authority	R 35,369	R 36,280	R 36,408
Membership Levy Formula (Proposed)	2021/22	2022/23	2023/24
Metropolitan Municipalities	Flat Rate plus CPI plus 1% using 2020/21 base year	Flat Rate plus CPI plus 1% using 2021/22 base year	Flat Rate plus CPI plus 1% using 2022/23 base year
Districts & Local Municipalities	1% of Salary Budget, Minimum of R500k	1% of Salary Budget, Minimum of R500k	1% of Salary Budget, Minimum of R500k

Recommendation

It is recommended for the **PC COGTA** to:

1. **NOTE** the context for the 2021/22 Annual Performance Priorities.
2. **NOTE** the Annual Performance Plan for the 2021/22 financial year.
3. **NOTE** the 2021/22 – 2023/24 MTEF Budget.



**THE EASIEST THING TO DO IS
EVERYTHING
(BECAUSE EVERYTHING CALLS FOR
ATTENTION)**

**THE MOST DIFFICULT THING IS
WHAT NOT TO DO!**





SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Thank You



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