



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery

**CEO's Strategic Opening
Reflection:**

Managing the Transition
and envisioning the future
of connected Local
Governance in South Africa

Xolile George
Chief Executive Officer

Scope and Outline

- **Strategic importance of MMF & key issues from 9th meeting**
- **Evolution of SALGA and Local Government**
 - Evolution, mandate and current strategy
 - 20 yrs of supporting LG
 - 15 years of democratic LG – trends and analysis
- **Readiness to guide and manage the transition (for SALGA and sector)**
 - Current challenges and imperatives informing our strategic agenda
 - 2016-17 Strategic Priorities to assist in the transition
- **Envisioning the future of local governance in South Africa**
 - Opportunities in migrating LG to the digital economy and effecting greater spatial transformation_ building a formidable LG sector in the next term
 - Positioning SALGA to be a thought leader
 - Rethinking our strategic approach (for the next term) in localising the post 2015 sustainable development agenda (potential game changers)

1. Growing strategic importance of the MMF

- MMF's to date
- Recap of previous meeting

10 MMFs to date - 28 Feb 2011 – 10 June 2016

Inaugural Municipal
Managers Forum

3rd Generation MMs Transforming LG Through
Effective Policy Input, Implementation
Capacity & Professionalization

Professionalizing LG Through Peer Learning & Support



Consolidating Provincial MM Forums

Previous Meeting (9th MMF) Key issues

Short Term Priorities

- Attraction and retention – Upper limits for remuneration of Senior Managers
- Labour stability – collective bargaining wage negotiations
- SPLUMA implementation
- 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 15-16

Key emerging trends and implications for sector

- Service delivery trends
- Emerging trends on Municipal Audit Outcomes 2013-14
- Municipal Expenditure patterns
- Winter Budget Forum

Road to 2016

- Macro socio-economic outlook (financial sustainability, rising tide of protests & impact of electioneering on municipal effectiveness and gains made)

2. Evolution of SALGA and sector

- 20 years of supporting LG (successes in implementing mandate and strategic priorities)
- 15 years of democratic LG – analysis and trends

Evolution of SALGA to its current state

- **This year (2016) marks 20 years since SALGA was formally established by municipalities**
- **Members then mandated the organisation to:**
 - Represent, promote and protect the interests of LG in our cooperative governance and IGR system (reason for existence)
 - Assist in the transformation of LG, particularly establishing structures, systems, policies and procedures for effective, accountable & people centered LG
 - Assist the sector to entrench a developmental culture, focused not merely on service delivery but on transformation of spaces and places
 - Knowledge sharing, peer learning and innovation in the quest to do things ‘differently’
 - White Paper advocated need to find innovative ways to be developmental, and charged SALGA to play a key role

THEREFORE WE SHAPED OUR ROLE TO

Vision
To be an association of municipalities that is at the cutting edge of quality and sustainable services.

Mission
To be consultative, informed, mandated, credible and accountable to our membership, and provide value for money.

Values
Responsive, Innovative, Dynamic and Excellence.

SALGA MANDATE

Transform local government to enable it to fulfil its developmental mandate

Lobby, Advocate and Represent

Employer Body

Capacity Building

Support and Advice

Strategic Profiling

Knowledge and Information Sharing

- Lobby, advocate, protect and represent the interest of local government at relevant structures and platforms.

- Act as an employer body representing all municipal members and, by agreement, associate members.

- Build the capacity of the municipality as an institution as well as leadership and technical capacity of both Councillors and Officials.

- Support and advise our members on a range of issues to assist effective execution of their mandate.

- Build the profile and image of local government within South Africa as well as outside the country.

- Serve as the main hub of local government knowledge and intelligence and to facilitate peer learning within the sector

The Voice of Local Government

15 Years of Democratic & Developmental LG

At the same time, LG (supported by SALGA) has come a long way since its establishment in 2000

- Moved from a highly fragmented racial based system of LG to an integrated democratic system, with **uniform wall-to-wall municipalities** that has yielded:
 - Democratic participation – no citizen is unrepresented and is able to hold local leaders accountable (govt. close to the people)
 - Consolidation of over 1000 local authorities into 880+ before the 2000 elections and 283 municipalities in 2000, now 278 – this is massive transformation
 - Government structures and admin have been established in areas with little or no LG previously
 - A comprehensive legislative / policy framework put in place for LG
 - Huge service delivery and transformative successes by many muns

15 Years of Democratic & Developmental LG

- No doubt about the enormity of our LG's twin challenge:
 - Service delivery and extend basic services to as many (if not yet all) South Africans as possible to restore decency and dignity
 - Transformation - spatial legacy of apartheid and build integrated human settlements and social cohesion through greater integration of spaces into liveable places
- LG has had a profound impact in expanding provision of services to millions
- Clearly, the official and disaggregated statistics show tremendous progress particularly in historically neglected areas like former homelands
 - East Cape, Limpopo, KZN, Free State and Mpumalanga (despite continually chasing a moving target due to our population growth and in-migration)
- **Substantial progress has been made in developing communities...**

2015 Non Financial Census Key Highlights (vs 2011)

Water provision

- 12.5m households, of which 4.5m households received free basic allocations
- (from just under 11m households in 2011)

Electricity provision

- 10.8m households, of which 2.7m households received free allocations
- (From around 9m in 2011)

Sewerage and Sanitation

- 10.8m households, of which 3.3m households received FBS
- (from 9,4 million in 2011)

Solid Waste Management

- 9m households, of which 2.3m received FBS
- (under 8 million in 2011)

Institutional resilience has been strengthened during this term

- Importantly, re the development of LG institutions and their institutional resilience
 - Financial reports and trends over the last 10 years demonstrate growing capacity and capability of municipalities to spend their capital and operational budgets
 - averaging around 90% for local and secondary cities as well as metros

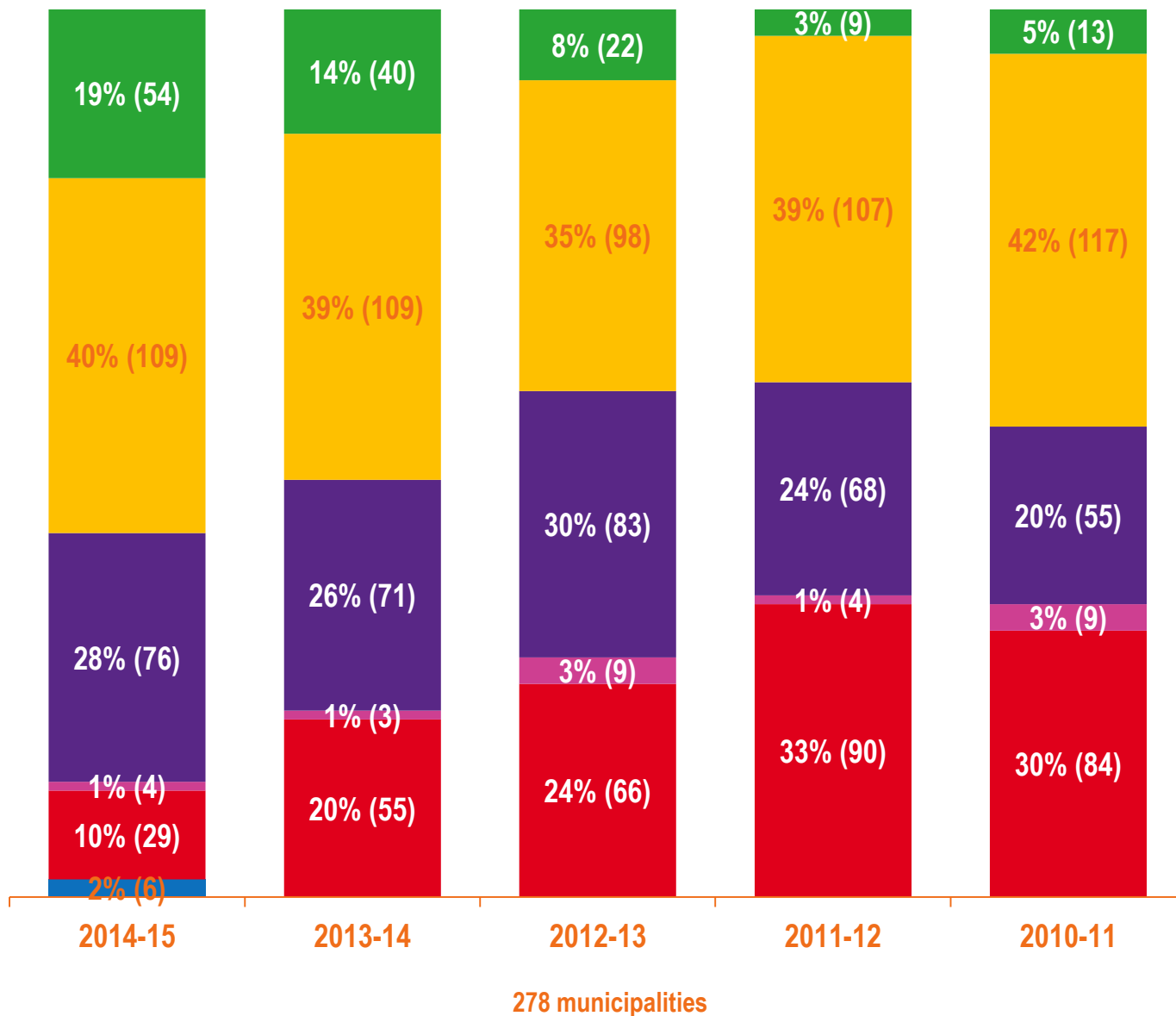
Establishment of

- Municipal Public Accounts Committees
- Audit committees
- Internal audit units

These structures are now established and are steadily growing in functionality

	2010/11	2011/12	2012/13	2013/14	2014/15
Total Number of Municipalities with MPACS	1	232	258	274	278

Improvement in audit outcomes over 5 years



2014-15
MFMA

- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Audits outstanding



AUDITOR-GENERAL
SOUTH AFRICA

Audit Outcomes 2010/11 – 2014/15: Key Trends

- **Improvements in all categories of audit opinions & over 5 year timeframe = positive trend**
 - Clean audits improved from **13 to 72** (overall municipal auditees, municipalities 54)
 - Unqualified opinions increased to 59%
 - **Reduction from over 30%** to around 11% of municipalities with adverse, disclaimers and audits not finalized (reflects that the trend is positive)
- **Municipal expenditure budget for 14-15 = R347 Billion**
 - Clean audit munis made up 39% (R134b) of this figure
 - Unqualified Audits 41% (143b)
 - Qualified, adverse and disclaimer opinions = 20% (69b)

Audit Outcomes 2010/11 – 2014/15: Key Challenges

- **34% of munis have not improved since 2010/11**
- **13% of munis have regressed since 2010/11**
- **92% of municipalities with financial health / going concern challenges**
 - Contract management remains key challenge, regression compared to 2011
 - Internal controls still key problem area
 - Slow response to “high levels of non compliance...demonstrates a lack of consequences in LG for poor performance and transgressions”
 - **Yet consequence management improved to over 50% compared to 29% in 2012/13 = accountability improving**

2014-15 Audit Outcome Highlights

- Overall improvement in audit outcomes across all provinces, except Limpopo
- Free State Province registering it's first unqualified audit with no findings
- Unqualified with no findings: 32% improvement nationally
- Approximately 46% of local municipalities moved out of red zone
- **SALGA provided direct support (MASP) to 8 munis that moved out of red zone**
- 43% reduction in disclaimers nationally
- Previous perennial disclaimers reduced by 54%
- Red zone reduced to 40 municipalities, of which 14 = perennial disclaimers

Analysis of Overall Trends

- **These positive service delivery, spending and capacitation trends point to the increasing capacity of municipalities to plan & execute their programs**
 - Latest StatsSA data confirms the pace of delivery continues despite chasing a moving target = constant population growth and migration
 - Ability to accurately report on budgets and financial statements, and improved audit outcomes (including performance measurement) as an important measure of institutional resilience
 - compared to a decade ago, shows a maturing sector developing the capability to take on more responsibility in accelerating social transformation interventions on basic services and integrating human settlements
 - **Impact of SALGA's work in key areas starting to yield increasing dividends**
- *** Nevertheless, times are changing and the pace of change accelerating**

2. Guiding and Managing the Transition

- Current challenges informing strategic outlook
- Readiness for the transition (SALGA support)
- SALGA strategic ‘flagship’ priorities for 2016/17

Our greatest challenge = Spatial Transformation

- On spatial transformation and social cohesion – our economic reality still characterised by pervasive (and increasing) inequality
 - Too many South Africans still live on periphery of main centres of opportunity
 - Spend the majority of their salaries on transport to access decent work, and are generally marginalised in the mainstream economy
 - Too many Youth are not able to obtain the necessary skills and opportunities to participate in the productive economy
 - We haven't (as yet) harnessed our entrepreneurial talent to diversify our economic landscape
 - This poses particularly profound challenges at LG level

Current challenges and imperatives informing our focus

Current macro-economic constraints bears relevance to LG and should inform our strategic agenda:

- Growing consumer indebtedness and ability to pay for services
 - Growing indigency / Free Basic Services Bill (declining household income)
 - Studies = 58% of people living within municipalities are unable to pay for rates or services
 - General increases in provision have increased vs declining revenues derived
 - This has huge implications on cost of services and under funding...
 - For eg. from 2005 to 2014, the national % of people paying for water has declined from 61.9% to 43,7%⁹ (decreasing revenue base)
- Ballooning outstanding debt (*govt, business and residents*), now over R108 billion (*historic debt accumulated - gross debtors, interest growth*)
 - *Realistically collectable amount is estimated around R23 billion (National Treasury)*
 - *Metros are owed R54.4 billion (2007 = R23 billion) & secondary cities over R23.8 billion (mostly household debt)*
 - *Jhb = R13.3 billion ; Ekurhuleni – R11.6 billion*

Key challenges to Professionalisation of Senior Management

Key Issue: Retention and attraction of skilled personnel at management level

- **NT Minimum Competency Rqmts for MMs and Senior Managers**
 - Proposal: necessary competencies be obtained within 2 yrs from date of appointment, failing which the appointment will lapse
 - This will allow new entrants into sector, not recycling of existing managers
 - Recognition of prior learning still major challenge
- **Financial Misconduct Regulations**
 - Provisions contrary to those contained in disciplinary regs for SMs, such as the investigation / process for suspension = serious implementation challenges
 - The conflicting areas have the potential to nullify all proceedings and impair the ability of municipalities to act swiftly
 - Collective agreement on discipline should cover all disciplinary steps, including financial misconduct

Key challenges to Professionalisation of Senior Management

- **Regulations on the Conditions of Service and the Determination on the Upper Limits of Salaries of Senior Managers in LG**
 - Overly process orientated and restrictive to muns in selection as well as the implementation of conditions of service
 - Circular indicate that DCOG appointed a panel of competency assessors to provide the competency assessment service to municipalities

SALGA view: COGTA and NT agree on a single set of competency requirements for MMs / managers
- **Draft Notice (Upper Limits)**
 - Continues to be a major challenge in our efforts to attract and retain the right administrative leadership in our municipalities (particularly to drive this transformative and challenging agenda)

Specific session (6) to focus on professionalisation relating to SMs

Increasing encroachment – Judicial confirmation of LG’s powers and functions

- Recent years have seen increase of encroachment into the institutional integrity of LG, its constitutional status, institutions, powers and functions
 - Courts have taken dim view of these actions by other spheres
 - Unconstitutionality of Dev Facilitation Act leading to SPLUMA
 - Land Use is LG reg matter that must be complied with – Maccsand vs City of CT and others
 - Tronox KZN Sands case re Development Appeal Tribunal unconstitutional
 - Mogalakwena LM and other interventions
- Most recent issue: Shared services model proposed in North West
- Our lobbying and advocacy and support / legal advise will continue to robustly defend the integrity of LG



**Our 16-17 APP therefore shaped around
these pressing challenges**

Readiness for transition

- 2016 general LG elections scheduled to take place on 3 August 2016
- To ensure smooth transition, SALGA will provide substantial support to municipalities before, during and after the election
- SALGA Framework for the Transition was adopted by the SALGA NMA 2016 (20 May), and is currently being implemented
- Following key support components:
 - **Support to municipalities undergoing transition (restructuring of municipalities due to the boundary re-determination)**
 - All 8 prov govts with munis involved in major restructuring have constituted Change Management Committees
 - SALGA participates in the Change Management Committees in all 8 provinces
 - Governance support document pack on guidelines and circulars on matters prior, during and post elections
 - Including Std Rules of Order (for consideration by Councils)

Readiness for transition

- **Cllr induction programme (immediately after elections)**
 - Training delivery through online system
 - Online training delivery methodology for re-elected cllrs
 - These offerings to be provided through the SALGA Centre for Leadership and Governance (SCLG)
 - CIP 2016 modules will be accredited by LGSETA (credits = full qualification)
 - LGSETA accredited facilitators will be used + non returning councillors as support
 - Cllrs will receive statements of results (SORs) upon successful completion

- **Social protection and empowerment plan cllrs**
 - Skills development training
 - Once off gratuity
 - Financial management
 - Entrepreneurship development

SCLG Key Pillars



LEARNING



REFLECTING



SHARING

START UP PROGRAMMES

Leadership in
Governance Programme

'Local Links' Leadership
Conversations

SADC Peer Exchange
Programme

Strategic Facilitation
Programme

SERVICES & PRODUCTS

Psychometric and Competency Assessments
E-Learning Platform
Centralised booking, Client Tracking tool
Action Research and Case Study development

Key Strategic Priorities for 2016/17

1. Accelerate roll out of the Municipal Audit Support Programme
2. Roll out of SALGA Centre for Leadership & Governance programmes (thought leadership)
- 3. Lobby for review of specific legislation to strengthen LG's role in integrated planning, economic dev and spatial transformation**
4. Roll out of Strategic Profiling of LG and re-branding of SALGA (NMA 2016)
5. Launch of SALGA knowledge / innovation products and services
- 6. Sustainable urban development programme is implemented**
- 7. Guide and manage the transition in LG & SALGA**

3. Looking forward – envisioning the future of local governance in South Africa

- Opportunities and prospects for smart and connected governance in migrating from the industrial to the digital economy and effecting greater spatial transformation
- Positioning SALGA to be a thought leader in this digital age
 - Rethinking our strategic approach (for the next term) in localising the post 2015 sustainable development agenda

Increasing Urbanisation – LG at Centre of a Changing World

- **Global economy is now much more interconnected** and there is a profound spatial reality to these economic shifts – high concentration in urban areas & inequality gap and social burden is growing
 - 2000 metro areas are expected to contribute 75% of global economic growth between 2007 – 2025
 - 600 cities account for 62% of global growth and within that cohort, a further 100 cities account for 35%
 - Obvious impact of current global economic system is rising inequality and its socio economic impact
 - Only **28% of the labour force in Africa occupy stable wage-earning jobs compared to 63% in vulnerable employment**
 - **63% of urban dwellers in sub-Saharan Africa live in informal settlements**
- = Potential tax bases of urban governments are relatively small, creating fiscal imbalance to address the vast service delivery and economic infrastructure needs

Post 2015 sustainable development agenda

- In 2015, the world transitioned from the MDGs and universally adopted 17 **Sustainable Development Goals**, Vision 2030
 - global **Paris Accord on Climate Change** adopted in December 2015
 - **Habitat III agenda** is an important policy giving effect to the SDGs, particularly goal 11, and will be adopted at the October 2016 Global Conference
- Closer to home, the **African Union Agenda 2063: *The Africa we Want*** &
- **National Development Plan**, also Vision 2030 also focus on a more sustainable, inclusive and just future
- (Collectively these constitute our post 2015 development agenda)

Convergence of new reality at local level

- Convergence of a number of key challenges (global and local) is having an increasingly significant impact on our local realities
- Rapidly changing / interconnected world, coupled with **unprecedented disruption and innovation challenging the way we do business and governance** in the 21st century
 - this convergence presents both a significant challenge and huge opportunity to position LG at centre of localising sustainable growth and development
 - **What are the implications and opportunities this presents for locally connected governance?**

The bottom line remains – purpose and objects of LG

Recalling the **7 DIMENSIONS OF DEVELOPMENTAL LG** espoused in Constitution & White Paper, these remain the core objectives of LG, namely:

- Provide democratic and accountable local governance to communities
- Ensure sustainable service provision
- Promote social and economic development (spatial transformation)
- Promote a safe and healthy environment
- Encourage the involvement of communities and community organisations in municipal affairs
- Sound Financial Management – prudent management of resources and financial sustainability
- Leading and learning (social learning for innovation)

Opportunities for connected LG

So how do we harness the potential provided by technology and digitalisation to:

- Govern internally – using technology to improve efficiency whilst reducing costs
- Govern externally – to engage with our citizens in real time & ways that they want
- Provide services through new ways of planning & managing social / economic infrastructure
- Manage debt and local revenue generation
- **& enable us to inspire:**
 - Strategic / SMART governance – capable administration, sound financial practice, good governance, integrated municipal management, indication, IGR
 - Integrated Social and Economic Development – putting people first, service delivery, responsive government, spatial economic informants
 - Spatial Transformation – Strategic SDFs, performance based LUMS, policy-based decision-making

Opportunities for SALGA

POTENTIAL KEY PILLARS OF NEXT TERM STRATEGY:

4TH Industrial (Digital) Revolution: Implications & opportunities for SALGA inspiring locally connected governance

1. Lobbying & advocacy strategy - appropriate policy and regulatory changes to enable LG to accelerate people centered development in a differentiated manner
 - ie. differentiated powers and functions for cities, towns and rural municipalities within the constitutional framework (Streamline & re-balance intergovernmental division of powers and fiscal arrangements)
2. Strengthen the viability and long term financial sustainability of local government through accurate costing and revenue enhancement and diversification
3. Drive sustainable and inclusive local economic growth and spatial transformation

Opportunities for SALGA

POTENTIAL KEY PILLARS OF NEXT TERM STRATEGY Cont.

4. Strengthen good governance and build resilient municipal institutions
5. Lead in data intelligence, thought leadership, knowledge & innovation
6. Modernising governance and staying in touch – technological innovation and connecting people to their ecosystems, institutions and services
7. Revenue generation and financial management in a changing economic environment – rethinking PPPs, infrastructure investment and innovative financing
8. Stimulating local action in building clean and green, healthy and sustainable communities

NB: In a restrained resource and fiscal environment – the value of strategic partnerships, networks and stakeholder relationships (**collaboration**) will be critical to successful execution

Opportunities for SALGA

FOR SALGA THIS MAY MEAN ADDITIONALLY... (EMT Lekgotla May 2016 preliminary discussion)

- **Invest heavily in Research and Development**
 - Evidence based lobbying and advocacy (thought leadership)
 - Technological support solutions and governance modernisation
- **More Strategic support and advice**
 - More coherent and structured support to different types of municipalities (differentiated support and intervention model)
 - Focus on the game changers in the IGR system
- **Lead a Sustainable Urban Development Programme**
 - Building Smart & Resilient Future Cities – harnessing the value chain, efficiency and interdependence of the urban system and built environment (incl. small towns / rural economy)
 - Political champion (working group) for IUDF and SPLUMA
 - Work with SACN, CSP (NT) and others on programmes (collaborative model)

Seize the moment!

- We need to build on the last 15 years & take the opportunity presented by **SDGs, Agenda 2063, NDP in the context of the digital age** to:
 - Transform our spaces through building inclusive and sustainable local economies based on localised solutions
 - Particularly thru ensuring that the **next generation of IDPs** facilitate real transformation, inspire entrepreneurial innovation and partnerships and grow our pockets of excellence through encouraging more practical solutions in building inclusive local economies
 - Make sustainable choices in expanding our infrastructure network and services to support our short, medium and long term housing, energy, transport, water and sanitation needs
- Strengthen social accountability and people's involvement in the modernisation of the governance of municipalities

LG leading and learning

- Positioning and strengthening SALGA for the next term aims to respond to our the sector's challenges &
 - play an **effective and thought provoking / leading role** in managing the transition to the 4th democratic term of LG and into the future of **smart, digital and more connected local governance**
- A strong and effective SALGA is vital to the optimisation of our developmental objectives and cooperative governance system and building a formidable LG sector during the next term

Upping our game in Inspiring Service Delivery and People Centered Local Governance

Thank You