

REPORT

9th National Municipal Managers Forum, Mittah Seperepere Convention Centre, NC

04 – 05 June 2015



From left: Mamikie Bogatsu, Cllr Willie Johnson, Cllr Kagisho Molusi, Xolile George, and Goolam Akharaway

1. SESSION 1: OPENING & WELCOME

1.1. Overview

The 9th National Municipal Managers Forum was co-hosted with Frances Baard District and Sol Plaatje Local Municipalities in Kimberly, Northern Cape from 04 – 05 June 2015. This followed the 8th National MM Forum which took place in Ehlanzeni, Mpumalanga on 4th – 5th September 2014. This platform provided an opportunity for Municipal Managers to contribute to the strengthening of the sector by informing improvements in Local Government performance collaborate in addressing common concerns and facilitate inter-municipal peer- learning. The Forum also provided opportunities to collectively engage with key stakeholders in addressing key issues affecting Local Government.

The 9th sitting of the National Municipal Managers Forum convened against the backdrop of recent challenges in local government such as the determination of upper limits for the remuneration of senior managers which improved from the last year, but still contained elements that may need to be refined. The withholding of the equitable share which is relied upon by municipalities for the provision of basic services to communities and in some instances even the payment of salaries is another current challenge. This is in addition to existing systemic and structural challenges confronting municipalities. Key issues to reflect on at the forum included the determination of upper limits for senior managers in Local Government, an overview of the 2013/14 municipal audit outcomes, an update on wage and salary negotiations and discussions on municipal viability and the cost of municipal governance and service delivery. The objectives of the 9th National Municipal Managers Forum were therefore to:

1. Reflect on recent developments impacting on Local Government, Municipal Managers and other Senior Managers in the sector;
2. Reflect on human resources in municipal administrations with particular focus on upper limits for the remuneration of senior managers as well as the current salary and wage negotiations;
3. Reflect on municipal finances and financial governance with particular focus on municipal audit outcomes of 2013/2014 as well as on the cost of governance and service provision;
4. Facilitate peer learning through the sharing of good practices and innovations.

1.2. Setting the Scene

The 9th National Municipal Managers Forum was opened by the Municipal Manager of Sol Plaatje Local Municipality, Mr Goolam Akhwaray. He welcomed all the dignitaries and delegates present, officials from provincial government departments, and other Municipal Managers and explained the purpose of this meeting i.e. sharing information and engaging in discussions on current issues that are of common interest to municipalities. He highlighted the important role of MMs by saying: “MMs are in the centre of making things happen.” In this light “Governance is not what we do today, but how we prepare for tomorrow.” Following this, he provided an opportunity for the Mayor of Sol Plaatje Local Municipality Cllr Kagisho Molusi to give his opening remarks.

1.3. Opening Remarks: Executive Mayor of Sol Plaatje Local Municipality Cllr Kagisho Molusi

The Executive Mayor of Sol Plaatje Local Municipality addressed the forum and looked forward to finding common solutions to current challenges on a way to a democratic, effective LG, making it inclusive and accountable. He pointed out that political oversight is necessary for accountability. Furthermore a response to social challenges (community protests) is needed, as they are interpreted as a failing LG state. He emphasised that the IDP needs to be followed as a roadmap to effective service delivery and that order to build up infrastructure, we need innovative thinkers.

1.4. Address by the Chairperson of SALGA Northern Cape, Cllr Willie Johnson

In his address, the SALGA Provincial Chairperson Cllr Willie Johnson valued this platform to share good practice and innovation that will improve performance of the sector whilst addressing key issues. He stated that SALGA played a key role vis-à-vis NT to secure equitable shares: it managed to successfully ensure that 59 municipalities received the equitable share back. He also pointed to the fact that salary negotiations were taking place at national offices at that moment. He resumed the purpose of the forum which is designed to deliver updates on recent developments and provide an opportunity for extensive discussions, like around the Municipal Audit outcomes. Cllr Johnson made clear that SALGA would further assist municipalities through MASP in order for them to achieve clean audits. He sees the MM Forum as a contribution to the quest for finding solutions to common challenges. He holds the view that lessons learnt must help to build a resilient LG – the role

of MMs remained critical to achieve the vision of 2030. It is therefore that the platform shall be used to address key issues affecting the sector and learn from each other.

In his own words, the Chairperson said the following:

“Members of the National and Provincial Executive Committee of SALGA, Executive Mayors, Municipal Managers, Senior Government Officials, National and Provincial Executives as well as Officials of SALGA and Stakeholders from the private sector a very good morning to you all. It is a great honour for us to be hosting the 9th Municipal Manager’s forum; a platform for Municipal Managers to discuss matters of critical importance to the local government sector. This will benefit not only Municipal Managers but our province at large; in terms of economic development and at the most tourism marketing. We would like to thank Sol Plaatje and Frances Baard for supporting us.

Ladies and gentlemen; this meeting is convened to allow our municipalities, nationwide, to share good practices and innovations that will contribute to the strengthening of local government and improvement of the performance of this sector. It is, in this space that Municipal Managers together with other stakeholders within the sector will deliberate on key issues affecting local government such as:

- The decision by Treasury to withhold the equitable share of 60 of our member municipalities throughout the country as of 20 March 2015 due to perceived financial mismanagement. There is a good story to tell ladies and gentlemen about the battle we have been fighting in this regard: As contained by the report of 02 June 2015 from the Department of National Treasury; the equitable share of over 41 municipalities nationwide has been released thus far.*
- The cost of governance and provision of basic services: I am pleased to inform you that SALGA in partnership with FFC has conducted research on the cost of municipal services and a report was recently released. The findings of this research will be used to inform the appropriate allocation of capital grants for municipal infrastructure services and equitable share allocations.*
- Salary wage negotiations: Negotiations, headed by the national office are still underway and SALGA is hard at work, making sure that this matter is resolved in a manner that does not cause financial strain on our members. An update on the recent developments has been communicated through circulars and media releases and will still be discussed during the proceedings of this forum.*

- *Municipal audit outcomes of 2013/14: many a times audit reports highlight the role of municipal leadership in poor audit outcomes. Tied to that are lack of accountability, poor prioritization and / or low level of financial and management skills.*

On that note SALGA will continue assisting municipalities diligently; to improve their outcomes year on year through our vigorous municipal audit support programme. All other issues affecting municipal managers as well as senior managers in the local government system will form part of this forum's debates. The role of municipal managers remains critical to achieve that vision. We need strong and effective leadership that holds the highest standards of governance and administration to deal with the stubborn challenges that this sector is faced with. Municipal Managers, let us utilise this forum and future ones; to share best practices and learn from our peers in order to build a capable developmental local government. Use this platform to engage with stakeholders and address the key issues affecting our sector; as well as come up with sustainable solutions to our challenges. Let us build a caring and people centred local government where our communities will feel that they are at the very heart of things.

Thank you!"

1.5 Reflections & Emerging Issues affecting Local Government, Xolile George, SALGA CEO

The CEO of SALGA Mr. Xolile George started his presentation by thanking the programme director for a job well done thus far, and acknowledging the presence of the hosting mayor of Sol Plaatje, and all the other leadership of Kimberley for affording SALGA the opportunity to host the forum at their province. The forum has become a premier platform for sharing best practices from all angles of local government with the aim of increasing efficiencies and assigning responsibilities that are attainable.

Mr George looked back on the history of the MM Forum stating that it was presently on the last round of the piloting phase that started in 2011. It was a time to reflect on the platform of this nature and define whether the objectives have been reached and what will be needed to rise to the next level. In his view it was also a time to see whether LG is resilient enough to deliver the fruits that are required by citizens.

He looked at immediate priorities LG faces at present which include:

- Labour stability – collective bargaining wage negotiations

- SPLUMA implementation
- Attraction and retention – Upper limits for the remuneration of Senior Managers
- Municipal debts (owed and owing) and cost of services
- Update on the withholding of the ES by NT & Eskom's cutting off of municipalities
- Electricity and water tariffs for 2015-16

He further elaborated on key emerging trends and implications for sector. This centred on issues including, but not limited to:

- Service delivery trends
- Municipal Audit Outcomes 2013-14: emerging trends (on leadership, oversight and accountability, resilience of systems and procedures)
- Municipal Expenditure patterns
- Priority issues to be raised at the winter Budget Forum

With regards to the road to 2016 he concentrated on the Macro socio-economic outlook (financial sustainability, rising tide of protests & impact of electioneering on municipal effectiveness and gains made)

SESSION 2:

The session focused on providing an update on the regulation on Determination of Upper Limits for Senior Managers in Local Government and also an update on salary wage negotiations. The first presentation was done by Ms Fikile Tshabangu who provided an update on SALGA's comments on the draft determination of the upper limits of total remuneration package of senior managers for the 2015/16 financial year. In her presentation, Ms Tshabangu mentioned that a SALGA position paper was compiled talking to the regulations after which a notice was also compiled after several consultations at provincial and municipal managers' forum level. The position paper was submitted to the Minister of Cogta appealing to him to consider matters raised in effecting the notice for the year 2015/16. It should be noted that COGTA had not issued the notice for 2015/16 by the regulated timeframe (annually – before 31 March) when the call for comments on the draft

was made. Comments drawn from municipal submissions were consolidated and presented to the minister in response to his call for comments.

There are some observations and proposals to the upper limits, i.e.

- The factors and weighting used to categorize municipalities are the same as previous notice, namely: Income 60 points, Salary wage bill 25 points, and equitable share 15 points;
- The number of categories have however changed from 8 to 10

Ms Tshabangu' s presentation further proposed amendments to categorization, pay scales, scope of application, and offer of remuneration at appointment and payment of market premium allowance. This presentation was followed by a brief comment from Mr Johann Mettler who indicated that in their engagements with COGTA, municipalities highlighted the disparity of the regulations at local, provincial and national level.

Mr Tebogo Motlashuping, a representative from Cogta responded to the two presentations and emphasized that the Municipal Systems Act empowers the Minister of COGTA to determine salary packages for municipal managers. He also said that Cogta published the draft notice on the 25th of April soliciting comments. Two presentations by SALGA and ISAMAO were shared with the Cogta team responsible for developing the notice after which vigorous discussion were held with provincial departments, FFC, DBSA, and National Treasury. SALGA then requested time to consult with mms in this session.

He mentioned that the department is currently engaged in robust discussions with stakeholders in relation to inputs for the notice to address all implementation challenges that were had in relation to the first notice. Further, fruitful discussions have been held with SALGA. COGTA intends to submit the final notice in the week starting 8th June; thereafter the notice will come into effect on 1st July. Written comments from stakeholders will be included in the notice for inclusion in the final notice coming into effect on 1 July 2015.

After this discussion, Mr Rio Nolutshungu from SALGA provided an update on the 2015/16 wage negotiations focusing on the MCA negotiations, briefing on the proposed LG charter, SALGA role on the essential service committee, and an update on job evaluation implementation.

Questions and Answers:

1) Does SALGA hold the same view as municipalities that both the upper limits are unconstitutional and in breach of municipal system act?

A: constitutionality of the regulation – salga is citing the position paper by saying that we doubt the constitutionality of the regulation. SALGA seeks to see a balance in the regulation and acknowledges that the pace at which the situation is receiving attention is not at the desired pace. Beyond the mmf, inputs gathered in the 2 days will be incorporated into the SALGA position paper

A: the constitutionality of the regulation (section 72 (2) a is being questioned – the Minister is implementing law and should there be a need to challenge this, a legal process must be followed accordingly. Inputs gathered through COGTA's engagement with all stakeholders are being incorporated into the draft to be submitted to the minister

A: the representation of SALGA and ISAMAO are recognised, but there is another angle to be considered. Salga needs to look at its position regarding the ndp and the vision they want for municipalities.

2) Who is the employer of municipalities? Should it therefore not be municipalities who determine salaries of municipal managers?

A: MMS are not part of the bargaining forums and therefore do not have a platform to raise this matter

A: municipalities are currently not treated as entities with a constitutional standing by Cogta and should therefore be disbanded and treated as regional offices of cogta

A: Municipality is the employer of MMS. Mms must reach out to ISAMAO to address this issue as one approach.

3) What informed the amounts within the regulations?

4) This is a new process, a number of presentations were made last year and one of the recommendations was to withdraw the regulations, why are we continuing with this process? What happened to the previous inputs?

5) *Is it possible that the final revised draft is sent to ISAMAO and SALGA to avoid other unintended consequences where other inputs are not incorporated into the draft regulations?*

6) *Are the criteria and weighting reasonable or arbitrary?*

7) *What is salga's position in relation to Isamao?*

SESSION 3:

Municipalities are faced with a variety of financial challenges that include inability to pay some debtors including Eskom and Water Boards, withholding of Equitable Share by National Treasury, Eskom threatening to cut off certain municipalities, spiralling debt to municipalities. The session reflected on challenges that compromise municipal financial viability with a particular focus on:

- Cost of municipal services
- Tariff setting
- Revenue enhancement including debt collection

The discussions started with Mr Jugal Mahabir presenting findings from the 10 years debt data analysis and comprehensive case studies that was undertaken to understand the revenue process from beginning to end and the financial impact of debt. His studies made a recommendation of a set of minimum requirements in order to ensure the revenue process:

- Basic revenue management shall be in place,
- Realign capacity building grants,
- Propose legal amendments to Section 118(b) of the Municipal Systems Act,
- Establishment of data verification working group
- Formation of a multijurisdictional municipal service district
- Establishment of central data base
- Standard SDA for Eskom and municipalities
- Common billing system

This was followed by Mr Sithole Mbanga who stressed that governance and finance issues are interlinked and that the biggest contributor to municipalities' debt is that we don't understand our customer and do not have the ability to provide support that is open to scrutiny thus creating competency. There is a need to focus on special transformation – understanding what is happening in space (in a particular area); and understanding types of infrastructure that help interpret the underlying factors of finance/ debt.

Mr Chris Yelland mentioned that tariffs must be affordable, not only rising year by year (lessons from e-tolls) as it will result into revolts where by theft and debt simply increase. There has to be a social contract between providers and users. Municipalities have to collect the revenue of their own customer, which is harder than Eskom's role. Tariffs are therefore crucial. According to Mr Yelland, there are some myths pertaining to electricity tariffs, i.e.:

- debt and theft is a municipal problem (Eskom delivers directly in Soweto where debt is much higher)
- Debt and theft is a metering problem – Soweto IS on credit meters (it is a management problem), theft takes place before they reach the meters
- Municipality electricity prices are higher than Eskom prices (no)

SALGA CEO Concluding remarks for Day 1

There is one major issue emanating from the discussions today which is at the core of municipal viability and security as they are best placed to determine the sustainability of LG.

There is a need to come up with better models and ideas on how this can be approached. Challenges experienced in municipalities, whether at metro or local level must help us craft better ideas and engage in meaningful conversations on how to approach them, e.g. tariff applications. Innovation will be one of the key issues discussions on Day 2, together we must find ways of increasing this in our municipalities.



Delegates at the meeting

SESSION 4:

On Friday 5 June SALGA together with Independent Newspapers held a media breakfast session which was attended by Municipal Managers. The platform provided an opportunity for the media representatives to interact with Municipal Managers on issues including municipal audit outcomes, electricity crisis, service delivery and debts owed to municipalities.

SALGA CEO Xolile George said SALGA will support municipalities in ensuring that they provide the necessary service delivery to their communities. He told the media that from humble beginnings in 2011, the gatherings of Municipal Managers have grown into an important platform for Local Government.

During the two-hour breakfast session issues of service delivery, financial health of municipalities and increase in unauthorised expenditure were discussed and henceforth SALGA is calling for municipal managers to improve on this areas of concern and will continue to provide support to municipalities to enable them to provide the much needed service delivery to their communities.

SESSION 5: MUNICIPAL AUDIT OUTCOMES

The session focused on reflections and interpretations of the Municipal Audit Outcomes from 2013/14 released by the Auditor-General on 3 June 2015. After the presentation of audit

outcomes of local government by the Office of the Auditor General, further presentations reflected on the implications and necessary interventions required to improve audit results. SALGA reflected on the progress of the “Municipal Audit Support Programme” (MASP) which aims at improving the audit outcomes. Municipalities also shared their experiences and lessons of attaining good audit results and strategies to maintain these good results. The outcomes of the session were primarily to gain insights on the Municipal Audit outcomes for 2013/14 and to reflect on ways for a better support to municipalities for achieving better audit outcomes.

5.1. Municipal Audit Outcomes - Office of the Auditor – General

The presentation of the municipal audit outcomes focused on the three audit examination areas

- Fair representation and reliability of financial statements,
- Reliable and credible performance information for predetermined objectives and
- Compliance with key legislation on financial and performance management.

The Auditor General's key message centred around the imperative that to improve/ maintain the audit outcomes, the key role players (management, leadership, Internal independent assurance and oversight units and external independent assurance and oversight institutions) need to pay attention to **key controls** (Leadership, Financial and Performance Management and Governance), the **risk areas** (Supply Chain Management, Financial Health, Human Resource Management, Information Technology) and the **root causes**:

- Slow response to address the root causes of poor audit outcomes
- Key positions vacant or key officials lacking appropriate competencies
- Inadequate consequences for poor performance and transgressions

The good practices of municipalities who obtained clean audits and the challenges of those who received qualified, unqualified with findings, and those with adverse & disclaimer opinions were highlighted. It was further mentioned that there has been a slight improvement in audit outcomes in the past five years in some provinces; however, there are still provinces that require intervention.

In conclusion, it was emphasized that for improvement to happen the key recommendations shall be put into practice:

- Identify and monitor all legislation applicable to financial and performance management
- Implement proper record keeping
- Compliance checklists and monitoring to be implemented
- Regular reports to management and government structures on compliance with key legislation
- Ensure that the position of the head of the SCM unit is filled to guarantee improved financial management.

5.2. Institute of Internal Auditors (IIA) South Africa – Dr Claudelle von Eck

After a brief background of the purpose and composition of the IIA, Dr von Eck shed light on present challenges and especially the responsibility of Municipal Managers. She examined organisational operations and performance and highlighted the value of oversight leading to increased accountability especially in complex systems like government institutions. She also stressed the importance of audits when it comes to decision making and detecting a problem before it evolves (risk management). Internal Audit therefore serves the purpose to assist management to achieve organisational objectives as well as contributes to provide for strong controls and protection of investments. She also mentioned challenges when carrying out internal audits which are the lack of leadership support, recommendations not being taken seriously and weakness of audit committees. Therefore a professional standard for auditors has to be in place to guarantee a high degree of professionalization.

Key Issues emerging from the session:

- 1) Poor financial management and failure to adhere to supply chain processes need urgent interventions from all role players in municipalities;
- 2) How can national and provincial government bodies support municipalities?

- Engage with all provinces and national treasuries in order to attain clean audit (sharing information, sharing experiences); co-operation between all spheres of government.
 - Municipalities asked to engage with SALGA national for assistance and support. Not only focusing on leadership (as leaders come and go), the institution has to develop culture of performance. Procedures and structures have to be established
- 3) Awareness around qualifications needs to be raised in order to better understand LG. This also includes qualification for Senior Managers and the political leadership
- 4) The role of a deputy might be a viable way forward to not rely too much on outsourced consultants –yet budget constraints will have to be considered.