

MEMORANDUM TO MINISTER RICHARD BALOYI

**DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
(COGTA)**

on the

INCA CAPACITY BUILDING

2011 SUMMER SCHOOL

**“The Effective Implementation of Sound Policies, Strategies
and Management Practices needed to ensure the Financial Recovery
and Sustainability of Municipalities”**

**7th – 9th November 2011
FNB Centre, Sandton**



I N C A
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TABLE OF CONTENTS

| | | |
|----------|--|----------|
| 1 | INTRODUCTION AND PURPOSE | 3 |
| 2 | RECOMMENDATIONS | 3 |
| 3 | SPEAKERS AND TOPICS COVERED | 5 |
| 4 | BREAKAWAY GROUPS INPUTS | 7 |

1 INTRODUCTION AND PURPOSE

The INCA Capacity Building Fund (ICBF) Summer School is a three day event that has taken place annually since 1999 and is sponsored by INCA, FNB and Groupe Agence Francaise de Developpement (AFD). Senior municipal officials are selectively invited and based on the quality of their contributions a number of officials are every year rewarded with a study tour to France.

This year the ICBF Summer School took place from 7 – 9 November 2011 at the FNB Conference Centre in Sandton, Gauteng. The theme of the Summer School was: “The Effective Implementation of Sound Policies, Strategies and Management Practices needed to ensure the Financial Recovery and Sustainability of Municipalities”. The presentation topics that were chosen echoed the problems and challenges that local government currently experiences, some of which are also hotly debated in government circles. A few key issues have emerged as the primary focus areas for the recommendations emanating from the Summer School.

The purpose of this Memorandum is therefore to:

- Inform the Minister of the outcome of the ICBF Summer School, 2011, on behalf of the municipal practitioners that attended it; and
- Request the Minister that the matters and concerns raised and the recommendations made be taken cognisance of as a contribution to ensure financial recovery and sustainability of municipalities.

Supportive documents to the Memorandum are:

- the full Report of the Summer School, 2011 as submitted herewith; and
- the speakers’ presentations which ICBF will gladly provide on request to the Office of the Minister.

2 RECOMMENDATIONS

The following recommendations emanated from the Summer School – many of which give impetus to current COGTA initiatives and others calling for a new or alternative approach.

Reforming the Model and Structure of Local Government:

- Replacing the two tier local government system with a structure or hybrid of structures that are tailor made for SA and different areas in SA which include a re-look at the role of provinces and metro’s - not with the view to protect political and administrative positions and comfort zones but ruling out mismatches and re-training of individuals to fit into new structures.

Review and Refining of Intergovernmental Relations (IGR) and Co-operative Governance:

- Dysfunctions in the IGR system be openly and critically debated to lay bare the real reasons for these and the debate and outcomes be pragmatic rather than political;
- Overlaps and other problems caused by the concurrency of powers and functions and the lack of watertight divisions between such powers and functions be addressed and municipalities be allocated such powers and functions that fit the structure, size, capacity and revenue base of a particular type of municipality;
- Functions such as local economic development and the specific role that local government fulfil therein be better defined and the overambitious nature of Integrated Development Plans be revisited;
- In the process of the above revision, a complete stop be put to unfunded or inadequately funded mandates and, as a fall-back position for local government, legislation to provide for municipalities to refuse acceptance of unfunded mandates;
- The Auditor General of South Africa to include unfunded mandates as a separate reporting item in its audit of municipalities; 1) to get a full picture of its impact; and 2) to present all sides of the ‘municipal picture’ to the public who has come to mistrust all municipalities without having a clear perception of the villains involved; and
- The Minister of COGTA to call on the consolidated support of SALGA, IMFO and other such formal and informal organisations representing municipal officials to support it in presenting and protecting the case of local government against other spheres and departments in government.

Streamlining Legislation and Moving from a Disabling to an Enabling Regulatory Environment:

- The review of all legislation that governs or have an impact on the governance and management of local government be sped up to establish the extent of and solutions to overregulation, overlaps, the 'serving of too many gods' thus excessive compliance and reporting demands and unnecessarily cumbersome processes with the aim to enable municipalities to be providers of services that broaden their tax base.

De-Politicising, Professionalising and Capacitating Local Government Administrations:

- Enforcement (and if need be, expansion) of legislation and regulations that depoliticise municipal executive and other administrative positions and oblige performance management;
- Debating and implementing further measures to lessen the impact of political instability on municipal administrations and training/empowerment of councillors (and other local politicians) to be more responsible, supportive and accountable for improvement and lack of service delivery;
- Reforming the performance management system to reward excellence also for other levels of municipal staff;
- In various fora, on a national level, progressively rethink and implement measures to lessen the impact of a poorly skilled, functionally mismatched and overpaid municipal workforce who are protected by trade unions that do not understand management principles and prerogatives and have no passion to serve communities; on service delivery;
- Urgently, rethink the MFMA based minimum competency levels and obligations enforced by National Treasury to once again move away from a 'one size fits all' training framework to what is really needed and practical;
- Linked to the above, COGTA in co-operation with SALGA, the LGSETA, professional bodies such as IMFO and SAICE and, where necessary trade unions, to take control of the training environment of municipalities not letting other departments dictate however well meant; and
- Taking cognisance of the views expressed by various bodies, e.g. the Financial and Fiscal Commission (FFC), COGTA to make sure the Municipal Infrastructure Support Agency (MISA) is geared to really transfer technical skills but also for such technical expertise and planning to have a real impact on service delivery.

Effective, Equalised Financial Structures and Functions to ensure Financial Viability and Sustainability

- The review of the intergovernmental fiscal system that is underway be aimed at equalising the benefits derived by the different spheres of government from the national fiscus based on real needs;
- A rethink of the way in which free services are implemented, e.g. is it feasible to provide free services to primary and secondary households (same owner), and if clearly not, is it possible to administrate regulation thereof, e.g. a national database;
- Assisting municipalities to establish a national database of consumers primarily for debt management but it could also serve other purposes;
- A revision of the local government equitable share formula taking into account the 2011 census results, spatial development patterns, the extent of indigent services and municipalities' capacities to raise revenue for the powers and functions allocated to them including the real costs of services;
- If considered, that a local business tax not fall into the same trap of 'one size fits all' and incentivise investment rather than cause further erosion of municipal tax bases;
- The way in which the Auditor General of South Africa (AGSA) and its provincial offices exercise their powers (including the time schedules it forces on municipalities and the experiential depth of internal skills employed by the AGSA) be questioned by COGTA and the practical problems of municipalities be taken up with the AGSA to reach a situation where municipalities are not only on the receiving end of the AGSA's compliance powers but also benefit from expertise within the AG's office;
- COGTA, in co-operation with inter alia SALGA, to take up the tariff battle with ESKOM and NERSA and substantially question departure points, legal interpretations and financial viabilities, i.e. in essence forcing a holistic picture of electricity tariffs to protect municipalities and consumers from further excessive tariff hikes and cross-subsidising other ESKOM consumers; and
- COGTA to argue for the factoring of especially maintenance cost into the calculation of the Municipal Infrastructure Grant (MIG).

3 SPEAKERS AND TOPICS COVERED

Nine speakers with a wealth of knowledge and expertise were invited to deal with topics related to the theme of the Summer School and on the last day a senior official of COGTA also joined the Summer School. Important points made by these speakers are highlighted below.

Mike Schüssler, Economist and Director of Economists.co.za

Key Note address: The Current and Expected Economic Environment and the Associated Impact on the Income of Ratepayers and their ability to pay for municipal services

Mr Schüssler gave an overview of international and national economic trends and forecasts and specifically related to local government he made the following points:

- High unemployment, a declining tax base, huge electricity and water rates increases make the provision of free services non-sensical.
- Many SA households (white and black) own a second home thus a large number of homeowners receive free services from a number of municipalities.
- Johannesburg's electricity is more expensive than that of Paris but without security of supply.
- It is essential to safeguard street traders and informal markets and create jobs with real value to contribute to the expansion of the tax base.
- Overregulation similar to 1st World practices, e.g. environmental and labour related, is causing SA to lose much needed investment.

Dr. Chris Kapp, Acting CFO, George Local Municipality (GLM)

The Dilemma of Spending Patterns, Consumer Demands and Bulk Tariff Increases against Affordable Tariff Setting and Available Resources

Dr Kapp made a number of points that related directly to GLM; however, through subsequent inputs from delegates it became clear that the situation in GLM was just as much applicable to many other municipalities.

- Rates and service charges have become unaffordable to consumers and are going to drive municipalities bankrupt and prolong the economic decline in South Africa.
- The control of excessive administration costs and doing away with unfunded mandates will result in a substantial decrease in service charges.
- Local government is totally overregulated with National Treasury having positioned itself as 'big brother' to the neglect of real service delivery.
- Trade unions are attempting and often succeeding to exert an influence surpassing the prescribed consultation obligations; threatening merit based appointments and thus the professionalization of local government and derailing attempts to bring local government salaries in line with economic reality.

Ms. Siyabulela Bashe, Manager Debt Management, City of Cape Town Metropolitan Council

The Enforcement of Credit Control Policies and the Introduction of Innovative Measures are key to ensuring Optimal Revenue Collection

Ms Bashe outlined the strategies and successes of debt management in the City of Cape Town. Important are:

- The existence, understanding, implementation and enforcement of a Credit Control and Debt Collection (CC&DC) Policy and By-law.
- Political buy-in; a culture of payment; analysis of the debtors' book; targeting government and business debt first; a focus on staff and councillor arrear accounts; upfront credit control and competent staff.
- A multi-disciplinary task team to manage debt.
- First take action then talk, i.e. disconnections and residential restrictions before resorting to legal action.

Mr Peet du Plessis, Head: Revenue Management, eThekweni Metropolitan Municipality

The Constructive Use of Legislative Remedies to Improve Debt Collection

Mr Du Plessis outlined the strategies and successes of revenue management in the City of eThekweni. He pointed out that:

- Local government has adequate enabling legislation to pursue debt collection and protect and enhance the revenue base of municipalities, e.g. consolidation of accounts and the restraint of property transfer unless rates are paid up to date.
- A good CC&DC policy and by-law and an adequately staffed multi-disciplinary revenue protection unit are keys to a successful revenue management programme.
- Contracts must only be with owners and owners kept accountable for all outstanding debt.
- The City did not accept debt councillor propositions or get involved in insolvent estates and a new method was the attachment of property for 'sale in execution'.

Ms Mare-Lise Fourie, Specialist Consultant and Board Member of the INCA Capacity Building Fund

A Pragmatic Approach to the Introduction of the Required Skills and Capacity within Municipalities

Ms Fourie made the following important points regarding the municipal competency debate:

- The huge decline in municipal staff skills are inter alia due to significant under-spending on skills training; skills demands are legislation driven and a total mismatch between skills needed vis-à-vis skills employed.
- Challenges included re-building trust relationships; professionalising municipal administrations; adequate institutional capacity and replacing financial and technical experience.
- Depoliticising top management positions and Competency Regulations correct steps but will only succeed if multitude of negative factors addressed, e.g. political interference and lack of governance.
- Local government needed skilled managers with the leadership abilities that made them wanted to embrace the philosophy of the King Report on Governance for SA (King III) within the concept of Ubuntu.

Adv. Werner Zybrands, Municipal Manager of the Overstrand Local Municipality

The Practical Impact of Legal Reforms and Changes in the Legal Environment on Service Delivery in Municipalities

Adv. Zybrands critically analysed recent legal reforms and changes:

- Overregulation inhibited service delivery, e.g. financially and environmentally prescriptive legislation.
- A valuation appeal board should almost have the status of a court with a reported judgement to create precedents for the future application of the property rates legislation.
- COGTA did not steer or protect local government but allows, notably Treasury to govern in its place.
- The Competency Regulations were not thought through, costly; impact negatively on service delivery through man hours lost and may, in some instances, prove to be unconstitutional.
- The consumer protection legislation was a new form of taxation and specifically municipal contracts must be fair, reasonable, just and in plain, understandable language.

Ms. Nicolette Botha, INCA Portfolio Managers

Multi-year Financial Modelling: A Prerequisite for Sound Financial Management and Sustainable Process of Service Delivery

Nicolette Botha outlined the steps to achieve financial sustainability which must include:

- Multi-year financial modelling based on a holistic set of financial and socio-economic information resources.
- Decisions based on real cash flow; budget assumptions that were verified and historical trends.
- Future financial sustainability considerations inter alia the level of consumer collections, the impact of operational budgets and capital funding requirements on cash.
- Monitoring and re-assessment processes to maintain financial sustainability.

Mr. Theunis Fourie, FNB

Cash Flow Management and Municipalities

Theunis Fourie discussed the key aspects involved in cash flow management:

- Being able to predict cash inflows and outflows enables control over cash surpluses and deficits as well as short term investments vis-à-vis short term bridging finance.
- An investment decision must be a process with regular and predictable decision-making.
- A permanent overdraft and bridging finance should be limited, negotiated prior to any need for it and actually utilised.
- Control would allow for competitive bidding from banks and flexibility in respect of the rate of lending offered.

Mr. Tshepo Khasi: Senior Manager, COGTA

Government Positions around the Optimisation of LG Structures and Co-operative Governance

- Mr Khasi reflected on intergovernmental relations and co-operative governance which were currently characterised by:
 - Tension and a lack of clarity in respect of the allocation of powers and functions.
 - A lack of participation by sector departments in the IDPs of municipalities and non-aligned provincial and municipal programmes leading to wasted resources, duplicated effort and a lack of service delivery.
- The two tier system of local government will be reformed and a number of options were been debated.
- Various other reforms are underway, e.g. clearer separation of municipal executive and legislative functions and a long term strategy for building technical services capacity.

Mr. Thomas Quero, Nantes Metropole, France

Decentralised Co-operation and Maximisation of Resources between Municipalities: A Key to Sustainable Local Government – A French Perspective

Thomas Quero explained some of the strategies implemented by Nantes Metropole to expand its local, national and international role:

- Internal service delivery rather than outsourcing but departments were ring-fenced, business units even budgeting each on its own for other national and international partnering and solidarity actions of Nantes.
- Holistic services planning, e.g. urban planning with 24 other cities.
- Positioning cities to take a central role in the fight against climate change by linking into or establishing international networks.

4 BREAKAWAY GROUPS INPUTS

The breakaway groups dealt with the following topics:

1. *Structure & Governance Mandate of Local Government:*
 - a. *What do you envisage as a future model for district municipalities / local municipalities? Provide a list of advantages/disadvantages for your model.*
 - b. *Which concurrent functions of local government and the other two spheres of government should be amended?*

Provide your views on mega metros inter alia the degree of autonomy that should be given vis-à-vis the provincial sphere of government.
2. *Unfunded Mandates:*
 - a. *Which unfunded mandates create the most significant problems for municipalities? In each case indicate the extent of funding required by municipalities and where inferior service delivery results from it.*

- b. Identify which obligations/unfunded mandates should be removed from the local sphere of government to another sphere.
3. Revenue Base:
- a. Discuss the following statement and provide arguments in favour of or opposed thereto: “The revenue base of most municipalities is being eroded by fewer households being able to pay municipal charges and fees and more households being unable/unwilling to pay for municipal services while in most towns (i.e. excluding metros and large cities) the non-residential component is either stagnant or declining.”
- b. Which sources of revenue should be partially or even wholly allocated to municipalities? Provide reasons.
4. Accumulative Impact:
Identify and prioritise the five most important reasons for the failure of municipalities. How can the root causes for these failures be successfully rectified?

Group 1 - Topics 1 and 4:

| | Topics | Aspects |
|------|---|---|
| 1 a. | Current Model of Local Government – Disadvantages and Advantages of the Two-tier system | <p>Disadvantages</p> <ol style="list-style-type: none"> 1) Duplication of functions: 2) Power struggles and dysfunctional relations 3) Lack of capacity and willingness from the DM to support the LM 4) Inefficient planning around low cost housing 5) Inability of the DM to deliver on its legislative mandate but engages in function creeping 6) Less opportunity for cross-subsidisation by the DM 7) Very little room to raise own revenue 8) With wall-to-wall municipalities there is no need for a DM as this contributes to cost duplication: 9) Heavily reliant on National and Provincial Transfers 10) Higher inefficiencies <p>Advantages</p> <ol style="list-style-type: none"> 1. Greater focus on rural areas 2. Greater focus on core service delivery of Water and Sanitation whereas LM’s have many focus areas |
| | Proposed Future Model – National Sphere with Wall-to-Wall Metro’s | <p>Overview</p> <ol style="list-style-type: none"> 1) We see only 2 spheres – National and Local (Metros) 2) All DM and LM to be amalgamated to form a metro 3) No need for Provincial sphere – serves no purpose – they are like cash in transit service. We go EFT now!! 4) Provincial staff to be absorbed by National and Local sphere <p>Advantages</p> <ol style="list-style-type: none"> 1. Will resolve the skills shortage issue 2. Will address the staff shortage (estimated to be 50 000 – 70 000 within local sphere) 3. Will result in tax efficiencies 4. A more equitable system of tax incidence 5. Improved compliance and governance issue 6. Will address all the disadvantages identified with the current model <p>Potential Disadvantages</p> <ol style="list-style-type: none"> 1. Fallacy of composition 2. Failure could be catastrophic 3. You may be taking government away from people 4. Obtaining stakeholder buy-in (staff, community, councilors, etc) 5. Danger of shift in power balance 6. Resistance to change 7. Legislative amendments (including the Constitution) |
| 1 b. | Amendment of Concurrent Functions | <p>All the functions below to be transferred to the newly established metro’s:</p> <p>Water services; Roads; Traffic; Community policing; Fire services; Disaster management; Transportation; Planning; Liquor licensing and LUM</p> |
| 1 c. | Mega Metro’s | <p>Mega Metro’s and Role of Provincial Sphere</p> <ol style="list-style-type: none"> 1. We support the formation of wall to wall metros accountable to national government 2. One DM together with all it’s LM’s will form one metro 3. MDB will have to facilitate this process of re-determining the new boundaries 4. Redistribution of resources will be streamlined and will be more equitable |

| | Topics | Aspects |
|----|---|---|
| 2. | Reasons for the Failure of Municipalities | <ol style="list-style-type: none"> 1) Political instability and interference 2) Union interference and staff productivity 3) The right calibre and acumen of staff not appointed 4) Insufficient revenue base to deal with the IDP requirements 5) Over-regulated and non-alignment of legislation |
| | Addressing the Root Causes | <ol style="list-style-type: none"> 1) Role and responsibility clarification (councilor, union and management) 2) Individuals must be held accountable and face the necessary consequences of misdemeanor 3) Follow best practice approach when employing staff 4) Establishment of wall to wall metros to deal with deficiencies in the revenue base 5) Simplify the local government compliance environment |

Group 2 - Topics 2 and 4:

| | Topics | Aspects | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1. | Unfunded Mandates | <table border="1"> <thead> <tr> <th>Description of Unfunded Mandate</th> <th>NG</th> <th>PG</th> <th>A</th> <th>B</th> <th>C</th> </tr> </thead> <tbody> <tr> <td>Disaster Management (Schedule 4A)</td> <td>Fund</td> <td>-</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Environmental Health Services (Schedule 4A)</td> <td>Fund</td> <td>-</td> <td>-</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Primary Health Care (Schedule 4A)</td> <td>Fund</td> <td>Fund</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Housing Administration (Schedule 4A)</td> <td>Fund</td> <td>Fund</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Nature Conservation (Schedule 4A)</td> <td>Fund</td> <td>-</td> <td>-</td> <td>Yes</td> <td>-</td> </tr> <tr> <td>Pollution Control (Schedule 4A)</td> <td>Fund</td> <td>-</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Tourism (Schedule 4A)</td> <td>Fund</td> <td>-</td> <td>-</td> <td>Yes</td> <td>Yes</td> </tr> <tr> <td>Libraries (Schedule 5A)</td> <td>-</td> <td>Fund</td> <td>Yes</td> <td>Yes</td> <td>-</td> </tr> <tr> <td>Museums (Schedule 5A)</td> <td>-</td> <td>Fund</td> <td>-</td> <td>Yes</td> <td>-</td> </tr> <tr> <td>Provincial Roads (Schedule 5A)</td> <td>-</td> <td>Fund</td> <td>Yes</td> <td>Yes</td> <td>-</td> </tr> <tr> <td>Fire Fighting Services (Sec 84 of MSA)</td> <td>-</td> <td>-</td> <td>-</td> <td>Yes</td> <td>Fund</td> </tr> <tr> <td>Municipal Roads on behalf B-municipalities</td> <td>-</td> <td>-</td> <td>-</td> <td>Fund</td> <td>Yes</td> </tr> <tr> <td>Local Economic Development (Schedule 4A?)</td> <td>Fund</td> <td>Fund</td> <td>-</td> <td>Yes</td> <td>Yes</td> </tr> </tbody> </table> <p>General Comments:</p> <ul style="list-style-type: none"> • Measurement of the extent of funding required not possible due to a lack of informative data. • However, the unfunded monetary value that needs to be financed with a municipality's own funds is a 100% unfunded mandate. • Due to the fact that municipalities have limited funding available, we are of the opinion that the standard of services will be dictated by the limited funding and will lead to inferior service delivery. | Description of Unfunded Mandate | NG | PG | A | B | C | Disaster Management (Schedule 4A) | Fund | - | Yes | Yes | Yes | Environmental Health Services (Schedule 4A) | Fund | - | - | Yes | Yes | Primary Health Care (Schedule 4A) | Fund | Fund | Yes | Yes | Yes | Housing Administration (Schedule 4A) | Fund | Fund | Yes | Yes | Yes | Nature Conservation (Schedule 4A) | Fund | - | - | Yes | - | Pollution Control (Schedule 4A) | Fund | - | Yes | Yes | Yes | Tourism (Schedule 4A) | Fund | - | - | Yes | Yes | Libraries (Schedule 5A) | - | Fund | Yes | Yes | - | Museums (Schedule 5A) | - | Fund | - | Yes | - | Provincial Roads (Schedule 5A) | - | Fund | Yes | Yes | - | Fire Fighting Services (Sec 84 of MSA) | - | - | - | Yes | Fund | Municipal Roads on behalf B-municipalities | - | - | - | Fund | Yes | Local Economic Development (Schedule 4A?) | Fund | Fund | - | Yes | Yes |
| Description of Unfunded Mandate | NG | PG | A | B | C | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Disaster Management (Schedule 4A) | Fund | - | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Environmental Health Services (Schedule 4A) | Fund | - | - | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Primary Health Care (Schedule 4A) | Fund | Fund | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Housing Administration (Schedule 4A) | Fund | Fund | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nature Conservation (Schedule 4A) | Fund | - | - | Yes | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pollution Control (Schedule 4A) | Fund | - | Yes | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tourism (Schedule 4A) | Fund | - | - | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Libraries (Schedule 5A) | - | Fund | Yes | Yes | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Museums (Schedule 5A) | - | Fund | - | Yes | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provincial Roads (Schedule 5A) | - | Fund | Yes | Yes | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fire Fighting Services (Sec 84 of MSA) | - | - | - | Yes | Fund | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Municipal Roads on behalf B-municipalities | - | - | - | Fund | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Local Economic Development (Schedule 4A?) | Fund | Fund | - | Yes | Yes | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Accumulative Impact of Municipal Failures : Reasons | <p>Root Causes:</p> <ol style="list-style-type: none"> 1. Political in-house fighting and power struggles 2. Lack of strong political leadership 3. Lack of political leadership understanding their roles and responsibilities <p>Proposed Interventions:</p> <ol style="list-style-type: none"> 1. Inculcation of political maturity to be driven by the Minister of COGTA 2. Training and capacity building 3. Adhering to all Codes of Conduct | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| a. | Political Instability / Lack of Political Will | <p>Root Cause:</p> <ol style="list-style-type: none"> 1. Inefficient, ineffective and unproductive workforce <p>Proposed Interventions:</p> <ol style="list-style-type: none"> 1. Determine and develop a skills gap analysis and Skills Development and implementation Plan (SDP) 2. Develop leaders and managers to enhance effective performance management 3. Effective implementation and monitoring of the SDP, mentoring and coaching programmes, "on the job" training and etcetera 4. Awareness campaign on the Codes of Conduct, corporate values, King III, Fraud Prevention Plans, zero tolerance for interference in disciplinary processes and etcetera 5. Capacitated internal audit units and audit committees 6. Policies, controls, procedure, practices, delegations, etcetera | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| b. | Lack of skills, competencies, corporate values, ethics and discipline | <p>Root Cause:</p> <ol style="list-style-type: none"> 1. Inefficient, ineffective and unproductive workforce <p>Proposed Interventions:</p> <ol style="list-style-type: none"> 1. Determine and develop a skills gap analysis and Skills Development and implementation Plan (SDP) 2. Develop leaders and managers to enhance effective performance management 3. Effective implementation and monitoring of the SDP, mentoring and coaching programmes, "on the job" training and etcetera 4. Awareness campaign on the Codes of Conduct, corporate values, King III, Fraud Prevention Plans, zero tolerance for interference in disciplinary processes and etcetera 5. Capacitated internal audit units and audit committees 6. Policies, controls, procedure, practices, delegations, etcetera | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| c. | Revenue extent and the ability to collect revenue | <p>Root Causes:</p> <ol style="list-style-type: none"> 1. Inability to bill for all services due to "unclean" data 2. Inability to collect all revenue due to a municipality <p>Proposed Interventions:</p> <ol style="list-style-type: none"> 1. Effective implementation of policies and by-laws without political interference 2. Political buy-in that administration may implement Credit Control and Debt Collection Policy; Indigent Policy; Property Rates Policy; Tariff Policy; Writing-Off of Irrecoverable Debt Policy, and, any other budget related prescribed policies 3. Systems and tools for billing and revenue collection 4. Well motivated and capacitated staff 5. Alternate sources of revenue evaluations / monitoring units | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| d. | High administrative and | <p>Root Cause:</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | Topics | Aspects |
|----|---|---|
| | overhead costs / non-priority spending | <ol style="list-style-type: none"> 1. Reluctance to fill vacant positions in service delivery units. Instead, organisational structures are bloated-up with “soft” or so-called supporting units positions which is normally filled by deployees – influencing political party caucuses |
| | | Proposed Interventions: |
| | | <ol style="list-style-type: none"> 1. Target and prioritise spending on core functions (electricity, water, sanitation, refuse removal, roads and storm water) 2. Fill vacancies in basic service delivery units 3. Implement operating cost reducing initiatives to ensure the local community receive value for money 4. Effective use of available scarce resources (revenue, human capacity, PPE, tangible moveable assets, etcetera) 5. Invest in capital projects that yields a high rate of return for the local community – not nice to have capital projects |
| e. | Cash management with related assumptions (credible budgets) | <p>Root Causes:</p> <ol style="list-style-type: none"> 1. Poor cash flow management 2. Lack of cash to honour commitments to creditors that includes the monthly payroll run 3. No provision for working capital (estimated non-payment monetary value of billing based on payment percentage history) |
| | | Proposed Interventions: |
| | | <ol style="list-style-type: none"> 1. Budgets to be funded through realistically anticipated revenue 2. Benchmarking of cash flow assumption 3. Daily cash management (including daily bank reconciliations) 4. Cash flow forecasting and monitoring (including revenue collection payment percentages) 5. Variance reporting and associated remedial action |
| 3. | Concluding Statements | <ul style="list-style-type: none"> • Political stability and political will to allow senior management – within a trust environment – to run the municipality according to legislation, policies and by-laws will ensure that scarce resources are used for the “right” purposes (IDP priorities) • Employ the right people for the right job that will adhere to corporate values; good governance ethics; who are able to discipline themselves as a servant to the people we are appointed to serve; and, who will not enrich themselves in any way with public funds, assets and etcetera • Municipalities can only be a going concern and a sustainable “business” organisation if political leadership allows the administration to collect all revenue due to the municipality. Identify your indigent population and have a zero tolerance approach towards defaulters who can afford to pay. • Political leadership and the Accounting Officer and its administration should explore all revenue enhancement avenues (unfunded mandates included) to ensure that all the services that is rendered are billed and revenue collected. • Municipalities must focus on targeting scarce resources towards the rendering of basic services. Reduce administration and overhead costs to the minimum, fill vacancies on the organisational structures that render basic services, and, put control measures in place to avoid the misuse of the municipality’s assets. • Compile budgets that is funded with realistically anticipated revenue, monitor daily cash flow position through proper cash flow forecasting and exception reports on benchmarking deviations. |

Group 3 - Topics 3 and 4:

| | Topics | Aspects |
|------|-------------------------------|--|
| 1 a. | Eroded Revenue Base | <p>AGREE WITH THE STATEMENT</p> <p>Reasons & Arguments</p> <ol style="list-style-type: none"> 1. Constitutional obligations – service cannot be denied 2. Urbanisation 3. Economic increases(if any) are less than social demand increase 4. The nature of the infrastructure grant and related capital expenditure does not increase revenue base 5. Indirect unfunded mandate e.g. low cost housing with related administrative and maintenance 6. Unemployment places a burden on existing revenue base 7. Existing revenue base handicapped by the economic recession and the influx of new unemployed consumers 8. Ageing population , child headed households, HIV aids, high school dropouts finding it increasingly more difficult to pay for services 9. The effect of climate change on the economy 10. Small farms not viable 11. Undercharging 12. Unwilling payers 13. Unable to pay |
| 1 b. | Unallocated Revenue Resources | <ol style="list-style-type: none"> 1. Housing grant revenue directly to municipalities 2. Unbiased grant allocation 3. Provincial allocation of LED grants to be passed on to municipalities 4. EPWP grant funding to be paid upfront |

| | Topics | Aspects |
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| | | <ul style="list-style-type: none"> 5. Unfunded and underfunded to mandates to be fully funded e.g. libraries, museums, disaster management, housing etc. 6. Portion of fuel / RSC replacement levies to be paid to local municipalities 7. Eskom distribution areas to be handed over to local municipality with relevant resources |
| 2. | Accumulative Impact of Municipal Failures : Reasons | Issues: |
| a. | Unstable Political Environment | <ul style="list-style-type: none"> 1. Political instability 2. Lack of political maturity 3. Political interference in administration 4. Political will for decisiveness |
| | | Solutions: |
| | | <ul style="list-style-type: none"> 1. Enforcing the code of conduct and rules of order 2. Provide basic skills development in IDP and budget 3. Adherence to legislation |
| b. | Professional Human Resource Management | Issues: |
| | | <ul style="list-style-type: none"> 1. Lack of attracting and retention of skilled and competent staff 2. "Jobs for pals" 3. Lack of management and leadership skills |
| | | Solutions: |
| | | <ul style="list-style-type: none"> 1. Robust recruitment and selection process 2. Responsive and funded organogram 3. Career path development 4. On-going training programmes 5. EAP programmes |
| c. | Economic Burden | Issues: |
| | | <ul style="list-style-type: none"> 1. Unemployment 2. Unfunded mandates |
| | | Solutions: |
| | | <ul style="list-style-type: none"> 1. Reduction in red tape 2. More efficient use of relevant legislation e.g. NEMA 3. Creating an enabling environment for LED 4. Local entrepreneurship and development 5. Sustainability of LED projects |
| d. | Fraud and Corruption | Issues: |
| | | <ul style="list-style-type: none"> 1. Mismanagement of fund 2. Theft 3. Abuse of power |
| | | Solutions: |
| | | <ul style="list-style-type: none"> 1. Policy and implementation strategy without fear or favour 2. Employment of officials with high ethics and work habits 3. Screening and vetting of councillors and senior management 4. Ensure proper internal controls 5. Declarations |
| e. | Fiscal Policy Review | Issues: |
| | | <ul style="list-style-type: none"> 1. Unfunded mandates 2. Outdated equitable share model |
| | | Solutions: |
| | | <ul style="list-style-type: none"> 1. Equitable distribution of LGES and MIG 2. Non-viable municipalities to be absorbed 3. Government budgets must be informed by municipalities IDP 4. Electricity licence to be transferred to respective municipality 5. National government to finalised the powers and functions debate |